

SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT

BLUE TORCH CREDIT OPPORTUNITIES KRS FUND LP
(A Delaware Limited Partnership)

Limited Partnership Interests

THESE ARE SPECULATIVE SECURITIES

Blue Torch Credit Opportunities KRS GP LLC
General Partner

Blue Torch Capital LP
Investment Manager

150 East 58th Street, 18th Floor
New York, NY 10155
Attention: Investor Relations
E-mail: ir@bluetorchcapital.com

FOR U.S. INVESTORS ONLY

BLUE TORCH PRIVACY POLICY

FACTS	WHAT DOES BLUE TORCH CAPITAL LP (“BLUE TORCH”) DO WITH YOUR PERSONAL INFORMATION?	
WHY?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
WHAT?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> ▪ Social security number ▪ Income ▪ Assets ▪ Risk tolerance ▪ Wire transfer instructions ▪ Transaction history <p>When you are no longer our customer, we continue to share information about you as described in this notice.</p>	
HOW?	All financial companies need to share customers’ personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers’ personal information; the reasons Blue Torch chooses to share; and whether you can limit this sharing.	
Reasons we can share your personal information	Does Blue Torch Share?	Can you limit this sharing?
For our everyday business purposes - such as to process your transactions, maintain your accounts(s) or respond to court orders and legal investigations.	Yes	No
For our marketing purposes - to offer our products and services to you	No	We don’t share
For joint marketing with other financial companies	No	We don’t share
For our affiliates’ everyday business purposes - information about your transactions and experiences	Yes	No
For our affiliates’ everyday business purposes – information about your creditworthiness	No	We don’t share
For nonaffiliates to market to you	No	We don’t share
Questions?	Call XXXXXXXXXX	
Who we are		
Who is providing this notice?	Blue Torch Capital LP Blue Torch Credit Opportunities KRS GP LLC	
What we do		
How does Blue Torch protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and offices.	

<p>How does Blue Torch collect my personal information?</p>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> ▪ Enter into an investment advisory contract ▪ Seek investment advice ▪ Make contributions or withdrawals from your account ▪ Tell us about your investment portfolio ▪ Give us your employment history
<p>Why can't I limit all sharing?</p>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> ▪ sharing for affiliates' everyday business purposes—information about your creditworthiness ▪ affiliates from using your information to market to you ▪ sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>
<p>Definitions</p>	
<p>Affiliates</p>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ <i>Blue Torch Capital LP</i> ▪ <i>Blue Torch Finance LLC</i> ▪ <i>Blue Torch Credit Opportunities GP LLC</i> ▪ <i>Blue Torch Credit Opportunities GP II LLC</i> ▪ <i>Blue Torch Offshore Credit Opportunities GP II LLC</i> ▪ <i>Blue Torch Credit Opportunities Fund I LP</i> ▪ <i>Blue Torch Credit Opportunities Fund II LP</i> ▪ <i>Blue Torch Offshore Credit Opportunities Fund II LP</i> ▪ <i>Blue Torch Offshore Credit Opportunities Master Fund II LP</i> ▪ <i>Blue Torch Credit Opportunities SC Fund LP</i> ▪ <i>Blue Torch Credit Opportunities SC Master Fund LP</i> ▪ <i>Blue Torch Credit Opportunities SC GP LLC</i> ▪ <i>Blue Torch Credit Opportunities SBAF GP LLC</i> ▪ <i>Blue Torch Credit Opportunities SBAF Fund LP</i> ▪ <i>Blue Torch Credit Opportunities KRS GP LLC</i> ▪ <i>Blue Torch Credit Opportunities KRS Fund LP</i>
<p>Nonaffiliates</p>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies, including placement agents, lenders, custodians and administrators.</p>
<p>Joint Marketing</p>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you, such as a placement agreement.</p>

BLUE TORCH CREDIT OPPORTUNITIES KRS FUND LP

INSTRUCTIONS

Capitalized terms used but not otherwise defined in these Instructions have the meanings set forth in the Subscription and Capital Commitment Agreement accompanying these Instructions.

A set of Signature Pages accompanies this Subscription and Capital Commitment Agreement. This Subscription and Capital Commitment Agreement has been formatted so that only the Signature Pages and accompanying Schedules need to be completed; however, the entire Subscription and Capital Commitment Agreement, including the completed Signature Pages, must be sent by e-mail to ir@bluetorchcapital.com, attention: [REDACTED]. A copy of the entire Subscription and Capital Commitment Agreement and any additional information as may be requested by the Administrator or Blue Torch Credit Opportunities KRS GP LLC (the “General Partner”) must also be sent to the Administrator by email to [REDACTED].

The Subscriber will be notified of the acceptance or rejection of its subscription prior to the date of subscription. If the subscription is rejected, Blue Torch Credit Opportunities KRS Fund LP (the “Fund”) will return the Subscription and Capital Commitment Agreement and refund (without interest) any of the Subscriber’s Capital Contributions received by the Fund.

IRS Form

Each Subscriber should complete, sign and date a U.S. Internal Revenue Service (“IRS”) Form W-9.

Additional Documentation

In addition to the Subscription and Capital Commitment Agreement, the Subscriber must return the Signature Pages, a completed copy of the IRS Form W-9, certifications, suitability or other relevant information (including documents and other information listed on Schedule E that may be required to verify the Subscriber’s identity for anti-money laundering purposes) requested by the Administrator or the General Partner.

The General Partner or the Administrator may request additional documentation confirming the Subscriber’s authority to make a Capital Commitment.

Additional Information

For additional information, please contact Investor Relations (by telephone at [REDACTED] or by e-mail at ir@bluetorchcapital.com).

Payment of Capital Contributions

All Capital Contributions must be made by wire transfer of immediately available funds or by other means acceptable to the General Partner upon drawdown notices made by the General Partner. The relevant wire transfer instructions will be included in the drawdown notice. Late payment of Capital Contributions may subject the Subscriber to various penalties under the Fund Agreement.

THE FUND IS A SPECULATIVE INVESTMENT. SUBSCRIBERS MAY LOSE ALL OR SUBSTANTIALLY ALL OF THEIR INVESTMENT IN THE FUND. AN INVESTMENT IN THE FUND WILL INVOLVE SIGNIFICANT RISKS DUE TO, AMONG OTHER THINGS, THE RISK

**CONSIDERATIONS AND CONFLICTS OF INTEREST DISCUSSED IN SCHEDULE F
HERE TO. PROSPECTIVE INVESTORS SHOULD REVIEW SCHEDULE F CAREFULLY
PRIOR TO MAKING AN INVESTMENT DECISION.**

BLUE TORCH CREDIT OPPORTUNITIES KRS FUND LP

SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT

Limited Partnership Interests

BLUE TORCH CREDIT OPPORTUNITIES KRS FUND LP

c/o Blue Torch Capital LP
150 East 58th Street, 18th Floor
New York, NY 10155
E-mail: ir@bluetorchcapital.com
Attention: Investor Relations

Dear Ladies and Gentlemen:

1. Capital Commitment. The undersigned (the “Subscriber”) hereby makes an irrevocable capital commitment to Blue Torch Credit Opportunities KRS Fund LP, a Delaware limited partnership (the “Fund”) in the amount set forth on the Signature Pages (a “Capital Commitment”) and thereby subscribes to acquire a limited partnership interest in the Fund (an “Interest”).

Capitalized terms used but not defined herein have the meanings assigned to such terms in the Fund’s amended and restated limited partnership agreement, as may be amended and/or restated from time to time (the “Fund Agreement” and together with this Subscription and Capital Commitment Agreement, the “Fund Documents”).

Blue Torch Credit Opportunities KRS GP LLC, a Delaware limited liability company (the “General Partner”), is the general partner of the Fund. Blue Torch Capital LP, a Delaware limited partnership (the “Investment Manager”) serves as the Fund’s investment manager. The Subscriber understands that, if accepted, the Subscriber will become a limited partner of the Fund (a “Limited Partner”) and be subject to the terms of the Fund Documents.

This Subscription and Capital Commitment Agreement is irrevocable and is subject to being accepted or rejected, in whole or in part, by the General Partner in its sole discretion.

2. Capital Contributions and Drawdowns. If this Subscription and Capital Commitment Agreement is accepted, the Subscriber agrees that it shall have an unconditional, complete and binding obligation to make a cash contribution to the Fund (a “Capital Contribution”) for each drawdown of capital as may be requested by the General Partner from time to time (a “Drawdown”). The Subscriber understands that only a portion of the Capital Commitment may be drawn down for payment in connection with the relevant closing date (the “Closing Date”), and that following the Closing Date and subject to any limitations set forth in the Fund Agreement, the Subscriber shall be obligated to make Capital Contributions on the date(s) specified by the General Partner (each, a “Drawdown Date”) on a minimum of 10 Business Days’ written notice prior to each Drawdown Date. The Subscriber has or will reserve sufficient available liquid assets to meet such Capital Contribution obligations.

Blue Torch Credit Opportunities KRS Fund LP

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3. Default Provisions. The Subscriber understands and agrees that upon the failure of the Subscriber to make any Capital Contribution when called for by the General Partner on behalf of the Fund (including, for the avoidance of doubt, any Recycled Amounts that increase Undrawn Capital Commitments), the Subscriber will be in default and will be subject to certain rights and remedies available to the General Partner as set forth in the Fund Agreement. For the avoidance of doubt, these remedies and rights set forth in the Fund Agreement are in addition to, and not in limitation of, any other rights available to the Fund at law or in equity.

4. Representations, Warranties, Covenants and Acknowledgements. As an inducement to the General Partner to accept this Subscription and Capital Commitment Agreement on behalf of the Fund, the Subscriber hereby represents, warrants and, if applicable, covenants to the General Partner, the Investment Manager, the Fund, [REDACTED] (collectively with [REDACTED] the “Administrator”) as follows:

(a) The Subscriber, if an entity: (i) is duly formed, validly existing and in good standing under the laws of its jurisdiction of organization; (ii) has the power and authority to execute and deliver this Subscription and Capital Commitment Agreement and each other document required to be executed and delivered by the Subscriber pursuant to the Fund Documents; (iii) represents that the execution and delivery of this Subscription and Capital Commitment Agreement and such other documents and the performance of the Subscriber’s obligations thereunder and the consummation of the transactions contemplated thereby have been duly authorized; and (iv) represents that the person signing this Subscription and Capital Commitment Agreement on behalf of the Subscriber has been duly authorized to execute and deliver this Subscription and Capital Commitment Agreement and each other document required to be executed and delivered by the Subscriber pursuant to the Fund Documents.

(b) The Subscriber, if a natural person: (i) is at least 21 years of age; and (ii) has all requisite legal capacity to acquire and hold an Interest and to execute, deliver and comply with the terms of each of the documents required to be executed and delivered by the Subscriber pursuant to the Fund Documents.

(c) The Subscriber is either: (i) acquiring the Interest for which the Subscriber has hereby subscribed for the Subscriber’s own account, for investment purposes only, not as a nominee or financial intermediary and not with a view to or for the resale or distribution thereof, in whole or in part, and no other Person has a direct or indirect beneficial interest in the Interest (including, without limitation, an economic interest arising out of a structured note, swap or similar transaction entered into between the Subscriber and any other Person with respect to which the Fund constitutes any component of the underlying reference asset); or (ii) subscribing as a nominee or financial intermediary for Person(s) acquiring an economic interest in the Fund, as a swap counterparty under a swap or as an issuer of an investment incorporating the Fund as any component of its reference asset, in which case all representations, warranties, acknowledgements and covenants set forth herein that are made by the Subscriber shall be deemed also to be made by the Subscriber on behalf of the Person(s) in respect of which the Subscriber is acting in such capacity, and any such Person(s) is/are responsible to the General Partner, the Investment Manager, the Administrator and the Fund for the representations, warranties, acknowledgements and covenants of such Person(s) made in this Subscription and Capital Commitment Agreement on behalf of such Person(s) to the same extent as such Person(s) would be had they executed this Subscription and Capital Commitment Agreement themselves.

(d) The Subscriber has all governmental, regulatory and administrative registrations and approvals required for the Subscriber to invest in the Fund.

(e) The Subscriber has: (i) such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Fund; and (ii) obtained, in the Subscriber's judgment, sufficient information from the Fund to evaluate the merits and risks of such investment.

(f) The Subscriber:

(i) has been furnished a copy of the Fund Agreement and Part 2A of the Investment Manager's Form ADV ("Form ADV") and has carefully read and understands the Fund Agreement, the Investment Manager's Form ADV and this Subscription and Capital Commitment Agreement; has evaluated the risks of an investment in the Fund, including the risks and conflicts of interest set forth in Schedule F to this Subscription and Capital Commitment Agreement under "Section II. Certain Risk Considerations" and "Section III. Certain Conflicts of Interest"; and has relied solely on the information contained in the Fund Documents in deciding whether to make a subscription (irrespective of any other materials and information furnished to the Subscriber in connection with such subscription);

(ii) has been furnished with any materials relating to the Fund, its operations, the offering of the Interests, the Fund Agreement, the investment experience of the General Partner's and the Investment Manager's personnel and any other matters relating to the General Partner, the Investment Manager, the Administrator, the Fund and this investment that the Subscriber has requested;

(iii) understands that the Fund is a newly formed entity, and therefore, has no financial or operating history upon which the Subscriber may evaluate its performance;

(iv) acknowledges that the past performance of any investments or investment funds in whose management Blue Torch Parties participated cannot be construed as any indication of the future results of an investment in the Fund, and there can be no assurance that the General Partner or the Investment Manager will be successful in implementing the Fund's strategy;

(v) has been afforded the opportunity to ask questions of, and receive answers from, the General Partner, the Investment Manager, the Administrator and the Fund to the extent that the Subscriber has deemed necessary or advisable in order to verify the accuracy of the information set forth in the Fund Agreement;

(vi) understands that the information provided in this Subscription and Capital Commitment Agreement will be relied upon by the Fund and the General Partner, including without limitation for the purpose of determining the eligibility of the Subscriber to purchase or hold the Interest and/or for the purpose of making any required filings pursuant to applicable securities laws. The Subscriber shall inform the General Partner in writing promptly if any such information provided herein (including the Schedules hereto and any other documents provided by the Subscriber to the Fund or the General Partner in connection with its investment in the Fund) ceases to be true and accurate and agrees to provide, if requested, any additional information that may reasonably be required by the General Partner. In addition to the Subscriber's agreement to provide updated information pursuant to other sections of this Subscription and Capital Commitment Agreement, the Subscriber will furnish to the Fund promptly, upon request, any information about the

Subscriber reasonably determined by the General Partner to be necessary or required by third parties for the evaluation, structuring, implementation or consummation of the Fund's investments or for the formation, operation, dissolution, winding-up or termination of the Fund, including, without limitation, governmental agencies and authorities, if relevant; and

(vii) has determined that the Interest is a suitable investment for the Subscriber and that the Subscriber has the financial ability to bear the economic risk of the investment (including the possible complete loss of the Capital Commitment amount), has adequate means of providing for the Subscriber's current needs, financial contingencies and cash flow requirements and has no need for liquidity with respect to the Subscriber's Interest.

(g) The Subscriber recognizes that no withdrawals may be made from the Fund and that the Subscriber must be committed to the Fund until its liquidation and must be committed to make Capital Contributions, despite possible materially adverse changes in the economic climate, the Fund, the General Partner, the Investment Manager and/or the Subscriber's own financial condition and portfolio objectives. The Subscriber recognizes that there is not now any public market for the Interests and that such a market is not expected to develop. Consequently, the Subscriber is prepared to hold an Interest in the Fund for a significant period of time, which could last longer than six years from the date of investment.

(h) The Subscriber acknowledges that distributions from the Fund may be made in cash or in kind with respect to any portion or all of an investment.

(i) In making its decision to subscribe, the Subscriber has relied solely upon independent investigations made by the Subscriber or by its professional advisers. The Subscriber is not relying on the Fund, the General Partner, the Investment Manager, the Administrator and/or any Blue Torch Party with respect to any legal, tax or other economic considerations relating to the Subscriber's investment decision to make a Capital Commitment, and further understands that the only disclosures for which the Fund or any Blue Torch Party accepts any responsibility relating to the Subscriber's Capital Commitment are those set forth in the Fund Agreement.

(j) The Subscriber is not subscribing for an Interest as a result of, or subsequent to, any advertisement, article, notice or other communication published in any newspaper, magazine, website or similar media or broadcast over television, radio or internet, or presented at any seminar or general meeting, or any solicitation by a Person not previously known to the Subscriber in connection with investments generally.

(k) The Subscriber has determined that its subscription is consistent with the obligations which the Subscriber may have to its beneficiaries or beneficial owners, if any.

(l) The Subscriber understands that the Fund will not register as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Company Act"). The Subscriber hereby further certifies that:

(i) the Subscriber is a "qualified purchaser," as defined under the Company Act (see Schedule A);

(ii) the Subscriber is an "accredited investor," as defined under the U.S. Securities Act of 1933, as amended (the "Securities Act") (see Schedule B);

(iii) the Subscriber, if an entity, was not formed for the purpose of investing in the Interest; and

(iv) the Subscriber, if an entity, has not invested more than 40% of its total assets in the Interest. In addition, no investor in or beneficiary of the Subscriber can independently decide whether or not to participate in any particular investment made by the Subscriber.

(m) The Subscriber understands that the General Partner has elected to treat the Fund as an exempt pool under Commodity Futures Trading Commission (“CFTC”) Rule 4.13(a)(3) on the basis that Interests are only issued to “accredited investors” (as defined in the Securities Act, and the regulations thereunder) and that the Fund’s use of futures will be limited in scope. Consequently, the General Partner will not be required by CFTC rules to deliver to Limited Partners a disclosure document or a certified annual report complying with CFTC regulations.

(n) The Subscriber agrees promptly to provide any representations or information and periodically update and reaffirm such representations or information that the Fund, the General Partner or the Investment Manager, in its sole discretion, reasonably determines is necessary or advisable for the Fund to comply with Rule 506(d) of Regulation D of the Securities Act, which may include, among other things, representations that the Subscriber has not been involved in any “disqualifying events,” as described under Rule 506(d). The Subscriber acknowledges that if the Subscriber fails to provide any such representations or information in a timely manner, or any such representations or information cease to be true and correct, the General Partner may take any action permitted by the Fund Agreement that the General Partner determines is necessary or advisable for the Fund to comply with Rule 506(d).

(o) The Subscriber has carefully reviewed and understands the terms of the Fund Documents and specifically agrees to and acknowledges the terms thereof, including the exculpation and indemnification provisions set forth therein, and that such provisions shall survive the Fund’s dissolution.

(p) The Subscriber confirms that none of the Fund or any Blue Torch Party guarantees the success of an investment in the Fund or that substantial or total losses will not be incurred on such investment.

(q) The Subscriber understands that: (i) an investment in the Fund is subject to substantial fees and expenses and (ii) with respect to the profit sharing and compensation arrangements between the Fund and the General Partner and/or Investment Manager set forth in the Fund Agreement, the Fund Agreement and such profit sharing and compensation arrangements represent arm’s-length arrangements between the Subscriber and the Fund, on the one hand, and the General Partner and/or Investment Manager, on the other hand.

(r) The Subscriber specifically agrees and consents to the conflicts of interest to which the Blue Torch Parties may be subject in operating the Fund (as described in this Subscription and Capital Commitment Agreement, the Fund Agreement and the Investment Manager’s Form ADV). The Subscriber covenants not to object to or bring any proceedings against any of the foregoing relating to any such conflict of interest, provided that the relevant Blue Torch Parties comply with the standard of care set forth in the Fund Agreement (including without limitation the Conflict of Interest Statement attached thereto as Schedule B).

(s) The Subscriber acknowledges and agrees that by reason of the other business activities of one or more of the Blue Torch Parties, the Investment Manager may not be able, or may determine not, to initiate a transaction for the Fund that the Investment Manager would otherwise have initiated for the Fund.

(t) The Subscriber acknowledges that the Blue Torch Parties may manage other investment funds, investment vehicles and/or accounts in addition to the Fund and that the General Partner and the Investment Manager may have financial and other incentives to favor certain of such investment funds, investment vehicles and/or accounts over the Fund.

(u) The Subscriber understands and consents to the brokerage and custody arrangements used by the Fund.

(v) The Subscriber understands that no U.S. federal or state agency, securities or commodity exchange or self-regulatory body has reviewed the private placement of the Interests or made any finding or determination as to the fairness of the business terms of an investment in the Fund.

(w) [RESERVED].

(x) The Subscriber covenants that the Subscriber will: (i) provide any form, certification or other information reasonably requested by and acceptable to the General Partner or the Fund that is necessary or advisable, as determined by the General Partner, for the Fund (A) to prevent withholding or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund receives payments, (B) to satisfy reporting or other obligations under the U.S. Internal Revenue Code of 1986, as amended (the “Code”), the regulations of the U.S. Department of the Treasury (the “U.S. Treasury Department” or the “Treasury”), any agreement with the U.S. Treasury Department or any other government division or department or any applicable intergovernmental agreement or implementing legislation, or (C) to make payments (including of distributions) to the Subscriber free of (or at a reduced rate of) withholding or deduction; (ii) update or replace such form, certification or other information in accordance with its terms or subsequent amendments or as requested by the General Partner or the Fund; and (iii) otherwise comply with any reporting obligations imposed by the United States or any other jurisdiction, including reporting obligations that may be imposed by future legislation or regulations. The Subscriber hereby consents to the disclosure by the Fund of the foregoing information to any governmental authority or to any person or entity from which the Fund receives payments.

(y) In connection with the Subscriber’s investment in the Fund, the Subscriber does hereby waive any right granted by the Code to participate in any administrative proceeding of the Fund for each of the taxable years in which the Subscriber is a partner in the Fund for U.S. federal income tax purposes.

The Subscriber does hereby further waive any right granted in connection with the tax laws of any state or local jurisdiction to participate in any administrative proceeding of the Fund for each of the taxable years in which the Subscriber is treated as a partner in the Fund for purposes of the tax laws of such state or local jurisdiction. The Subscriber hereby agrees that upon request by the General Partner, it will provide any additional information or documentation, execute any forms or other documents, and take any other action required by law to effect such a waiver.

The Subscriber acknowledges that the information provided in connection with its subscription to the Fund may be filed with the U.S. Internal Revenue Service (the “IRS”) or any state or local taxing authority upon the commencement of any administrative proceeding of the Fund.

(z) The Subscriber hereby agrees, upon request by the Fund, the General Partner or the “partnership representative,” to timely provide any information and comply with any requirements (including the filing of any tax returns and the payment of any taxes) that the “partnership representative” determines is or are necessary or advisable to reduce the amount of any tax (including an “imputed underpayment” within the meaning of Section 6225 of the Code or similar provisions of state, local or non-U.S. law), interest, penalties or similar amounts the cost of which is (or would otherwise be) borne by the Fund (directly or indirectly) or to make any election permitted by the Code.

(aa) The Subscriber, if not a “benefit plan investor,” as described in Section 5 below, on the date the Signature Pages are signed, agrees to notify the General Partner a reasonable time in advance if the Subscriber becomes a “benefit plan investor”. If the Subscriber is a “Plan Assets Entity” as described in Section 5 below, then the portion of the Subscriber’s investment in the Fund representing the assets of benefit plan investors from the date hereof through and including the date on which the Subscriber disposes of its Interest in the Fund will not exceed the percentage set forth on the signature page hereto. If such percentage changes, the Subscriber agrees to notify the Fund in writing a reasonable time in advance of such change.

(bb) The Subscriber acknowledges that the Fund may invest in “new issues,” as such term is defined in U.S. Financial Industry Regulatory Authority, Inc. (“FINRA”) Rule 5130. The Subscriber acknowledges and agrees that (i) only Limited Partners that are categorized by the General Partner as “Non-Restricted Persons” may participate in such new issues and (ii) to the extent that a Limited Partner is deemed to be a “Restricted Person,” an investment in the Fund may not yield the same performance results as it does for Limited Partners who are entitled to participate in new issues. The General Partner’s determination of a Limited Partner’s “new issues” status shall be conclusive. In the absence of any response from a Limited Partner, or if the General Partner is not satisfied with any response, it may cease to allocate “new issues” income gains or losses to such Limited Partner. In addition, the General Partner will not, unless it determines otherwise, allocate any “new issues” income gains or losses to any Limited Partner that is an executive officer or director of a public company or a covered non-public company, or a person materially supported by such person, as those terms are defined in FINRA Rule 5131.

(cc) The Subscriber acknowledges and understands that [REDACTED] (the “Placement Agent”) has been engaged as the placement agent in connection with the placement of Interests in the Fund. The Subscriber has reviewed “*III. Certain Conflicts of Interest—Use of Placement Agents*” in Schedule F of this Subscription and Capital Commitment Agreement.

(dd) The Subscriber understands that the General Partner has retained DLA Piper LLP (US) (“DLA Piper”) as counsel to the Fund, the General Partner and the Investment Manager in connection with the formation of the Fund and the offer and sale of limited partner interests in the Fund and that the General Partner may retain DLA Piper as counsel in connection with the management and operation of the Fund, including, without limitation, making, holding or disposing of investments, or any dispute that may arise between the Subscriber or any other Limited Partner, on the one hand, and the General Partner and/or the Fund on the other hand (the “Partnership Legal”).

Matters”). The Subscriber understands that DLA Piper will not represent the Subscriber in connection with the formation of the Fund and the offer and sale of limited partner interests in the Fund, unless, subject to applicable law, the General Partner (or an affiliate) and the Subscriber otherwise agree and the Subscriber separately engages DLA Piper. The Subscriber will, if it wishes counsel on any Partnership Legal Matter, retain its own independent counsel with respect thereto and will pay all fees and expenses of such independent counsel. The Subscriber understands and agrees that: (1) DLA Piper has not investigated or verified the accuracy and completeness of any of the information set forth in the Fund Documents or in the due diligence materials made available to the Subscriber; and (2) other than as set forth in any written legal opinions of counsel to be issued as of the Closing Date, DLA Piper is not providing any advice, opinion, representation, warranty or other assurance of any kind as to any matter to any Limited Partner.

The Subscriber agrees that the foregoing representations and warranties, and all other information regarding the Subscriber set forth herein, may be used as a defense in any actions relating to the Fund or the offering of the Interests, and that it is only on the basis of such representations, warranties and other information that the General Partner may be willing to accept this Subscription and Capital Commitment Agreement.

If there should be any material change in any of the foregoing information, representations, warranties or covenants, the Subscriber agrees to inform the Fund as promptly as reasonably practicable. The Subscriber acknowledges that the Fund, the Blue Torch Parties and the Limited Partners shall rely on such information, representations, warranties and covenants on an ongoing basis.

THE INTERESTS ARE SPECULATIVE, ILLIQUID, INVOLVE SUBSTANTIAL RISK AND ARE A SUITABLE INVESTMENT ONLY FOR A LIMITED PORTION OF THE RISK SEGMENT OF A PORTFOLIO. THE SUBSCRIBER COULD LOSE ALL OF THE SUBSCRIBER’S INVESTMENT IN THE FUND.

THE SUBSCRIBER HAS READ CAREFULLY AND UNDERSTANDS THE FUND DOCUMENTS, AND HAS RELIED ON THE SUBSCRIBER’S OWN ADVISERS WITH RESPECT TO THE SUBSCRIBER’S SUBSCRIPTION AND THE SUITABILITY OF SUCH SUBSCRIPTION FOR THE SUBSCRIBER. THE SUBSCRIBER HAS NOT RELIED ON THE FUND OR ANY BLUE TORCH PARTY FOR TAX OR LEGAL ADVICE, BUT ONLY ON THE SUBSCRIBER’S OWN ADVISERS.

5. Benefit Plan Investors. The General Partner intends to limit investment by “benefit plan investors” to less than 25% of the total value of each “class of equity interests” of the Fund (not including investments by the General Partner, the Investment Manager, certain other Persons and their respective affiliates). **To help the General Partner determine whether the Subscriber’s investment is included in the 25% limitation, the Subscriber has accurately responded to the “Benefit Plan Investors” status questions on the Signature Pages.** The term “benefit plan investor” refers to: (a) any “employee benefit plan,” as defined in, and subject to the fiduciary responsibility provisions of, the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (an “ERISA Plan”); (b) any “plan,” as defined in and subject to Section 4975 of the Code (a “Tax Plan”); and (c) any entity (a “Plan Assets Entity”) deemed for any purpose of ERISA or Section 4975 of the Code to hold assets of any ERISA Plan or Tax Plan (together, “Plans”) due to investments made by Plans in such entity. “Benefit plan investors” include, but are not limited to, corporate pension and profit sharing plans, “simplified employee pension plans,” Keogh plans for self-employed individuals

(including partners), individual retirement accounts, funded medical benefit plans, funded life insurance plans, church plans that have elected to be subject to ERISA, bank commingled trust funds or insurance company separate accounts in which Plans have invested, and, under certain circumstances, all or a portion of the general account of an insurance company.

6. ERISA Representations. If the Subscriber is, or is acting on behalf of, an ERISA Plan or a Tax Plan or a Plan Assets Entity (in which case, the following representations and warranties are made with respect to each Plan holding an investment in such Plan Assets Entity), the individual signing this Subscription and Capital Commitment Agreement on behalf of the Subscriber, in addition to the representations and warranties set forth above, hereby further represents and warrants as, or on behalf of, the fiduciary of the Plan responsible for purchasing Interests (the “Plan Fiduciary”) that: (a) the Subscriber’s decision to invest in the Fund was made by the Plan Fiduciary and such Plan Fiduciary is acting as a fiduciary under ERISA or Section 4975 of the Code, or both, with respect to the Subscriber’s decision to invest in the Fund; (b) the Plan Fiduciary has considered an investment in the Fund for such Plan in light of the risks related thereto; (c) if the Plan is an ERISA Plan, the Plan Fiduciary has determined that, in view of such considerations, the investment in the Fund is consistent with the Plan Fiduciary’s responsibilities under ERISA; (d) the Plan’s investment in the Fund does not violate and is not otherwise inconsistent with the terms of any legal document constituting the Plan or any trust agreement thereunder; (e) the Plan’s investment in the Fund has been duly authorized and approved by all necessary parties; (f) neither the acquisition nor the holding of the Interests by the Subscriber will result in a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available; (g) it is not intended that the assets of the Fund shall include “plan assets” subject to ERISA or Section 4975 of the Code, so that neither the Fund, the General Partner nor the Investment Manager shall be a fiduciary with respect to any ERISA Plan under ERISA or any Tax Plan under Section 4975 of the Code; (h) the General Partner may at any time require the Subscriber to redeem all or such portion of its Interest as may be necessary to ensure that the assets of the Fund do not include “plan assets” under ERISA or Section 4975 of the Code; (i) none of the General Partner, the Investment Manager, any placement agent, any of their respective Affiliates or any of their respective agents or employees: (i) has investment discretion with respect to the investment of assets of the Plan used to purchase Interests; (ii) has authority or responsibility to or regularly gives investment advice with respect to the assets of the Plan used to purchase Interests for a fee; or (iii) is an employer maintaining or contributing to the Plan; and (j) the Plan Fiduciary: (i) is authorized to make, and is responsible for, the decision to invest in the Fund, including, in the case of an ERISA Plan, the determination that such investment is consistent with the requirement imposed by Section 404 of ERISA that Plan investments be diversified so as to minimize the risk of large losses; and (ii) is independent of the General Partner, the Investment Manager, each placement agent and each of their respective Affiliates and will remain independent of such parties for the duration of its investment in the Fund. The Subscriber will check the appropriate box in Section 5(c) of the Subscription Pages, and will promptly notify the General Partner if it cannot check any of such boxes. The Subscriber also shall, at the request of the General Partner, furnish the General Partner with such information as the General Partner may reasonably require to establish that the purchase of the Interests by the Plan does not violate any provision of ERISA or the Code, including, without limitation, those provisions relating to “prohibited transactions” by “parties in interest” or “disqualified persons,” as defined therein.

7. Other Plans. If the Subscriber is a “governmental plan” within the meaning of Section 3(32) of ERISA, a “church plan” within the meaning of Section 3(33) of ERISA that has not made an election pursuant to Section 410(d) of the Code, a non-U.S. employee benefit plan, or another plan or retirement arrangement that is not subject to the fiduciary responsibility provisions of Title I of ERISA or to Section 4975 of the Code (an “Other Plan”), or is a trust, partnership, limited liability company or other entity that is deemed to hold assets of an Other Plan under applicable law, then the Subscriber represents and warrants that: (a) the assets of the Fund will not be considered to include the assets of such Other Plan under the provisions of applicable law as a result of the Subscriber’s investment in the Fund; (b) there is no federal, state, local or non-U.S. law,

rule, regulation or constitutional provision applicable to the Other Plan that could in any respect affect the operation of the Fund by the General Partner or the Investment Manager, or prohibit any action contemplated by the operational documents and related disclosure of the Fund; and (c) the Subscriber's investment in the Fund is in accordance with the constituent documents of the Other Plan and will not result in a breach of any statute, rule, regulation or order of any court or governmental agency or body having jurisdiction over the Fund or any of its assets, including, without limitation, any law substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

8. Anti-Money Laundering Representations, Warranties and Covenants. As an inducement to the General Partner to accept this Subscription and Capital Commitment Agreement, the Subscriber hereby represents, warrants and, if applicable, covenants to the General Partner, the Investment Manager, the Administrator and the Fund (the "AML Parties") as follows:

(a) All evidence of identity provided by the Subscriber to the AML Parties is genuine, and all related information furnished by the Subscriber to the AML Parties is accurate. As part of the Fund's responsibility for preventing an investment in the Fund from being used as a means of money laundering, the Fund may require a detailed verification of the identity of the Subscriber and source of funds (as well as the Subscriber's direct or indirect beneficial owners, if any).

(b) The Subscriber agrees to provide any information deemed necessary from time to time by any AML Party to comply with applicable anti-money laundering laws, any AML Party's anti-money laundering program and related responsibilities.

(c) The Subscriber restates and reaffirms the representations and warranties made by the Subscriber in Section 4(c) in the specific context of money-laundering prevention.

(d) The Subscriber (or, if an entity, an authorized officer, director, partner, member, manager or other similar person thereof) certifies that: (i) it is in compliance with all applicable anti-money laundering laws and regulations and, if legally required to maintain anti-money laundering policies ("AML Policies") does so as required; and (ii) it has not received a deficiency letter, negative report or any similar determination regarding, and there is no current investigation relating to, its compliance with any applicable anti-money laundering laws and regulations and, if applicable, its AML Policies, from a person responsible for reviewing or auditing compliance therewith or from a regulator.

(e) Unless otherwise stated herein, the Subscriber is not acting as agent, representative, intermediary/nominee or in any similar capacity for any other Person.

(f) The Subscriber represents, warrants and covenants that none of the Subscriber, any Person controlling, controlled by, or under common control with, the Subscriber, or any Person having a beneficial interest in the Subscriber or that will have a beneficial interest in the Interest, is a Prohibited Investor,¹ and that the Subscriber is not investing and will not invest in the Fund on

¹ "Prohibited Investors" include: (1) a Person that is the subject of any sanctions administered or enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"); the U.S. Department of State; the U.S. Department of Commerce; the United Nations Security Council; the European Union; or Her Majesty's Treasury; (2) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, any SEC-maintained blocked persons list or other lists as required by Law, the Administrator, the Investment Manager or the Fund; (3) any Foreign Shell Bank (as defined below); and (4) any Person resident in or whose Subscription funds are transferred from or through an account in a jurisdiction that is designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering ("FATF"), of which the U.S. is a member, and with which designation the U.S. representative to the group or organization continues to concur. See <http://www.fatf-gafi.org> for

behalf of or for the benefit of any Prohibited Investor. The Subscriber agrees promptly to notify the General Partner or the Person appointed by the General Partner to administer the Fund's anti-money laundering program, if applicable, of any change in the information affecting this representation, warranty and covenant.

(g) The Subscriber acknowledges that, if, following issuance of the Interest to the Subscriber, an AML Party reasonably believes that the Subscriber is a Prohibited Investor, has otherwise breached any of the Subscriber's representations, warranties or covenants set forth herein, furnished incorrect information to the Fund, or otherwise caused concerns under the AML Party's anti-money laundering program and related responsibilities, the Fund may freeze the Subscriber's Interest, which the General Partner may do by declining any additional Capital Contributions and/or segregating the assets attributable to the Subscriber's Interest and/or taking such other action as the General Partner considers necessary or advisable in order to comply with applicable law, rules or regulations, including requiring the mandatory withdrawal of all or a portion of the Subscriber's Interest.

(h) The Subscriber acknowledges that any Transfer requested by the Subscriber may be delayed or declined by the General Partner in accordance with the Fund Agreement.

(i) None of the Subscriber or any director, officer, partner, member, shareholder, Affiliate or beneficial owner of the Subscriber is a Senior Foreign Political Figure,² any member of a Senior Foreign Political Figure's Immediate Family³ or any Close Associate⁴ of a Senior Foreign Political Figure.

(j) The Subscriber is not resident in, or organized or chartered under the laws of, a jurisdiction that has been designated by the U.S. Secretary of the Treasury under Section 311 or 312 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Interrupt and Obstruct Terrorism (USA PATRIOT) Act of 2001 (the "USA PATRIOT Act") as warranting special measures due to money laundering concerns.⁵

(k) The Subscriber's Capital Contributions do not originate from, nor shall they be routed through, an account maintained at a Foreign Shell Bank,⁶ an "offshore bank" or a bank

FATF's list of Non-Cooperative Jurisdictions and Territories.

² "Senior Foreign Political Figure" means a current or former senior political official in the executive, legislative, administrative, military or judicial branches of a non-U.S. government (whether elected or not), a senior official of a major non-U.S. political party, or a senior executive of a non-U.S. government-owned corporation. In addition, a Senior Foreign Political Figure includes any corporation, business or other entity that has been formed by, or for the benefit of, a Senior Foreign Political Figure. Senior executives are individuals with substantial authority over policy, operations or the use of government owned resources.

³ "Immediate Family," with respect to a Senior Foreign Political Figure, typically includes such Senior Foreign Political Figure's parents, siblings, spouse, children and in-laws.

⁴ "Close Associate" means, with respect to a Senior Foreign Political Figure, a person who is widely and publicly known to maintain an unusually close relationship with such Senior Foreign Political Figure, and includes a Person who is in a position to conduct substantial U.S. and non-U.S. financial transactions on behalf of such Senior Foreign Political Figure.

⁵ The U.S. Treasury Department's Financial Crimes Enforcement Network ("FinCEN") issues advisories regarding countries of primary money laundering concern. FinCEN's advisories are posted at <https://www.fincen.gov/resources/advisoriesbulletinsfact-sheets>.

⁶ "Foreign Shell Bank" means a Foreign Bank without a Physical Presence (each as defined below) in any country, but does not include a Regulated Affiliate (as defined below).

organized or chartered under the laws of a jurisdiction that is designated as non-cooperative with international anti-money laundering principles.

(l) The Subscriber acknowledges and agrees that any distributions paid to the Subscriber shall only be paid to the same account from which the Subscriber's Capital Contributions were originally remitted.

(m) The Subscriber acknowledges and agrees that the AML Parties may release confidential information concerning the Subscriber and, if applicable, any Person with a direct or indirect beneficial interest in the Subscriber's Interest or in the Subscriber itself, to Affiliates or agents, as well as regulatory or law enforcement authorities, if any AML Party determines that it is required or advisable to do so in order to ensure compliance with Law or if any AML Party considers such disclosure necessary or appropriate in the normal course of business or to enable them properly to conduct their affairs. The Subscriber agrees that any AML Party may share information with agents, Affiliates and other service providers in connection with the services they provide to the Fund, provided that such parties agree to preserve the confidentiality of such confidential information or are otherwise obligated to preserve the confidentiality of such confidential information pursuant to applicable law, rules or regulations.

(n) The Subscriber, by executing the applicable Signature Pages of this Subscription and Capital Commitment Agreement, represents and warrants that the Subscriber's Capital Contribution funds were derived from legal sources.

(o) In addition to the foregoing, each AML Party reserves the right to request such information as such AML Party may deem necessary or advisable to verify the identity of the Subscriber (or the Subscriber's direct or indirect beneficial owners) and the Subscriber's source of funds or to require the Subscriber, if an entity, to provide a copy of its anti-money laundering policies to the applicable AML Party. In the event of any delay or failure by the Subscriber to produce any information so requested, the General Partner or the Fund may, until proper information has been provided, refuse to accept any new Capital Contributions; refuse to process a Transfer requested by the Subscriber; and/or delay or withhold distributions. The Fund reserves the right to require the Subscriber to withdraw its investment if at any time the Subscriber fails to provide any additional information requested by any AML Party for verification purposes, for purposes of evaluating the Subscriber's anti-money laundering policies in light of the AML Parties' anti-money laundering policies and/or related responsibilities or as may be required by applicable law, rules or regulations.

"Foreign Bank" means an organization that: (i) is organized under the laws of a country outside the U.S.; (ii) engages in the business of banking; (iii) is recognized as a bank by the bank supervisory or monetary authority of the country of its organization or principal banking operations; (iv) receives deposits to a substantial extent in the regular course of its business; and (v) has the power to accept demand deposits, but does not include the U.S. branches or agencies of a non-U.S. bank.

"Physical Presence" means a place of business that is maintained by a Foreign Bank and is located at a fixed address, other than solely a post office box or an electronic address, in a country in which the Foreign Bank is authorized to conduct banking activities, at which location the Foreign Bank: (i) employs one or more individuals on a full-time basis; (ii) maintains operating records related to its banking activities; and (iii) is subject to inspection by the banking authority that licensed the Foreign Bank to conduct banking activities.

"Regulated Affiliate" means a Foreign Shell Bank that: (i) is an affiliate of a depository institution, credit union or Foreign Bank that maintains a Physical Presence in the United States or a non-U.S. country, as applicable; and (ii) is subject to supervision by a banking authority in the country regulating such affiliated depository institution, credit union or Foreign Bank.

(p) The Subscriber agrees that it shall have no claim against any AML Party or any Blue Torch Party for any form of damages as a result of any AML Party or any Blue Torch Party taking any of the actions referred to in this Section 7.

(q) The Subscriber understands and acknowledges that the General Partner, and the Administrator on the Fund's behalf, also reserves the right to refuse to pay any distributions to the Subscriber if the General Partner or the Administrator suspects or is advised that the payment of distributions to the Subscriber may be non-compliant with applicable law, rules or regulations, or if such refusal is considered necessary or advisable to ensure the compliance by the General Partner or the Administrator with such law, rules or regulations.

THE SUBSCRIBER AGREES PROMPTLY TO NOTIFY THE AML PARTIES, OR, IN THE CASE OF THE FUND, THE PERSON APPOINTED BY THE FUND TO ADMINISTER THE FUND'S ANTI-MONEY LAUNDERING PROGRAM AS NOTIFIED TO THE SUBSCRIBER BY THE FUND, IF ANY OF THE FOREGOING REPRESENTATIONS OR WARRANTIES IS NO LONGER ACCURATE OR IF THE SUBSCRIBER IS NOT COMPLYING WITH ANY OF THE FOREGOING COVENANTS, IN EACH CASE IN ALL MATERIAL RESPECTS.

9. Indemnity. The Subscriber agrees to indemnify and hold harmless the Fund, the Administrator, the General Partner, the Investment Manager and the Blue Torch Parties (each, an "Indemnified Party") against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation or any claim whatsoever commenced or threatened) arising out of or based upon any false, inaccurate or incomplete representation or warranty, misinformation or breach or failure by the Subscriber herein or hereunder or under any other document furnished or delivered by the Subscriber to any of the foregoing in connection with the Subscriber's Capital Commitment to, and subsequent Capital Contributions to, the Fund.

10. Beneficial Owners. If the Subscriber is acting as trustee, agent, representative or nominee for a subscriber (a "Beneficial Owner"), the Subscriber understands and acknowledges that the representations, warranties and agreements made herein are made by the Subscriber (a) with respect to the Subscriber as well as (b) with respect to the Beneficial Owner. The Subscriber further represents and warrants that it has all requisite power and authority from said Beneficial Owner to execute and perform the obligations under this Subscription and Capital Commitment Agreement. The Subscriber also agrees to indemnify the Indemnified Parties for any and all costs, fees and expenses (including legal fees and disbursements) in connection with any damages resulting from any material misrepresentation or misstatement by the Subscriber contained herein, or the assertion of the Subscriber's lack of proper authorization from the Beneficial Owner to enter into this Subscription and Capital Commitment Agreement or perform the Subscriber's obligations hereunder.

11. Acceptance of the Fund Agreement. The Subscriber agrees that on the date designated by the General Partner as the date as of which the Subscriber has been admitted to the Fund, the Subscriber shall become a Limited Partner, and the Subscriber hereby agrees to each and every term of the Fund Agreement.

12. Power of Attorney. The Subscriber, by its execution hereof, hereby irrevocably makes, constitutes and appoints each of the General Partner, any successor General Partner and the Liquidating Trustee, if any, in such capacity as Liquidating Trustee for so long as it acts as such, as its true and lawful agent and attorney-in-fact, with full power of substitution and full power and authority in its name, place and stead, to make, execute, sign, acknowledge, swear to, record and file: (a) the Fund Agreement and any amendment to the Fund Agreement (including any amendment to the Schedule of Partners) that has been adopted in accordance with the Fund Agreement, (b) the original Certificate of Limited Partnership of the Fund and all amendments thereto required or permitted by law and the provisions of this Agreement, (c) all certificates and other instruments

deemed advisable by the General Partner or the Liquidating Trustee to carry out the provisions of the Fund Agreement and applicable law or to permit the Fund to become or to continue as a limited partnership or partnership wherein the Limited Partners have limited liability in each jurisdiction where the Fund may be doing business, (d) all instruments that the General Partner or the Liquidating Trustee deems appropriate to reflect a change or modification of the Fund Agreement or the Fund in accordance with the Fund Agreement, including, without limitation, Transfers by Partners pursuant to the provisions of the Fund Agreement, (e) all conveyances and other instruments or papers deemed advisable by the General Partner or the Liquidating Trustee to effect the termination, winding up and dissolution of the Fund, (f) all fictitious or assumed name certificates required (in light of the Fund's activities) to be filed on behalf of the Fund, (g) all agreements and instruments necessary or advisable to consummate any Investment, including amendments thereto consistent with the Fund Agreement, (h) all agreements and instruments necessary or advisable to effectuate an assignment of a Defaulting Limited Partner's Interest pursuant to the Fund Agreement, (i) all other instruments or papers that may be required or permitted by law to be filed on behalf of the Fund that are not legally binding on the Limited Partners in their individual capacity and are necessary to carry out the provisions of the Fund Agreement and (j) any other actions, documents or instruments determined by the General Partner or the Liquidating Trustee, in its sole discretion to be necessary or appropriate in connection with the proper conduct of the business of the Fund and that do not materially adversely affect the interests of the Limited Partners.

The Subscriber agrees and acknowledges that the other Limited Partners are relying on the continued validity of the foregoing power of attorney, and that the power of attorney granted hereby shall be deemed to be coupled with an Interest and shall be irrevocable, surviving the death, incapacity or dissolution of the Subscriber.

This power of attorney shall survive the Transfer of the whole or any portion of the Subscriber's Interest, except that, with respect to the Transferor, this power of attorney shall also survive the Transfer for the sole purpose of enabling the General Partner to execute, acknowledge, swear to, file and record (if applicable) any instrument necessary to effect such Transfer.

13. Miscellaneous. The following provisions are applicable even if the General Partner does not accept this Subscription and Capital Commitment Agreement on behalf of the Fund, and the Subscriber does not become a Limited Partner:

(a) ***Governing Law; Consent to Jurisdiction; Waiver of Jury Trial.***

(i) THIS SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT IS MADE PURSUANT TO, AND SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF DELAWARE, NOTWITHSTANDING THE PLACE WHERE THIS SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT OR ANY FUND AGREEMENT IS EXECUTED BY ANY LIMITED PARTNER OR PROSPECTIVE LIMITED PARTNER OR THE LOCATION OF ANY OFFICE, VENTURE OR OPERATION OF THE FUND OR ANY LIMITED PARTNER. ANY ACTION OR PROCEEDING BROUGHT BY ANY BLUE TORCH PARTY AGAINST THE SUBSCRIBER OR THE FUND RELATING IN ANY RESPECT TO THIS SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT, THE FUND AGREEMENT, THE OPERATION OF THE FUND AND/OR THE OFFERING OF THE INTERESTS MAY — AND ANY ACTION OR PROCEEDING BROUGHT BY THE SUBSCRIBER AGAINST ANY BLUE TORCH PARTY OR THE FUND RELATING IN ANY RESPECT TO THIS SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT, THE FUND AGREEMENT, THE OPERATION OF THE FUND AND/OR THE OFFERING OF THE INTERESTS SHALL — BE BROUGHT AND

ENFORCED IN THE COMMONWEALTH OF KENTUCKY OR (TO THE EXTENT SUBJECT MATTER JURISDICTION EXISTS THEREFOR) IN THE COURTS OF THE UNITED STATES FOR THE EASTERN DISTRICT OF KENTUCKY, AND THE SUBSCRIBER AND THE FUND IRREVOCABLY SUBMIT TO THE JURISDICTION OF BOTH SUCH STATE AND U.S. FEDERAL COURTS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING. THE SUBSCRIBER AND THE FUND IRREVOCABLY WAIVE ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO LAYING THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN THE COURTS OF THE COMMONWEALTH OF KENTUCKY OR IN THE COURTS OF THE UNITED STATES FOR THE EASTERN DISTRICT OF KENTUCKY AND ANY CLAIM THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(ii) [RESERVED].

(iii) NOTWITHSTANDING THE FOREGOING, NOTHING CONTAINED HEREIN SHALL BE DEEMED TO CONSTITUTE A WAIVER OF ANY RIGHTS THAT ANY PERSON MAY HAVE UNDER LAW TO THE EXTENT THAT SUCH RIGHTS MAY NOT BE WAIVED, MODIFIED OR LIMITED UNDER LAW (INCLUDING U.S. FEDERAL SECURITIES LAWS).

(iv) THE SUBSCRIBER HEREBY AGREES THAT SERVICE OF PROCESS MAY BE EFFECTED ON THE SUBSCRIBER IN THE SAME MANNER AS NOTICES ARE GIVEN AS SET FORTH IN THE FUND AGREEMENT.

(b) **Equitable Relief.** The Subscriber agrees that the General Partner, the Investment Manager, the Administrator, the Fund or any Blue Torch Party, separately or together, shall be entitled to seek equitable and injunctive relief, on an emergency, temporary, preliminary and/or permanent basis, so as to prevent any breach by the Subscriber of any of the representations, warranties, acknowledgements, covenants or agreements set forth in this Subscription and Capital Commitment Agreement, or the continuation thereof.

(c) **Survival; Legal Effect.**

(i) The Subscriber agrees that the representations, warranties, agreements and covenants set forth in this Subscription and Capital Commitment Agreement shall, in pertinent part, survive the acceptance (or rejection) of this Subscription and Capital Commitment Agreement and the dissolution of the Fund.

(ii) This Subscription and Capital Commitment Agreement shall be binding upon the Subscriber and the Fund to the extent set forth herein prior to acceptance by the General Partner and, if accepted, upon the Subscriber, the Fund and the General Partner, and shall inure to the benefit of the Subscriber, the Fund, the General Partner, the Investment Manager, the Administrator and the Blue Torch Parties.

(d) **Severability.** In the event that any provision of this Subscription and Capital Commitment Agreement is held to be invalid or unenforceable in any jurisdiction, such provision shall be deemed modified to the minimum extent necessary so that such provision, as so modified, shall no longer be held to be invalid or unenforceable. Any such modification, invalidity or unenforceability shall be strictly limited both to such provision and to such jurisdiction, and in each

case to no other. Furthermore, in the event of any such modification, invalidity or unenforceability, this Subscription and Capital Commitment Agreement shall be interpreted so as to achieve the intent expressed herein to the greatest extent possible in the jurisdiction in question and otherwise as set forth herein.

(e) ***Counterparts; Electronic Communication.***

(i) The Signature Pages of this Subscription and Capital Commitment Agreement may be executed in one or more counterparts, each of which shall, however, together constitute the same document. Electronic copies of signature pages, as well as electronic signatures (including via DocuSign or similar technology) shall have the same binding force as originals.

(ii) The Subscriber agrees that the Fund is authorized to accept and execute this Subscription and Capital Commitment Agreement as well as any instructions given by the Subscriber in original signed form or by electronic communication. If instructions are given by electronic communication, the Subscriber shall indemnify the General Partner, the Investment Manager, the Administrator, the Fund and the Blue Torch Parties for any losses and damages suffered by them as a result of acting on electronic communication instructions rather than instructions in original signed form. The Subscriber further agrees that the General Partner, the Investment Manager, the Administrator, the Fund and the Blue Torch Parties are entitled to rely conclusively on and shall incur no liability in respect of, any action taken on the basis of, any notice, consent, request, instruction or other instrument believed in good faith to be genuine or to be signed by properly authorized Persons.

(f) ***Entire Agreement; Amendment.*** This Subscription and Capital Commitment Agreement, including the appendices, exhibits and schedules hereto and any side letter or similar agreement entered into by the Subscriber, the Fund, the General Partner and/or the Investment Manager in connection with the Subscriber's subscription for an Interest, and the Fund Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and supersede any prior agreements and understandings of the parties relating to such subject matter. This Subscription and Capital Commitment Agreement may be amended only in writing, executed by the Subscriber and the Fund. The Subscriber acknowledges and agrees that any notations, alterations, strike-outs, addenda, inserts or verbiage purporting to amend the terms of this Subscription and Capital Commitment Agreement shall not be effective unless explicitly agreed to by the Fund, the General Partner or its agents. Absent explicit agreement, the issuance of a trade confirmation or contract note shall not be construed as the Fund's or the General Partner's acceptance or agreement to any such purported amendments.

(g) ***No Waiver.***

(i) No failure or delay on the part of the General Partner, the Investment Manager, the Administrator, the Fund or any Blue Torch Party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Failure on the part of the General Partner, the Investment Manager, the Administrator, the Fund or any Blue Torch Party to challenge any act or omission of the Subscriber or to declare the Subscriber in default with respect to the General Partner, the Investment Manager, the Administrator, the Fund or any Blue Torch Party, irrespective of how long that failure continues, shall not constitute a

waiver by the General Partner, the Investment Manager, the Administrator, the Fund or any Blue Torch Party of their rights with respect to such default.

(ii) Any waiver granted hereunder must be in writing and shall be valid only in the specific instance in which given.

(h) ***Confidentiality; Non-Disparagement.***

(i) The Subscriber has carefully read and understands the Fund Agreement, including without limitation the confidentiality undertakings set forth therein which shall apply to the Subscriber, whether or not this Subscription and Capital Commitment Agreement is accepted by the General Partner.

(ii) Neither the Subscriber nor any representative of the Subscriber shall disparage the Fund, the General Partner, the Investment Manager, the Administrator or any Blue Torch Party, whether or not this Subscription and Capital Commitment Agreement is accepted by the General Partner.

14. Notices. With the exception of the investor notices listed in Section 15 below, all notices or other communications that the Fund or the Subscriber may desire or be required to give hereunder shall be in writing and shall be delivered and effective as set forth in the Fund Agreement.

15. Items Required from the Subscriber. In order to complete the Subscription and Capital Commitment Agreement, please do the following:

- Complete and execute the Signature Pages;
- Complete and execute Schedule C (applicable to both individuals and entities);
- Complete Schedule D (applicable to both individuals and entities);
- Complete and execute IRS Form W-9;
- Make arrangements for the payment of the Subscriber's Capital Contributions;
- Provide proof of authority (which may take the form of an incumbency certificate, written resolutions, a power of attorney, or other similar proof) acceptable to the General Partner to execute this Subscription and Capital Commitment Agreement and other related documents;
- Provide the anti-money laundering documentation applicable to the Subscriber as listed in Schedule E; and
- Provide any other information requested by the Fund, the Administrator, the General Partner or the Investment Manager.

16. Electronic Delivery of Documents. Unless the Subscriber indicates otherwise in the Signature Pages, the Subscriber agrees and consents to have the Fund, the General Partner, the Investment Manager and/or the Administrator electronically deliver Account Communications (as defined herein). "Account Communications" means all current and future account statements; the Fund Agreement (including all

supplements and amendments thereto); notices (including privacy notices); letters or notices to investors; and other tax information such as any applicable state or local tax information; periodic or annual reports; annual audited financial statements; and regulatory communications and other information, documents, data and records regarding each Limited Partner's investment in the Fund. Electronic communication by the Fund, the General Partner and/or the Administrator includes e-mail delivery as well as making Account Communications electronically available to the Limited Partners on the Fund's, the General Partner's or the Administrator's Internet site, if applicable, and providing notice of such availability.

17. Data Protection. The Subscriber recognizes that non-public information concerning the Subscriber set forth in this Subscription and Capital Commitment Agreement or otherwise disclosed by the Subscriber to the Fund or agents of the Fund, such as the Subscriber's name, address, social security number, assets and income, and information regarding the Subscriber's investment in the Fund (collectively, the "Information"), may be disclosed (i) to the Administrator, the Investment Manager, attorneys, accountants and auditors in furtherance of the Fund's business and to other service providers such as brokers who may have a need for the information in connection with providing services to the Fund, (ii) to third party service providers or financial institutions who may be providing services to the Fund provided that such persons must agree to protect the confidentiality of the Information and use the Information only for the purposes of providing services to the Fund, and (iii) as otherwise required or permitted by law. The Fund and Investment Manager restrict access to the Information to their employees who need to know the Information to provide services to the Fund, and maintain physical, electronic and procedural safeguards that comply with U.S. federal standards to guard the Information. In addition to the foregoing, the following provisions shall apply:

(a) The Fund and its associated or affiliated companies shall, in connection with the Information and other personal information provided about the Subscriber (together, "Personal Data"), comply with all applicable data protection and privacy legislation.

(b) The Personal Data may be collected directly from the Subscriber, through the Administrator, including the Administrator's employees, affiliates, agents or contractors, through the Subscriber's agent or any other third party who communicates with the Fund on the Subscriber's behalf. Where Subscribers are resident in the European Economic Area, Switzerland or the UK (or other countries with equivalent data protection laws), the privacy notice in force at the relevant time, the current version of which is appended to this Subscription and Capital Commitment Agreement, shall constitute the required data processing information required under applicable data protection laws.

(c) The Fund, the Investment Manager and the Administrator may use the Personal Data for such purposes as are necessary in relation to the Subscriber's investment in the Fund and the provision, administration or management of services to the Fund. This may include, without limitation, processing the Personal Data for the purposes of providing administrative services in connection with the Subscriber's investment, preventing fraud, carrying out money laundering checks or conflict checks, complying with any legal regulations and reporting to and auditing by national and international regulatory bodies (collectively, the "Services").

(d) The Fund, the Investment Manager and/or the Administrator may retain, disclose or transfer the Personal Data internationally both to other offices of the Administrator, its employees, affiliates, agents or contractors for the purposes described above, including to countries outside the U.S. or European Economic Area which may not provide similar level of data protection to that of countries within the U.S. or European Economic Area. Agreement to this clause shall constitute notification and (where applicable) consent to such transfers.

(e) In order to provide the Subscriber with the Services, the Fund will disclose the Personal Data to its associated or affiliated companies, the Investment Manager, the Administrator and other third parties who will process the Personal Data on the Fund's behalf for the purposes and in the manner set out in this clause.

(f) This Section 17 and the disclosure of Personal Data by the Subscriber is understood by the Subscriber and the Fund as constituting consent, or, where applicable, acknowledgement to the information provided in this Section 17, so that the Fund, the Investment Manager, the Administrator and/or their respective employees, affiliates, agents or contractors may process the Personal Data on the terms set out in this clause.

BLUE TORCH CREDIT OPPORTUNITIES KRS FUND LP

SIGNATURE PAGES

1. Registration of Interest

The Interest is to be registered as follows: (Check all that apply)

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Partnership/LLC |
| <input type="checkbox"/> Joint Tenants with Rights of Survivorship
(All tenants must sign below) | <input type="checkbox"/> Trust |
| <input type="checkbox"/> Joint Tenants in Entirety (All tenants must sign below) | <input type="checkbox"/> Corporation |
| <input type="checkbox"/> Joint Tenants in Common (All tenants must sign below) | <input type="checkbox"/> LLP |
| <input type="checkbox"/> Other (Please specify):
_____ | |

Amount of Capital Commitment: \$ _____

The Subscriber must print all information exactly as it wishes such information to appear in the Fund's records.

2. Interest to be Registered as Follows (Please check one)

Subscriber's Name: _____

Taxpayer Identification Number*: _____

Jurisdiction of Citizenship (individuals): _____

Jurisdiction of Organization (entities): _____

Principal Place of Business (entities): _____

Mailing Address (if different than Principal Place of Business):

Email: _____

*Natural persons resident in the United States should provide their Social Security Number.

3. **Standing Wire Instructions; Anti-Money Laundering Confirmation**

(a) **Standing Wire Instructions:**

The Subscriber agrees that all or any funds payable to the Subscriber (including all distributions) may be wire transferred to the Subscriber in accordance with the following Instructions:

Bank Name: _____
Bank Location: _____
ABA Routing Number (for U.S. Banks): _____
Swift Code (for non-U.S. Banks): _____
Account Name: _____
Account Number: _____
Reference: _____
Intermediary Bank Name (if any): _____
Intermediary Bank Location: _____
Intermediary Bank ABA Routing Number (for U.S. Banks): _____
Intermediary Bank Swift Code (for non-U.S. Banks): _____
FFC Account Name: _____
FFC Account Number: _____

If the banks identified immediately above are not located in the U.S. or another FATF Country,¹ please contact the Administrator for any additional information that may be required.

The wire instructions provided above may be amended by written notice, signed by the Subscriber and delivered to the Administrator at the address provided herein.

(b) **Anti-Money Laundering Confirmation:**

Is the Subscriber a customer of the bank identified immediately above?

Yes No

If the answer is "No," please contact the Administrator for additional information that may be required from the Subscriber.

Are the Subscriber's Capital Contributions to the Fund to be made by bank-to-bank transfer from an account other than the account detailed above?

Yes No

¹ For a current list of FATF Countries see <http://www.fatf-gafi.org/countries/>.

If the answer is "Yes," please provide below details of the bank from which the Subscriber's Capital Contributions will be transferred:

Bank Name: _____
Bank Address: _____

If the bank identified immediately above is not located in the U.S. or another FATF Country, please contact the Administrator for additional information that may be required from the Subscriber.

Is the Subscriber a customer of the bank identified immediately above?

Yes No

If the answer is "No," please contact the Administrator for any additional information that may be required from the Subscriber.

(c) Authorized Signatories:

The Subscriber, if an entity, represents that the following is a complete list of the individuals who are authorized to act on behalf of, and bind, the Subscriber (each such individual, an "Authorized Signatory") in connection with any and all communications and transactions between the Fund (or its representatives), the General Partner (or its representatives) and the Subscriber. **The Subscriber must also provide additional written evidence sufficient to establish the authority of each of the Authorized Signatories listed below.** The Subscriber acknowledges that the Fund and the General Partner may rely on instructions received from, and representations made by, each Authorized Signatory. The following list may be amended by written notice, signed by an Authorized Signatory and delivered to the Fund, at the address provided herein.

<u>Name</u>	<u>Specimen Signature</u>
_____	_____
_____	_____
_____	_____

Note: In addition to providing specimen signatures as requested above, the Subscriber is required to furnish additional written evidence acceptable to the General Partner and the Administrator (which may take the form of an incumbency certificate, written resolutions, a power of attorney or other similar proof) of each Authorized Signatory's authority to act on behalf of, and bind, the Subscriber. Such evidence must be sufficient to enable the Fund to establish the chain of authority of each Person that signs on behalf of the underlying beneficial owner of the Interest(s) subscribed for pursuant to this Subscription and Capital Commitment Agreement (and each Person that signs on behalf of any such Person).

(d) Optional Additional Contact Information:

If the Subscriber would like additional persons to receive copies of Account Communications, please indicate below. Please print the name and contact information exactly as it should be printed on all financial/official documents/correspondence. The Fund shall not take instructions from these persons in connection with the Subscriber's investment.

Name: _____
Company: _____
Mailing Address: _____

Telephone: _____
Fax: _____
E-mail: _____

(e) Disclosure Authorization:

By executing this Subscription and Capital Commitment Agreement, the Subscriber authorizes the disclosure of information regarding the Subscriber's foregoing bank account to the General Partner, the Investment Manager, the Administrator, their respective representatives and legal counsel, as well as to any governmental authority, self-regulatory organization, or to any other person to the extent required by law.

4. Subscriber Qualifications:

(a) The Subscriber meets the following standard for being categorized as a "qualified purchaser" under the Company Act as described in Schedule A of this Subscription and Capital Commitment Agreement:

Individual Subscribers [please check one]: (a) (b) (c)
Entity Subscribers [please check one]: (d) (e) (f)
(g) (h) (i)

(b) The Subscriber meets the following standard for being categorized as an "accredited investor" under the Securities Act as described in Schedule B of this Subscription and Capital Commitment Agreement:

Individual Subscribers [please check one]: (a) (b)
Entity Subscribers [please check one]: (c) (d) (e)
(f) (g) (h)
(i) (j) (k)
(l) (m) (n)

(o) (p) (r)

(s)

5. **“Benefit Plan Investor” Status (Entity Subscribers Only):**

(a) **The Subscriber is a “benefit plan investor” (See Section 5 of the Subscription and Capital Commitment Agreement):**

Yes No

If the Subscriber does not check either box above, it shall be deemed to be a “benefit plan investor.”

The Subscriber agrees to notify the General Partner a reasonable time in advance of any change to the foregoing representation.

(b) **If the Subscriber checked “Yes” above, the Subscriber is a Plan Assets Entity:**

Yes No

If “Yes,” the Subscriber hereby represents and warrants that the percentage of the Plan Assets Entity’s equity interests held by benefit plan investors does not, and will not during the period in which the Subscriber holds an Interest in the Fund, exceed the percentage set forth below. To ease the administrative burden related to monitoring and updating this percentage, the Fund recommends that the Subscriber build in some cushion so that the Subscriber shall not have to notify the Fund if the percentage changes slightly.

_____ %

The Subscriber agrees to notify the General Partner a reasonable time in advance of any change to the foregoing representations.

(c) **If the Subscriber is a benefit plan investor, and the decision to invest in the Fund was made by a plan fiduciary (as defined in Section 3(21) of ERISA or Section 4975 of the Code) which is either a bank, savings and loan association, insurance company or registered investment adviser, the name of the plan fiduciary is:**

(d) **Insurance Company Accounts. If the Subscriber is using the assets of an insurance company general account to purchase the Interest, the Subscriber hereby represents that the percentage of such assets used to purchase the Interest that represents plan assets does not exceed the following percentage:**

_____ %

The Subscriber agrees to immediately notify the General Partner if the above number changes.

Blue Torch Credit Opportunities KRS Fund LP

*For U.S. Investors Only
Signature Pages-5*

6. Form PF Information Certification

Individual Subscribers:

*If a natural person resident in the United States, please initial below.

initial

initial of
second joint tenant/tenant in
common, if applicable

You (or each individual if the subscription is by joint tenants or tenants in common) hereby certify that you are a natural person resident in the United States.

Entity Subscribers:

Please check the type of your organization. *(If you are acting as trustee, agent, representative or nominee for a beneficial owner, please check the item that best describes the beneficial owner.) Please check one:*

- Broker-dealer
- Insurance company
- Investment company registered with the U.S. Securities and Exchange Commission
- Private fund²
- Non-profit
- Pension plan (other than a governmental pension plan)
- Banking of thrift institution (proprietary)
- State or municipal government entity³ (other than a governmental pension plan)
- State or municipal governmental pension plan
- Trust of a natural person resident in the United States
- Other (please describe): _____

7. Electronic Delivery of Documents

Unless the box below is checked, the Subscriber agrees and consents to have the Fund, the General Partner, the Investment Manager and/or the Administrator electronically deliver

² The term “private fund” means any issuer that would be an investment company as defined in Section 3 of the Company Act but for Section 3(c)(1) or 3(c)(7) of the Company Act.

³ For purposes of determining whether the Subscriber is a state or municipal government entity, the term “government entity” means any state (including any U.S. state, the District of Columbia, Puerto Rico, the U.S. Virgin Islands or any other possession of the United States) or political subdivision of a state or political subdivision of a state, including (i) any agency, authority, or instrumentality of the state or political subdivision; (ii) a plan or pool of assets controlled by the state or political subdivision or any agency, authority or instrumentality thereof; and (iii) any officer, agent or employee of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity. However, please note that if you are a governmental pension plan, you should check the box for “State or municipal governmental pension plan” and not “State or municipal governmental entity.”

Account Communications (as defined in Section 15 of the Subscriber's Subscription and Capital Commitment Agreement).

The Subscriber does not consent to electronic delivery of all Account Communications and instead wishes to receive such documents in hardcopy via postal mail.

Consent to electronic delivery may be revoked at any time by written notice to the Investment Manager.

8. Suitability

The Subscriber's assets invested in the Fund following this investment constitute less than 10% of the Subscriber's readily marketable assets.

Yes No

If the Subscriber checked "No" immediately above, please state the percentage of the Subscriber's assets that will be invested in the Fund following this investment:

____%

9. Restrictions on the Purchase and Sale of IPOs of Equity Securities — "Restricted Person" Status

(1) Under FINRA Rules (see Schedule D), the Subscriber is a:

- Restricted Person Under FINRA Rule 5130 and/or a Restricted Person Under FINRA Rule 5131 (see Part I of Schedule D)
- Qualified Non-Restricted Collective Investment Vehicle or Other Entity (see Part II of Schedule D)
- Non-Restricted Person Based on Exemption (see Part III of Schedule D)
- Pure Non-Restricted Person (see Part IV of Schedule D)

(2) If Subscriber is a Non-Restricted Person, indicate whether the Subscriber wishes to be allocated profits and losses from "new issues" (otherwise, leave blank):

- Do allocate profits and losses from "new issues."
- Do not allocate profits and losses from "new issues."

If the Subscriber does not check any box above, the Subscriber shall be deemed to have elected to be treated as a "Restricted Person."

10. Additional Information

The General Partner and/or the Administrator may require the Subscriber — as a condition to accepting this Subscription and Capital Commitment Agreement — to submit certain additional information for anti-money laundering or other purposes.

NO CAPITAL CONTRIBUTIONS SHOULD BE SENT BEFORE THE SUBSCRIBER IS NOTIFIED THAT THIS SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT HAS BEEN ACCEPTED.

IN WITNESS WHEREOF, the undersigned Subscriber has hereunto duly set its hand (and if by an entity, by its signatory thereto duly authorized), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound.

The trustee, partner, officer or other Authorized Signatory signing on behalf of the Subscriber certifies that he or she has full power and authority from all beneficiaries, partners or shareholders of the entity named below to execute this Subscription and Capital Commitment Agreement on behalf of the entity and that investment in the Fund is not prohibited by law or the governing documents of such entity.

SUBSCRIBER(S):

Individuals:

Entities:

(Signature)

(Signature)

(Please Print Name of Signatory)

(Please Print Name of Signatory)

(Signature)

(Title)

(Please Print Name of Signatory)

(Signature)

(Please Print Name of Signatory)

(Title)

Date: _____

Date: _____

Name of Trustees or Other Fiduciaries Exercising Investment Discretion with a Trust

Signature

Printed Name

Title

_____	_____	_____
_____	_____	_____
_____	_____	_____

If the Subscriber is an individual retirement account, the owner must sign below, and the trustee or custodian of the individual retirement account must countersign below:

Name of Individual Retirement Account:

Name of Trustee or Custodian:

Name of Owner

(Signature)

(Signature of Owner)

(Please Print Name of Signatory)

(Title of Signatory)

Date: _____

Date: _____

If Subscriber has indicated in Section 1 of the Signature Pages that the Interest should be registered for Joint Tenants with Rights of Survivorship or for Tenants in Common, all tenants must sign below:

By: _____

By: _____

By: _____

(Signature)

(Signature)

(Signature)

Date: _____, _____

Date: _____, _____

Date: _____, _____

ACCEPTANCE

Capital Commitment as to \$_____ confirmed and accepted on behalf of
Blue Torch Credit Opportunities KRS Fund LP

By: **Blue Torch Credit Opportunities KRS GP LLC**, its general partner,

By: _____, its sole member

Signature: _____

Name: _____

Title: _____

Date: _____, _____

“QUALIFIED PURCHASER” STATUS

THE SUBSCRIBER IS REQUIRED TO INDICATE ON THE SIGNATURE PAGES WHETHER THE SUBSCRIBER IS A “QUALIFIED PURCHASER,” AS DEFINED IN SECTION 2(a)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “COMPANY ACT”).

INDIVIDUAL SUBSCRIBERS

a. An individual that owns (separately, or through a joint, community property or other similar shared ownership interest with such person’s spouse) not less than \$5,000,000 in “Net Investments.”

or

b. A “Knowledgeable Employee” (as defined below) of the Investment Manager or its affiliates.

or

c. The sum of the “Net Investments” (as defined below) that the Subscriber owns plus the “Net Investments” that the Subscriber invests on a discretionary basis for the account(s) of other “qualified purchasers” is not less than \$25,000,000.

ENTITY SUBSCRIBERS

d. A company, partnership, trust or other entity that (i) is owned directly or indirectly by, or for, two or more natural persons who are related as siblings or spouses (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations or trusts established by, or for the benefit of, such persons, and (ii) owns not less than \$5,000,000 in “Net Investments” (as defined below) (each such entity satisfying (i) and (ii) constituting a “Family Company”), and (iii) was not formed for the specific purpose of investing in the Fund.

or

e. A trust (other than a Family Company) that (i) was not formed for the specific purpose of investing in the Fund, and (ii) as to which the trustee (or other person authorized to make decisions with respect to the trust) and each settlor or other person who has contributed assets to the trust is a “qualified purchaser.”

or

f. A company, partnership, trust or other entity that (i) was not formed for the specific purpose of investing in the Fund, (ii) acts for its own account or the accounts of other “qualified purchasers,” and (iii) in the aggregate, owns and invests on a discretionary basis not less than \$25,000,000 in “Net Investments.”

or

g. Certain “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the “Securities Act”) (primarily institutions that manage at least \$100 million in securities including banks, savings and loans, insurance companies, investment companies, employee benefit plans, or an entity owned entirely by qualified investors. Also included are registered broker-dealers owning and investing, on a discretionary basis, \$10 million in securities of non-affiliates.)

or

h. A company, partnership or other entity whose securities are beneficially owned exclusively by “qualified purchasers.”

or

i. A company, partnership or other entity whose securities are beneficially owned exclusively by “Knowledgeable Employees.”

The following definitions and rules apply in determining “qualified purchaser” status:

(i) “Net Investments” includes (A) (1) securities (other than securities of an issuer that controls, is controlled by, or is under common control with, the person that owns such securities); (2) real estate held for investment purposes; (3) commodity interests held for investment purposes; (4) physical commodities held for investment purposes; (5) financial contracts held for investment purposes (to the extent they are not securities); and (6) cash and cash equivalents held for investment, less (B) any outstanding indebtedness incurred to acquire any of the foregoing.

(ii) Types of Investments. “Investments” means the following:

A. *Securities, including stocks, bonds and notes, other than securities of an issuer that controls, is controlled by or is under common control with the prospective qualified purchaser (e.g., an interest in a family-owned or closely-held business). Notwithstanding the foregoing, “Investments” includes securities held in (1) a company that files reports under the U.S. Securities Exchange Act of 1934, as amended, or has a class of securities that is listed on a “designated offshore securities market,” as defined in Regulation S under the Securities Act, (2) any registered or unregistered investment company (i.e., a company that would be required to register but for the exclusions or exemptions provided in the Company Act), or commodity pool and (3) any company with shareholders’ equity of not less than \$50,000,000.*

B. *Real estate held for investment purposes. Real estate is not held for investment purposes if it is used by the prospective qualified purchaser or a related person for personal purposes or as a place of business, or in connection with the conduct of the trade or business of the prospective qualified purchaser or a related person; provided that real estate owned by a prospective qualified purchaser who is engaged primarily in the business of investing, trading or*

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developing real estate in connection with such business may be deemed to be held for investment purposes. Residential real estate shall not be deemed to be used for personal purposes if deductions with respect to such real estate are not disallowed by Section 280A of the U.S. Internal Revenue Code of 1986, as amended (the “Code”).

C. Any “Commodity Interests” held for investment purposes. “Commodity Interests” means any commodity futures contracts, options or commodity futures and options on physical commodities traded on or subject to the rules of (1) any contract market designated for trading such transactions under the U.S. Commodity Exchange Act, as amended (the “CEA”), and the rules thereunder, or (2) any board of trade or exchange outside the United States, as contemplated in Part 30 of the rules made under the CEA. A Commodity Interest or physical commodity owned, or a financial contract entered into, by a prospective qualified purchaser who is engaged primarily in the business of investing, reinvesting or trading in Commodity Interests, physical commodities or financial contracts in connection with such business may be deemed to be held for investment purposes.

D. Physical commodities (e.g., gold and silver), with respect to which futures contracts are traded on a contract market or board of trade described in (C) above, held for investment purposes.

E. Financial contracts (e.g., swaps and similar individually negotiated financial transactions), other than securities, held for investment purposes. “Financial Contract” means any arrangement that: (1) takes the form of an individually negotiated contract, agreement or option to buy, sell, lend, swap or repurchase, or other similar individually negotiated transaction commonly entered into by participants in the financial markets; (2) is in respect of securities, commodities, currencies, interest or other rates, other measures of value, or any other financial or economic interest similar in purpose or function to any of the foregoing; and (3) is entered into in response to a request from a counterparty for a quotation, or is otherwise entered into and structured to accommodate the objectives of the counterparty to such arrangement.

F. If the Subscriber is an excepted investment company (i.e., excluded from the definition of “investment company” pursuant to Section 3(c)(1) or 3(c)(7) of the Company Act) or a commodity pool, any amounts payable to the Subscriber pursuant to a firm agreement or similar binding commitment pursuant to which a person has agreed to acquire an interest in, or make capital contributions to, the Subscriber upon demand.

G. Cash and cash equivalents (e.g., foreign currencies, bank deposits, certificates of deposit, bankers acceptances and the net cash surrender value of an insurance policy) held for investment purposes. Neither cash used by an individual to meet everyday expenses nor working capital used by a business is considered cash held for investment purposes.

(iii) Valuation. The value of Investments may be determined by either their fair market value on the most recent practicable date or their cost; provided that, in the case of Commodity Interests, value shall be the initial margin or option premium deposited in connection with such Commodity Interests.

(iv) Deductions; “Net Investments”. Any outstanding indebtedness incurred to acquire Investments must be deducted from the value of the Investments. In addition, any outstanding indebtedness incurred by an owner of a Family Company to acquire Investments must be deducted from the value of the Family Company’s Investments. “Net Investments” equals Investments minus such deductions.

(v) Joint Investments. A natural person may include in the amount of such person’s Investments any Investments held jointly with such person’s spouse, or Investments in which such person shares with such person’s spouse a community property or similar shared ownership interest. Spouses who are making a joint investment may include in the amount of each spouse’s Investments any Investments owned by the other spouse (whether or not such Investments are held jointly).

(vi) Investments of Parents and Subsidiaries. A company may include Investments owned by majority-owned subsidiaries of the company, Investments owned by a company (“Parent Company”) of which the company is a majority-owned subsidiary, and Investments owned by other majority-owned subsidiaries of the Parent Company.

(vii) Retirement Plan Investments. A natural person may include in the amount of such person’s Investments any Investments held in an individual retirement account or similar account, so long as the Investments in such account are directed by and held for the benefit of such person.

(viii) Knowledgeable Employees. “Knowledgeable Employee” means any natural person who is an executive officer, director, trustee, general partner, advisory board member or person serving in a similar capacity of the Investment Manager or an affiliated entity that manages the investment activities of the Fund, as well as an employee of the Investment Manager or an affiliate who, in connection with such employee’s regular functions, participates in the investment activities of the Fund and/or other private investment funds the investment activities of which are managed by such affiliate; provided that such employee has been performing such functions for or on behalf of the Investment Manager or such affiliate, or substantially similar functions for or on behalf of another investment management firm, for at least twelve months.

ACCREDITED INVESTOR STATUS

THE SUBSCRIBER WILL BE REQUIRED TO INDICATE ON THE SIGNATURE PAGES WHETHER THE SUBSCRIBER IS AN “ACCREDITED INVESTOR,” AS DEFINED IN REGULATION D UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

INDIVIDUAL SUBSCRIBERS (INCLUDING INDIVIDUAL RETIREMENT ACCOUNTS)

a. The Subscriber has a net worth (or joint net worth together with the Subscriber’s spouse) in excess of \$1,000,000 and the Subscriber has no reason to believe that the Subscriber’s net worth will not remain in excess of \$1,000,000 for the foreseeable future. *For these purposes, net worth means the fair market value of the Subscriber’s total assets less the Subscriber’s total liabilities, except that: (i) the Subscriber must exclude from the Subscriber’s assets the value of the Subscriber’s primary residence, and (ii) the Subscriber may exclude from the Subscriber’s liabilities the amount of indebtedness secured by the Subscriber’s primary residence other than any portion that (A) exceeds the fair market value of the Subscriber’s primary residence or (B) was incurred within 60 days preceding the Closing Date (other than as a result of the acquisition of the primary residence).*

or

b. The Subscriber had individual income (exclusive of any income attributable to the Subscriber’s spouse) of more than \$200,000 for each of the past two years or joint income with the Subscriber’s spouse in excess of \$300,000 in each of those years and the Subscriber reasonably expects to reach the same individual income level, or the same joint income level, as the case may be, in the current year. *Individual income means adjusted gross income, as reported for U.S. federal income tax purposes, less any income attributable to a spouse or to property owned by a spouse, increased by the following amounts (but not including any amounts attributable to a spouse or to property owned by a spouse): (i) the amount of any tax-exempt interest income under Section 103 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”); (ii) the amount of losses claimed as a limited partner in a limited partnership as reported on Schedule E of Form 1040; (iii) any deduction claimed for depletion under Section 611 et seq. of the Code; (iv) amounts contributed to an Individual Retirement Account (as defined in the Code) or Keogh retirement plan; and (v) alimony paid.*

or

c. The Subscriber is a director, manager, executive officer, or general partner of the Fund, or a director, manager, executive officer or general partner of the General Partner of the Fund.

or

d. The Subscriber is an individual retirement account, Keogh plan or other self-directed plan (i.e., a tax-qualified defined contribution plan in which a participant may exercise control over the investment of assets credited to his or her account) in which all of the participants are accredited investors (as described in this Schedule B).

ENTITY SUBSCRIBERS

e. The Subscriber is a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended.

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or

f. The Subscriber is a corporation, partnership, limited liability company, Massachusetts or similar business trust or tax-exempt organization as defined in Section 501(c)(3) of the Code, that (i) has total assets in excess of \$5,000,000, and (ii) was not formed for the specific purpose of investing in the Fund.

or

g. The Subscriber is a revocable trust which may be amended or revoked at any time by the grantors thereof, and of which all of the grantors are “accredited investors” under either (a) or (b) above.

or

h. The Subscriber is a trust (i) that has total assets in excess of \$5,000,000, (ii) that was not formed for the specific purpose of investing in the Fund, and (iii) the investment decisions of which are directed by a person who has such knowledge and experience in business and financial matters as to be capable of evaluating the merits and risks of an investment in the Fund.

or

i. The Subscriber is a bank as defined in Section 3(a)(2) of the Securities Act, is acting in its fiduciary capacity as trustee and is subscribing for an Interest on behalf of a trust that qualifies as an accredited investor under either Section f or Section g. (“Bank” is defined in Section 3(a)(2) of the Securities Act as “any national bank, or any banking institution organized under the laws of any state, territory, or the District of Columbia, the business of which is substantially confined to banking and is supervised by the state or territorial banking commission or similar official.”).

or

j. The Subscriber is an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the decision to invest in the Fund was made by a plan fiduciary (as defined in Section 3(21) of ERISA), which is either a bank, savings and loan association, insurance company or registered investment adviser.

or

k. The Subscriber is an employee benefit plan within the meaning of ERISA and has total assets in excess of \$5,000,000.

or

l. The Subscriber is a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, and has total assets in excess of \$5,000,000.

or

m. The Subscriber is a self-directed employee benefit plan within the meaning of ERISA and investment decisions are made solely by persons who are accredited investors (as defined in this Schedule B).

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or

n. The Subscriber is a bank as defined in Section 3(a)(2) of the Securities Act acting in its individual capacity.

or

o. The Subscriber is an insurance company as defined in Section 2(a)(13) of the Securities Act acting in its individual capacity. (“Insurance company” is defined in Section 2(a)(13) of the Securities Act as “a company which is organized as an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies, and which is subject to supervision by the insurance commissioner, or a similar official or agency, of a State.”).

or

p. The Subscriber is an entity (other than an irrevocable trust) in which all of the equity owners are accredited investors.

or

q. The Subscriber is an investment company registered under the 1940 Act or a business development company as defined under Section 2(a)(48) of the 1940 Act.

or

r. The Subscriber is a small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.

or

s. The Subscriber is a private business development company as defined in Section 202(a)(22) of the U.S. Investment Advisers Act of 1940, as amended.

IF THE SUBSCRIBER IS AN “ACCREDITED INVESTOR” SOLELY BY VIRTUE OF THE FACT THAT ALL ITS BENEFICIAL OWNERS ARE ACCREDITED INVESTORS, PLEASE RECONFIRM SUCH STATUS BEFORE SUBMITTING THIS SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT.

SEC RULE 506(d) DISQUALIFYING EVENT QUESTIONNAIRE

Rule 506 of Regulation D under the U.S. Securities Act of 1933, as amended (the “Securities Act”) has been amended to include “bad actor” disqualification requirements in Rule 506(d). Under Rule 506(d), the Fund will not be permitted to rely on the Rule 506 exemption from Securities Act registration if the Fund or any other person covered by the rule experiences a “disqualifying event.” In order to fulfill the Fund’s obligations, it requires certain acknowledgements, representations, warranties and undertakings from Subscribers that they are not “bad actors” before the Fund will issue securities.

A Subscriber is considered a “bad actor” if the Subscriber:

(1) has within the last ten (10) years, been convicted of a felony or misdemeanor, in the United States, (i) in connection with the purchase or sale of any security, (ii) involving the making of any false filing with the U.S. Securities and Exchange Commission (the “SEC”) or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(2) is currently subject to any order, judgment or decree of any court of competent jurisdiction, entered in the last five (5) years, that restrains or enjoins the Subscriber from engaging in any conduct or practice (i) in connection with the purchase or sale of any security, (ii) involving the making of a false filing with the SEC or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(3) is currently subject to a final order¹ of a state securities commission (or an agency or officer of a state performing like functions), a state authority that supervises or examines banks, savings associations, or credit unions, a state insurance commission (or an agency or officer of a State performing like functions), an appropriate federal banking agency, the U.S. National Credit Union Administration, or the U.S. Commodity Futures Trading Commission (the “CFTC”), that —

(a) bars the Subscriber from —

(i) association with an entity regulated by such commission, authority, agency or officer;

(ii) engaging in the business of securities, insurance or banking; or

(iii) engaging in savings association or credit union activities; or

(b) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct within the last ten (10) years;

(4) is currently subject to an order of the SEC pursuant to Section 15(b) or 15B(c) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), or Section 203(e) or (f) of the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”), that (i) suspends or revokes the Subscriber’s registration as a broker, dealer, municipal securities dealer or investment adviser, (ii) places limitations on the Subscriber’s activities,

¹ The term “final order” means a written directive or declaratory statement issued by a federal or state agency pursuant to applicable statutory authority and procedures, that constitutes a final disposition or action by that federal or state agency.

functions or operations or (iii) bars the Subscriber from being associated with any entity or from participating in the offering of any penny stock;

(5) is currently subject to any order of the SEC, entered in the last five (5) years, that orders the Subscriber to cease and desist from committing or causing a violation or future violation of (i) any scienter-based anti-fraud provision of the U.S. federal securities laws (including without limitation Section 17(a)(1) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 15(c)(1) of the Exchange Act and Section 206(1) of the Advisers Act, or any other rule or regulation thereunder) or (ii) Section 5 of the Securities Act;

(6) is currently suspended or expelled from membership in, or suspended or barred from association with a member of, a securities self-regulatory organization² for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(7) has filed as a registrant or issuer, or has been named as an underwriter in, a registration statement or Regulation A offering statement filed with the SEC that, within the last five (5) years, (i) was the subject of a refusal order, stop order, or order suspending the Regulation A exemption or (ii) is currently the subject of an investigation or a proceeding to determine whether such a stop order or suspension order should be issued; or

(8) is subject to (i) a United States Postal Service false representation order entered into within the last five (5) years, or (ii) a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

By checking the following applicable line, the Subscriber acknowledges, represents and warrants the Subscriber's "bad actor" status as described in this Schedule C.

_____ Subscriber is NOT a "bad actor" as described in this Schedule C.

_____ Subscriber is a "bad actor" as described in this Schedule C.

The Subscriber agrees to immediately notify, in writing, the Fund, the General Partner and the Administrator upon any change to the foregoing representations and, upon request, to promptly furnish such information to the Fund, the General Partner or the Administrator as may be required to confirm, amplify or refine details with respect to the foregoing representations.

² The term "self-regulatory organization" means a registered national securities exchange or registered national or affiliated securities association.

For individual Subscribers:

IN WITNESS WHEREOF, I have executed this Schedule C.

(Name of Subscriber)

Date: _____

(Signature of Subscriber)

For entity Subscribers:

IN WITNESS WHEREOF, the Subscriber has caused the execution of this Schedule C by its authorized representative.

(Name of Subscriber)

(Name and Title of Authorized Signatory)

Date: _____

(Signature of Authorized Signatory)

**THE U.S. FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.
RESTRICTIONS ON THE PURCHASE AND SALE OF “NEW ISSUES”**

The U.S. Financial Industry Regulatory Authority, Inc. (“FINRA”) restricts which persons can participate in “new issues” (initial public offerings of equity securities) under both FINRA Rule 5130 and FINRA Rule 5131. The Subscriber should indicate on the Signature Pages under which of the following categories the Subscriber falls.

I. Restricted Person Under FINRA Rule 5130 and/or a Restricted Person Under FINRA Rule 5131

Broker/Dealers and Banks

- a. A member of FINRA, or a U.S. or non-U.S. broker/dealer, acting for its own account.
- b. A U.S. or non-U.S. bank, broker/dealer, investment manager or other conduit acting for the account of any person included in paragraph (a), (c) to (i) or (m) below.

Broker/Dealer Personnel

- c. (i) an officer, director, general partner, associated person,* or employee of any FINRA member or of any U.S. or non-U.S. broker/dealer (other than a limited business broker/dealer); (ii) any agent of any FINRA member or any other broker/dealer (other than a limited business broker/dealer) that is engaged in the investment banking or securities business; or (iii) an immediate family member** of any of the foregoing persons, provided that any such person (a) materially supports***, or receives material support from, the immediate family member, (b) is employed by or associated with a FINRA member, or an affiliate of such member, selling the new issue to the immediate family member, or (c) such person has an ability to control the allocation of the new issue. “Limited business broker/dealer” means any broker/dealer authorized to engage solely in the purchase or sale of investment company/variable contracts securities and/or direct participation program securities.

Broker/Dealer Owners

- d. (i) a person listed, or required to be listed, in Schedule A—Direct Owners and Executive Officers—of a Form BD—Uniform Application for Broker-Dealer Registration—(other than with respect to a limited business broker/dealer), except persons identified by an ownership code of less than 10%; (ii) a person listed, or required to be listed, in Schedule B—Indirect Owners—of a Form BD (other than with respect to a limited business

*The FINRA By-Laws define a person “associated with a member” as a natural person who is registered or has applied for registration under the FINRA Rules as well as every sole proprietor, partner, officer, director or branch manager of any member, or any natural person occupying a similar status or performing similar functions, or any natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by such member, whether or not any person is registered or exempt from registration with FINRA.

**The term “immediate family member” means a person’s (i) parents, mother-in-law or father-in-law, spouse, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law and children and (ii) any other individual to whom the person provides material support.

***The term “material support” means the direct or indirect provision of more than 25% of a person’s income in the prior calendar year. Members of the immediate family living in the same household are deemed to be providing each other with material support under FINRA Rule 5130. Persons living in the same household are deemed to be providing each other with material support under FINRA Rule 5131.

broker/dealer), except persons whose listing on Schedule B relates to an ownership interest in a person listed on Schedule A identified by an ownership code of less than 10%; (iii) a person listed, or required to be listed, in Schedule A—Amendments to Schedules A & B—of a Form BD that meets the criteria of item (i) or (ii) of this paragraph (d); or (iv) an immediate family member of a person specified in item (i), (ii) or (iii) of this paragraph (d).

- e. (i) a person that directly or indirectly owns 10% or more of a public reporting company listed, or required to be listed, in Schedule A—Direct Owners and Executive Officers—of a Form BD—Uniform Application for Broker-Dealer Registration—(other than a reporting company that is listed on a national securities exchange or is traded on the NASDAQ Global Market, or other than with respect to a limited business broker/dealer); (ii) a person that directly or indirectly owns 25% or more of a public reporting company listed, or required to be listed, in Schedule B—Indirect Owners—of a Form BD (other than a reporting company that is listed on a national securities exchange or is traded on the NASDAQ Global Market, or other than with respect to a limited business broker/dealer) or (iii) an immediate family member of a person specified in item (i) or (ii) of this paragraph (e).
- f. Any other affiliate of a broker/dealer described in paragraph (d) above.

Portfolio Managers

- g. Any person (including a natural person as well as an entity) who has authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment company, investment adviser, or collective investment account or is an immediate family member of such a person that materially supports, or receives material support from, such person. For purposes hereof “collective investment account” means any hedge fund, investment partnership, investment corporation, or any other collective investment vehicle that is engaged primarily in the purchase and/or sale of securities, but does not include a “family investment vehicle” (a legal entity that is beneficially owned solely by immediate family Limited Partners) or an “investment club” (a group of friends, neighbors, business associates, or others that pool their money to invest in stock or other securities and are collectively responsible for making investment decisions).

Benefit Plans

- h. An employee benefit plan sponsored by a U.S. or non-U.S. broker/dealer (other than a benefit plan under the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), qualified under Section 401(a) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), not sponsored solely by a broker/dealer).
- i. A non-U.S. employee benefit plan the participants of which include persons included in paragraphs (c)-(g) hereof if such persons’ aggregate beneficial interest in such plan exceeds 10%.

Certain Executive Officers and Directors

- j. An executive officer or director of a Public Company. A “Public Company” is any company that is registered under Section 12 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any company that files periodic reports pursuant to Section 15(d) of the Exchange Act.

- k. An executive officer or director of a Covered Non-Public Company. A “Covered Non-Public Company” means any company (other than a Public Company) satisfying any of the following three criteria:
- (i) income of at least \$1 million in the last fiscal year or in two of the last three fiscal years and shareholders’ equity of at least \$15 million; or
 - (ii) shareholders’ equity of at least \$30 million and a two year operating history; or
 - (iii) total assets and total revenue of at least \$75 million in the latest fiscal year or in two of the last three fiscal years.
- l. A person materially supported^{****} by an executive officer or director of a Public Company or a Covered Non-Public Company.

Collective Investment Vehicle or Other Entity

- m. A U.S. or non-U.S. account, investment fund or other collective investment vehicle that cannot make both of the representations in paragraphs (a) and (b) of Part II below.

II. Qualified Non-Restricted Collective Investment Vehicle or Other Entity

- a. A U.S. or non-U.S. account, investment fund or other collective investment vehicle in which persons included in any of paragraphs (a)-(i) of Part I above have a beneficial interest^{*****} (each, a “5130 Restricted Person”), but the Subscriber hereby represents and warrants that such 5130 Restricted Persons in the aggregate are allocated no more than 10% of any profits or losses attributable to new issues received by the Administrator.
- b. A U.S. or non-U.S. account, investment fund or other collective investment vehicle in which persons included in any of paragraphs (j)-(l) of Part I above, with respect to any and all Public Companies or Covered Non-Public Companies, have a beneficial interest (any such person, a “5131 Restricted Person,” and together with 5130 Restricted Persons, “Restricted Persons”), other than a “private fund” meeting the requirements set out in II.c or III.k below, but the Subscriber hereby represents and warrants that such 5131 Restricted Persons in the aggregated are allocated no more than 25% of any profits or losses attributable to new issues received by the Administrator.

The Subscriber qualifying under either of the foregoing de minimis exemptions in no respect means that the Subscriber is entitled to, or shall in fact, receive any allocation of “new issue” profits and losses. Blue Torch Credit Opportunities KRS Fund LP (the “Fund”) reserves the right to allocate such profits and losses in any manner that the Fund may determine, consistent with applicable FINRA Rules.

^{****}The term “material support” means the direct or indirect provision of more than 25% of a person’s income in the prior calendar year. For purposes of paragraph (l), persons living in the same household are deemed to be providing each other with material support.

^{*****}The term “beneficial interest” means any economic interest, such as the right to share in gains or losses. The receipt of a management or performance based fee for operating a collective investment account, or other fees for acting in a fiduciary capacity, is not considered a beneficial interest in the account. However, deferred fees that are subsequently invested in or by reference to a collective investment account constitute a beneficial interest in such account.

- c. A private fund^{*****} that (i) is managed by an investment adviser that (a) has one or more control persons^{*****} who are both beneficial owners of the private fund and FINRA Rule 5131 Restricted Persons (“FINRA Rule 5131 Restricted Control Persons”) and (b) does not have any control persons in common with the General Partner, (ii) has assets greater than \$50 million, (iii) owns less than 25% of the Fund, (iv) is not a fund in which a single investor has a beneficial interest of 25% or more, and (v) was not formed for the specific purpose of investing in the Fund.

III. Non-Restricted Person Based on Exemption

Even if an investor would otherwise be classified as a Restricted Person, an investor shall not be so classified if the investor is qualified for one or more of the following exemptions.

- a. A U.S. or non-U.S. bank, broker/dealer, general partner or other conduit acting for the account of a person who is not a 5130 Restricted Person or a 5131 Restricted Person.
- b. An investment company organized under the laws of a non-U.S. jurisdiction whose shares or units are either (i) listed on a non-U.S. exchange and authorized for sale to the public or (ii) authorized for sale to the public by a non-U.S. regulatory authority (and, in each case, not limited for sale to only high net-worth individuals and other select investors) and where no person who owns more than 5% of the shares or units of such investment company is a 5130 Restricted Person or 5131 Restricted Person.
- c. An investment company registered as such under the Investment Company Act of 1940, as amended.
- d. A common trust fund, or similar fund as described in Section 3(a)(12)(A)(iii) of the Exchange Act; provided that the fund has investments from 1,000 or more accounts and the fund does not limit its beneficial interests principally to trust accounts of 5130 Restricted Persons or 5131 Restricted Persons.
- e. An insurance company general, separate, or investment account; provided that the account is funded by premiums from 1,000 or more policyholders, or, if a general account, the insurance company has 1,000 or more policyholders, and policyholders whose premiums fund the account are not limited principally to 5130 Restricted Persons or 5131 Restricted Persons, or, if a general account, policyholders are not limited principally to 5130 Restricted Persons or 5131 Restricted Persons.
- f. A publicly-traded entity (other than a broker/dealer or affiliate thereof where such broker/dealer is authorized to engage in public offerings of new issues either as a selling group member or underwriter) that: (A) is listed on a national securities exchange or (B) is a non-U.S. issuer whose securities meet the quantitative designation criteria for listing on a

^{*****}The term “private fund” means an issuer that would be an investment company, as defined in Section 3 of the Company Act but for Section 3(c)(1) or Section 3(c)(7) thereof.

^{*****}The term “control person” of an investment adviser means a person with direct or indirect “control” over the investment adviser, as that term is defined in SEC Form ADV. Generally, SEC Form ADV defines “control” as the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. See SEC Form ADV for further details.

national securities exchange as well as any subsidiary of such an entity, which subsidiary is not a 5130 Restricted Person or 5131 Restricted Person.

- g. An ERISA benefits plan that is qualified under Section 401(a) of the Code and such plan is not sponsored solely by a broker-dealer.
- h. A state or municipal government benefit plan subject to state and/or municipal regulation.
- i. A tax-exempt charitable organization under 501(c)(3) of the Code.
- j. A church plan under Section 414(e) of the Code.
- k. *The following exemption applies to FINRA Rule 5131 only.* A private fund (as defined in II.c) that (i) is managed by an investment adviser that does not have any control persons (as defined in II.c) (a) in common with the General Partner or (b) who are both beneficial owners of the private fund and FINRA Rule 5131 Restricted Persons, (ii) has assets greater than \$50 million, (iii) owns less than 25% of the Fund, (iv) is not a partnership in which a single investor has a beneficial interest of 25% or more, and (v) was not formed for the specific purpose of investing in the Fund.

IV. Pure Non-Restricted Person

None of Items I, II or III apply to the Subscriber.

Further, for any particular “new issue” the following persons are Restricted Persons: (i) a finder in respect of the public offering of the “new issue” or a person who has acted in a fiduciary capacity to the managing underwriter of any such offering, including, but not limited to, attorneys, accountants and financial consultants; or (ii) an immediate family member of a person specified in (i) which the person specified in (i) materially supports, or receives material support from. You are required to notify the Fund in the event you act in such capacity in respect of any “new issues.” If the Fund determines it shall invest in such “new issue,” the Fund may treat you as a Restricted Person for “new issues” generally or for such “new issue” (if purchased by the Fund).

The Subscriber understands that the Fund will be relying on the accuracy and completeness of the statements made and information provided herein and represents and warrants that such statements and information may be relied upon by the Fund, its advisers, its broker/dealers and any entities or managers with which the Fund invests in complying with the FINRA Rules.

The Fund will send each investor, including the Subscriber, a letter each 12 months hereafter to confirm that the information in this Schedule is current and accurate. The Subscriber need only respond to such communication if the information in this Schedule has changed.

The Subscriber acknowledges and agrees that, in the event that (A) the Fund determines, based upon information furnished to it by the Subscriber or otherwise available to it, that the Subscriber or any of the beneficial owners is ineligible under FINRA Rules to participate in profits from “new issues” or (B) the Subscriber fails or chooses not to supply all of the information requested in this Subscription and Capital Commitment Agreement or any other information requested by the Fund to determine whether the Subscriber would be a Restricted Person, or the Subscriber responds inconsistently or inconclusively, such that the Fund cannot determine the status of the Subscriber under the FINRA Rules based on the information provided in this Schedule, the Subscriber shall be deemed a Restricted Person who shall receive no appreciation or depreciation in the Fund’s assets from direct or indirect investments in “new issues.” The Subscriber

Blue Torch Credit Opportunities KRS Fund LP

*For U.S. Investors Only
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understands that due to significant administrative burdens the Fund will not, unless it determines otherwise in its sole discretion, allocate any new issues income gains or losses to any Subscriber that is an executive officer or director of a public company or a covered non-public company, or a person materially supported by such person, as those terms are defined in FINRA Rule 5131.

ANTI-MONEY LAUNDERING DOCUMENTATION

To help the government fight the funding of terrorism and money laundering activities, U.S. federal law requires the General Partner to obtain, verify and record certain identifying information with respect to all Subscribers in the Fund. Any subscription may be rejected if the Subscriber fails to provide required identifying information. To assist the General Partner in meeting these obligations, Subscribers should submit the following documentation:

a) Individuals

- A government-issued form of picture identification (e.g., unexpired driver's license, unexpired passport, other government-issued ID or birth certificate).

b) Private Corporation (including Limited Liability Companies)

- A copy of the entity's Articles of Incorporation or Certificate of Good Standing or Banking Reference.
- A completed copy of the Beneficial Ownership section below listing the names, address, DOB and TIN of all beneficial owners with more than 25% interest.
- A government-issued form of picture identification (e.g., unexpired driver's license or unexpired passport) for all partners noted on the Beneficial Ownership section below.

c) Public Company

- Name and location of primary exchange where shares are listed: _____

- Ticker Symbol: _____

d) Partnership

- A copy of the entity's Partnership/Membership Agreement or Certificate of Good Standing or Banking Reference.
- A completed copy of the Beneficial Ownership section below listing the names, address, DOB and TIN of all beneficial owners with more than 25% interest.
- A government-issued form of picture identification (e.g., unexpired driver's license or unexpired passport) for all partners noted on the Beneficial Ownership section below.

e) Trust

- A copy of the entity's Governing Trust Document.
- A completed copy of Trust Ownership section below listing the names, address, DOB and TIN of all trustees.
- A government-issued form of picture identification (e.g., unexpired driver's license or unexpired passport) for all trustees noted in the Trust Ownership section below.

f) Subscribers Declared Exempt from CIP (ERISA Plan, Governmental Agency, Financial Institution subject to Section 352 of the USA Patriot Act)

- If ERISA – copy of IRS form.
- If Financial Institution subject to Section 352 of the USA PATRIOT Act – Bank Certificate # or Broker Dealer CRD#.

Beneficial Ownership Information

(To be completed by Subscribers that are private corporations, limited liability companies and partnerships.)

Instructions: Please provide the information below for every beneficial owner with twenty five percent (25%) or more of interest of the Subscriber along with a certified copy of an unexpired passport, photo driver’s license or other government-issued photo ID. If the beneficial owners are not individuals, continue up the chain of ownership listing their twenty five percent (25%) or more beneficial owners until individuals are listed. Where no beneficial ownership information is provided, it will be assumed no beneficiary holds 25% or more of the assets of the entity.

Full Name and Address	Tax Identification Number	Date of Birth/Formation Date

Trustee Ownership Information

(To be completed by Subscribers that are trusts.)

Instructions: Please provide the information below for every trustee along with a certified copy of an unexpired passport, photo driver’s license or other government-issued photo. If there are trustees that are not individuals, continue up the chain of ownership listing their trustees or beneficial owners holding 25% or more equity interest holders until individuals are listed.

Full Name and Address	Tax Identification Number	Date of Birth/Formation Date

Authorized Signer Information (Non-U.S. Investors)

(To be completed by one authorized signer for private corporations, limited liability companies and partnerships.)

Instructions: Please provide the information below for one authorized signer in a private corporation, limited liability company, partnership or non-profit, along with a certified copy of an unexpired passport, photo driver’s license or other government-issued photo.

Full Name and Address	Tax Identification Number	Date of Birth

INVESTMENT CONSIDERATIONS

I. IMPORTANT NOTICES TO PROSPECTIVE INVESTORS

GENERAL NOTICES

THE LIMITED PARTNERSHIP INTERESTS (“INTERESTS”) BEING OFFERED IN BLUE TORCH CREDIT OPPORTUNITIES KRS FUND LP, A DELAWARE LIMITED PARTNERSHIP (THE “FUND”) ARE SPECULATIVE, ILLIQUID, INVOLVE SUBSTANTIAL RISK AND ARE A SUITABLE INVESTMENT ONLY FOR A LIMITED PORTION OF AN INVESTOR’S PORTFOLIO. INVESTORS COULD LOSE ALL OR SUBSTANTIALLY ALL OF THEIR INVESTMENT IN THE FUND.

AN INVESTMENT IN THE FUND REQUIRES THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT ALL THE RISKS THAT MAY AFFECT THE INTERESTS AND THE LACK OF LIQUIDITY OF INTERESTS WHICH CAN ONLY BE TRANSFERRED OR REDEEMED ON A LIMITED BASIS.

PROSPECTIVE INVESTORS’ SHOULD CAREFULLY REVIEW THIS SCHEDULE F IN ITS ENTIRETY PRIOR TO MAKING AN INVESTMENT DECISION. CAPITALIZED TERMS USED BUT NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT.

THE FUND DOCUMENTS HAVE BEEN PREPARED IN CONNECTION WITH THE PRIVATE PLACEMENT OF INTERESTS BEING OFFERED PURSUANT THERETO. NO SOLICITATION, INVITATION OR OFFER TO THE PUBLIC OF OR WITH RESPECT TO INTERESTS HAS BEEN OR IS INTENDED TO BE MADE BY OR ON BEHALF OF THE FUND IN ANY JURISDICTION. THE FUND DOCUMENTS DO NOT CONSTITUTE AN OFFER OF, OR ANY SOLICITATION, INVITATION BY OR ON BEHALF OF THE FUND TO SUBSCRIBE FOR OR TO PURCHASE INTERESTS IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION.

THE FUND DOCUMENTS CONSTITUTE AN OFFER TO THE OFFEREE (THE “OFFEREE”) ONLY IF DELIVERY OF THE FUND DOCUMENTS ARE PROPERLY AUTHORIZED BY THE GENERAL PARTNER.

IN PARTICULAR: (A) INTERESTS MAY NOT BE DIRECTLY OR INDIRECTLY OFFERED OR SOLD IN ANY JURISDICTION WHERE SUCH OFFER OR SALE WOULD BE UNLAWFUL; AND (B) INTERESTS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE DIRECTLY OR INDIRECTLY OFFERED OR SOLD IN THE UNITED STATES OF AMERICA OR ANY OF ITS TERRITORIES OR POSSESSIONS OR AREAS SUBJECT TO ITS JURISDICTION, OR TO OR FOR THE BENEFIT OF NATIONALS OR RESIDENTS THEREOF, EXCEPT PURSUANT TO AN EXEMPTION AVAILABLE UNDER SUCH ACT.

EXCEPT AS EXPRESSLY PROVIDED HEREIN, NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THE FUND DOCUMENTS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND OR BY BLUE TORCH CAPITAL LP, THE INVESTMENT MANAGER OF THE FUND (THE “INVESTMENT MANAGER”). NEITHER THE DELIVERY OF THE FUND DOCUMENTS, NOR ANY SALE MADE PURSUANT THERETO, SHALL UNDER ANY CIRCUMSTANCE CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE MATTERS DISCUSSED THEREIN SINCE THE DATE THEREOF.

THE INFORMATION IN THE FUND DOCUMENTS IS FURNISHED ON A CONFIDENTIAL BASIS EXCLUSIVELY FOR THE OFFEREE’S USE AND RETENTION. THE FUND DOCUMENTS SHALL NOT BE COPIED, REPRODUCED OR DISTRIBUTED TO ANY PERSON BY THE RECIPIENT OR BY ANY OTHER UNAUTHORIZED PERSON AT ANY TIME.

THE GENERAL PARTNER DOES NOT EXPECT THAT AN ACTIVE SECONDARY MARKET WILL EXIST FOR INTERESTS OFFERED HEREIN.

THE OFFEREE MUST MAKE ITS OWN EVALUATION OF AN INVESTMENT IN THE FUND. THE CONTENTS OF THE FUND DOCUMENTS SHOULD NOT BE CONSTRUED AS INVESTMENT, LEGAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR IS URGED TO SEEK INDEPENDENT INVESTMENT, LEGAL AND TAX ADVICE CONCERNING THE CONSEQUENCES OF INVESTING IN THE FUND.

PERSONS INTERESTED IN ACQUIRING INTERESTS SHOULD SEEK THEIR OWN PROFESSIONAL ADVICE AS TO:

- (I) THE LEGAL REQUIREMENTS WITHIN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE FOR SUCH ACQUISITION;
- (II) ANY FOREIGN EXCHANGE RESTRICTION OR EXCHANGE CONTROL REQUIREMENTS THAT THEY MIGHT ENCOUNTER ON ACQUISITION OR DISPOSAL OF INTERESTS; AND
- (III) THE INCOME TAX AND OTHER TAX CONSEQUENCES THAT MAY BE RELEVANT TO THE ACQUISITION, HOLDING OR DISPOSAL OF INTERESTS.

SUBSCRIPTIONS FOR INTERESTS MAY ONLY BE MADE THROUGH COMPLETION OF THE SUBSCRIPTION AND CAPITAL COMMITMENT AGREEMENT AND INVESTOR SUITABILITY QUESTIONNAIRE. ACCEPTANCE OF SUBSCRIPTIONS FOR INTERESTS IS IN THE SOLE AND ABSOLUTE DISCRETION OF THE GENERAL PARTNER.

THE VALUE OF AN INVESTMENT IN THE FUND CAN FALL AS WELL AS RISE.

REGULATORY NOTICES

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION (THE “CFTC”), NEITHER THE INVESTMENT MANAGER NOR THE GENERAL PARTNER IS REQUIRED TO REGISTER AS A COMMODITY POOL OPERATOR OR A COMMODITY TRADING ADVISOR. THEIR COMMODITY POOL OPERATOR EXEMPTION IS CONDITIONED ON (I) THE FUND SELLING INTERESTS ONLY TO CERTAIN CLASSES OF INVESTORS RECOGNIZED UNDER U.S. FEDERAL SECURITIES AND COMMODITIES LAWS AND (II) EITHER THE AGGREGATE INITIAL MARGIN AND PREMIUMS REQUIRED TO ESTABLISH COMMODITY INTEREST POSITIONS NOT EXCEEDING FIVE PERCENT OF THE LIQUIDATION VALUE OF THE FUND’S PORTFOLIO OR THE AGGREGATE NET NOTIONAL VALUE OF THE FUND’S COMMODITY INTEREST POSITIONS NOT EXCEEDING THE LIQUIDATION VALUE OF THE FUND’S PORTFOLIO. BECAUSE OF THE EXEMPTION, NEITHER THE INVESTMENT MANAGER NOR THE GENERAL PARTNER IS REQUIRED BY THE CFTC RULES TO DELIVER A “DISCLOSURE DOCUMENT” OR A “CERTIFIED ANNUAL REPORT,” AS SUCH TERMS ARE DEFINED BY THE CFTC RULES, TO THE FUND’S INVESTORS. THE FUND WILL, HOWEVER, DELIVER THE FUND DOCUMENTS AND THE PERIODIC AND ANNUAL REPORTS DESCRIBED THEREIN, INCLUDING AUDITED FINANCIAL STATEMENTS.

NASAA UNIFORM LEGEND

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INVESTMENT MANAGER, THE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. INTERESTS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE FUND DOCUMENTS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT WITH THE CONSENT OF THE GENERAL PARTNER AND AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF AN INVESTMENT IN THE FUND FOR AN INDEFINITE PERIOD OF TIME.

████████████████████ (THE “PLACEMENT AGENT”) HAS BEEN ENGAGED AS PLACEMENT AGENT IN CONNECTION WITH THE FORMATION OF THE FUND AND MAY USE ITS AFFILIATES AND CERTAIN SUB-AGENTS TO ASSIST IT IN ITS PLACING ACTIVITIES. REFERENCE IN THE FUND DOCUMENTS TO ██████████ SHALL BE DEEMED TO INCLUDE ██████████ AND, WHERE THE CONTEXT SO PERMITS, ITS AFFILIATES AND CERTAIN SUB-AGENTS THAT MAY ASSIST IT IN ITS PLACING ACTIVITIES. ██████████ IS A MEMBER OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY AND A SECURITIES BROKER-DEALER REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION.

II. CERTAIN RISK CONSIDERATIONS

An investment in the Fund is speculative and involves substantial risks, including, without limitation, general market and investment risks, risks associated with certain instruments, risks associated with derivatives, structural risks and tax risks. An investment in the Fund is suitable only for sophisticated investors who have no need for liquidity in this investment or regular current income. An investment in the Fund provides limited liquidity because the Interests in the Fund are not freely transferable and Limited Partners have no right of withdrawal. A prospective investor should invest in the Fund only as part of a broader strategy, and only if the prospective investor is able to

Blue Torch Credit Opportunities KRS Fund LP

*For U.S. Investors Only
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withstand a total loss of its investment. While the General Partner and its affiliates seek to mitigate risks, it is not always possible to fully eliminate risks. Some of these risks are outlined in greater detail below and should be carefully evaluated before making a decision to invest in the Fund. The Fund may be subject to material risks in addition to those described herein. The Fund, the General Partner and Blue Torch Capital LP (the “Investment Manager” or “Blue Torch”) face various potential conflicts of interests. (See also “SECTION III. CERTAIN CONFLICTS OF INTEREST.”)

There is no assurance that the Fund will achieve its investment objective or that a particular level of return will be achieved. Each investor is urged to consult with legal counsel and its own investment advisors prior to investing in the Fund.

General Risks

Coronavirus Disease 2019. As of the date of the Fund Documents, there is an outbreak of a novel and highly contagious form of coronavirus that causes a disease referred to as “coronavirus disease 2019” (“COVID-19”), which the World Health Organization has declared to constitute a pandemic. It has been widely reported that the outbreak of COVID-19 will continue to cause numerous deaths, adversely impact global commercial activity and contribute to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries, including the United States, have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19 are creating significant disruption in supply chains and economic activity. The impact of COVID-19 has led to significant volatility and declines in the global and domestic financial markets as well as the primary issuance and secondary trading of credit instruments (including those that may comprise the Fund’s assets), and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly likely.

Any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on (i) the value of the Fund, (ii) the value and liquidity of its investments, (iii) the Fund’s ability to fulfill its investment objectives, (iv) the ability of obligors of credit facilities in which the Fund has invested to continue to meet loan covenants or repay loans provided by the Fund on a timely basis or at all, (v) the ability of the Fund to repay its debt obligations, on a timely basis or at all or (vi) the Fund’s ability to source, manage and divest investments, all of which could result in significant losses to the Fund.

With respect to senior loan facilities to business entities that contain delayed-draw or revolving features, an obligor of such facility may be incentivized for liquidity or other reasons to draw on most, if not all, of the unfunded portion of such facility and the Fund may not have the ability under the applicable credit facility to refuse to fund such draw without the issuer being in default and suffering financial penalties.

High-yield bonds may consist of liquid, traded bonds that are issued with an investment grade rating but are subsequently downgraded (a “fallen angel”) or a bond that was assigned a below investment grade rating at the time of issuance. Because high-yield bonds are generally subordinated to first and second lien loans and unsecured loans, they face higher default rates and lower recovery rates. The effect of COVID-19 or any other public health emergency on high-yield bonds is likely to have a greater adverse effect than other Fund investments on the ability of the related issuer to make payments and satisfy covenants as well as on the value and liquidity of such investments.

Structured credit products generally consist of investments, the repayment of which is dependent on the value of underlying collateral and the related cashflows rather than the financial performance of a corporate obligor. These investments may include asset-based lending facilities (“ABLs”) secured by collateral such as accounts receivable, inventory, machinery, equipment and real estate. ABLs are characterized by loans to companies in transition or that are not easily financed by traditional banks and are secured solely by assets and related cashflows. COVID-19 and other public health emergencies may have a more significant adverse effect on the performance of such investments compared to more traditional liquid credit investments in respect of which an operating company is obligated to make payments.

In addition to ABLs, the Fund’s structured credit investments may include securitized products such as rated and unrated tranches of commercial mortgage-backed securities (“CMBS”), collateralized loan obligations (“CLOs”) and other asset-backed securities (“ABS” and together with CMBS and CLOs, “Securitized Products”). Like ABLs, COVID-19 and other public health emergencies may have a more significant adverse effect on the performance of such investments compared to more traditional liquid credit investments. In addition, the impact of COVID-19 and other public health emergencies on the performance, value and liquidity of Securitized Products will depend in large part on the seniority of the tranche in which the Fund has invested. Mezzanine and equity tranches of Securitized Products will experience greater adverse effect than senior tranches.

In addition, the operations of the Fund, the Investment Manager and/or its affiliates may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of personnel of the Investment Manager and/or its affiliates. In response to the COVID-19 crisis, most of the Investment Manager’s personnel is working remotely and travel is restricted. Although the Investment Manager has implemented its business continuity plan to permit personnel to work remotely and effectively, there is no assurance that this will work effectively at all times. Also, although the Investment Manager will continue to perform due diligence and monitor the portfolio companies in which the Fund invests, COVID-19 and resulting limitations on travel will affect the ability of the Investment Manager to meet in person with the companies in which the Fund invests. There can also be no assurance that other infectious diseases will not arise in the future.

Loss of Invested Capital. An investment in the Fund is speculative. The value of Interests will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the borrowers in respect of loan investments, governmental intervention, market conditions, and local, regional, national and global economic conditions. Therefore, investors may lose all or a portion of their capital invested in the Fund if its investment strategies are not successful.

No Operating History. The Fund is a recently formed entity and has no operating history. There can be no assurance that the Fund’s investment returns will be comparable to past performance achieved by Blue Torch Credit Opportunities Fund I LP, a Delaware limited partnership (“Fund I”), other investment vehicles managed by the Investment Manager or by ██████████ at previous institutions of employment (or by his prior employer) or that the Fund will achieve its investment or return objectives.

General Economic and Market Conditions. The success of the Fund is affected by general economic, political and market conditions, including, among others, interest rates, availability and cost of credit, inflation rates, economic uncertainty, changes in laws, political uncertainty and social unrest, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts, epidemics and security operations). These factors are ones that cannot be controlled and may affect the level and volatility of investment values, as well as the liquidity of investments. These factors also could affect the availability or cost of leverage, which may result in lower returns. The Fund may not be able to or may not choose

to manage its exposure to these conditions because of costs and constraints associated with managing them, which may result in adverse consequences for the Fund.

Substantial Costs. The Fund is subject to fees (including the Management Fee), transactional and operating costs and expenses irrespective of its performance which, in the aggregate, may be substantial. If the investment income of the Fund does not exceed these fees, costs and expenses, then the Fund will not achieve its return objectives.

Portfolio Concentration; Lack of Diversification. The Fund is not limited with respect to the amount of capital that may be committed to any one investment, type of investment, industry or geography. While diversification is generally an objective of the Fund, there can be no assurance as to the degree of diversification, if any, that will be achieved across the Fund's investments. Difficult market conditions or slowdowns affecting a particular asset class, geographic region or other category of investment could have a significant adverse impact on the Fund if its investments are concentrated in that area, which may result in lower investment returns. This lack of diversification may expose the Fund to losses disproportionate to market declines in general if there are disproportionately greater adverse price movements in the particular investments. If the Fund holds loans whose borrowers are concentrated in a particular industry or geographic region, the Fund may be more susceptible than a more widely diversified investment partnerships to the negative consequences of a single corporate, economic, political or regulatory event affecting such industry or region. Accordingly, a lack of diversification could adversely affect the Fund's performance.

Risks Associated with Anticipated Loan Transfers. The Fund may acquire loans with the intention to transfer a portion to Blue Torch clients and unaffiliated parties. If the Fund cannot make such transfer, as a result of an inability to value a loan properly or an inability to agree upon an assigned value with a potential transferee, the Fund may be obligated to hold a larger piece of such loan than originally anticipated, thereby making the Fund's portfolio even more concentrated, even if significant costs have already been incurred in connection with the valuation and anticipated transfer of such loan investments.

Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act. The global financial markets have in the past gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action, these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Fund may incur significant losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become even more illiquid. The financing available to the Fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund. Market disruptions may from time to time cause dramatic losses for the Fund.

In response to the financial crises of 2008-2009, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Reform Act" or the "Dodd-Frank Act") was enacted in July 2010. The Reform Act established a comprehensive framework for the regulation of markets, market participants and financial instruments that were previously unregulated and substantially altered the regulation of many other markets, market participants and financial instruments. The Reform Act could result in certain investment strategies in which the Fund engages or may have otherwise engaged becoming non-viable or non-economical to implement. For example, Section 941 of

the Dodd-Frank Act amended Section 15G of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), to impose risk retention requirements on certain securitization transactions and to require adoption of related implementing rules (the “U.S. Risk Retention Rules”), which may affect the financing activities of the Fund. The Reform Act and rules and regulations adopted pursuant to the Reform Act could have a material adverse impact on the profitability of the Fund.

The “Volcker Rule” component of the Dodd-Frank Act materially restricts proprietary speculative trading by banks, “bank holding companies” and other regulated entities. As a result, there has been a significant influx of new portfolio managers into private investment funds that had previously invested on behalf of institutional proprietary accounts. Such influx can only increase the competition for the Fund from other talented portfolio managers.

Monetary Policy and Governmental Intervention. As part of the response to the recent global financial crisis, the U.S. Federal Reserve (the “Federal Reserve”) and global central banks have, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central banks may have a significant effect on interest rates and on the U.S. economy generally, which in turn may affect the performance of the Fund’s investments or the ability of the Fund to realize its investment objectives.

Enhanced Scrutiny and Regulation of the Private Fund Industry. The advisory business of Blue Torch and the Fund are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations or exchanges in the United States relating to, among other things, antitrust law, anti-money laundering laws, anti-bribery laws, laws relating to foreign officials, privacy laws with respect to client information and the regulatory oversight of the trading and other investment activities of alternative asset management funds and their investment advisers. Each of the regulatory bodies with jurisdiction over Blue Torch and the Fund has the regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Any failure to comply with these rules and regulations could expose Blue Torch and the Fund to liability or other risks.

The additional legislation, increasing global regulatory oversight of fundraising activities and changes in law relating to the alternative asset management industry have been particularly acute in the aftermath of the global financial crisis in 2008-2009. This additional scrutiny has included, among other things, increased registration, oversight and regulation of alternative asset management firms and disclosure with respect to these firms and the vehicles they sponsor or advise, which could impact the Fund and its management activities. Such oversight and regulation may cause the Fund to incur additional expenses, may divert the attention of Blue Torch and its personnel and may result in sanctions or fines if the Fund is deemed to have violated any regulations. Regulation generally as well as regulation more specifically addressed to the alternative asset management industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting investments, the solvency or viability of borrowers and the cost of operating the Fund. There can be no assurance that Blue Torch or the Fund will avoid regulatory examination or enforcement actions. Even if an investigation or proceeding does not result in sanctions or fines being imposed against Blue Torch or its affiliates, Blue Torch, its affiliates, and the Fund may be subject to negative publicity in relation to such investigation or proceeding.

Possible Ineffectiveness of Risk Reduction Techniques. The Investment Manager may employ various risk reduction strategies designed to minimize the risk of the Fund’s positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and may choose not to implement as a result of the costs and other burdens associated with such strategies, and when possible or chosen, will not always be effective in limiting losses. If the Investment Manager analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with the Fund’s investments, such risk reduction techniques could

increase rather than mitigate losses. These risk reduction techniques may also increase the volatility of the Fund and/or result in a loss if the counterparty to the transaction does not perform as promised.

Leverage and Borrowing Risks. The Fund has the power to borrow funds and intends to do so when deemed appropriate by the Investment Manager or an affiliate, including to enhance the Fund's returns. The Fund may borrow funds from brokers, banks and other lenders to finance the Fund's investment operations, which borrowings may be secured by assets of the Fund. Leverage may be obtained, directly or indirectly, through one or more lines of credit or credit facilities (including, without limitation, subscription facilities) secured by assets of the Fund, which may include, without limitation, through the issuance of collateralized loan obligations ("CLOs"), or through such other means, forms or structures as may be determined by the Investment Manager from time to time, in its sole discretion. The use of such leverage can, in certain circumstances, maximize the losses to which the Fund's investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that an asset or the Fund is leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund, which would be greater than if the Fund were not leveraged. Conversely, the use of leverage can exaggerate positive upswings in the Fund's performance, even though such interim gains may not ultimately be realized by the Fund.

Leverage may be achieved through, among other methods, direct borrowing, purchases of securities on margin and the use of swaps. The Fund's borrowing powers are not restricted, although the Investment Manager anticipates generally operating the Fund with a ratio of amount borrowed to net asset value of up to 1.25 x. The Fund's access to capital through leverage and borrowing could be impaired by market forces and regulatory changes, including as a result of (i) the U.S. Risk Retention Rules recently adopted pursuant to the Dodd-Frank Act, and (ii) the credit risk and other rules imposed by the EU Securitization Regulation or similar or equivalent regimes implemented in other foreign non-EU countries and (together with the U.S. Retention Rules, the "Risk Retention Rules"), as described below.

Regulatory Risks Associated with Leverage. In order to secure leverage the Fund may implement securitization structures (such as CLOs) which may trigger the application of Risk Retention Rules.

The U.S. Retention Rules require a sponsor or a "majority-owned affiliate" thereof of a securitization transaction, such as a CLO, to retain an economic interest in the credit risk of the securitized assets of at least 5% (the "Retention Interests").

Under the U.S. Risk Retention Rules, a "sponsor" is "a person who organizes and initiates a securitization transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to an issuing entity." In the context of middle market CLOs, there remains some uncertainty regarding the application of this definition. In certain transactions, an entity that transfers all or almost all of the loans to the CLO issuer may be considered a sponsor; in other transactions, the external advisor to the CLO issuer or the transferring fund may be viewed as a sponsor (either in place of, or in addition to, the transferring fund). Moreover, under the U.S. Risk Retention Rules it is permissible for an originator that has originated at least 25% of the loans to hold a proportionate amount of the Retention Interest. Accordingly, in connection with a CLO transaction, the U.S. Risk Retention Rules may be satisfied by (i) the Fund retaining the Retention Interests, either as originator or sponsor, (ii) Blue Torch, as asset manager of the CLO and/or the Fund, retaining (or having a "majority-owned affiliate" retain) the Retention Interests as sponsor, or (iii) a combination of the Fund and Blue Torch (or a "majority-owned affiliate" thereof) retaining the Retention Interests.

As noted above, the U.S. Risk Retention Rules permit a "majority-owned affiliate" of a sponsor to hold Retention Interests in satisfaction of the sponsor's obligation. Accordingly, with respect to any CLO in connection with which Blue Torch is determined to be the sponsor, it expects to retain, or to cause one of its "majority-owned affiliates" to retain, Retention Interests in each such CLO. There has been limited guidance regarding how entities may be structured for this purpose, and therefore the regulatory environment in which any such CLOs would operate

is uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Blue Torch, and the manner in which it expects to hold Retention Interests, will satisfy the U.S. Risk Retention Rules. If such transactions, structures or arrangements are determined not to comply with the U.S. Risk Retention Rules, Blue Torch and the Fund could become subject to regulatory action. The impact of the U.S. Risk Retention Rules on the securitization market is also unclear and such rules may negatively impact the value of the CLOs and their underlying assets.

The EU Securitization Regulation prevents certain European Union (“EU”) regulated entities from participating in a “securitization” transaction unless the “originator”, “sponsor” or “original lender” (in each case, as defined for the purposes of the EU Securitization Regulation) of that securitization transaction, retains on an ongoing basis a material net economic interest in the transaction of at least 5% (the “EU Retention Interest”).

In connection with its anticipated role in respect of certain such securitization structures Blue Torch is expected to qualify as an “originator” under the EU Securitization Regulation and thereby be eligible to retain the EU Retention Interest directly or via a subsidiary. That role may require Blue Torch to acquire and assume the economic risk of assets prior to their securitization and the Fund may also be exposed to this risk accordingly. In particular, Blue Torch may acquire assets that subsequently become ineligible for sale into the underlying securitization structures, either because the assets themselves experience credit events (such as defaults) that preclude their sale to the underlying transactions, or because the underlying transactions fail to launch or complete successfully. In these cases, Blue Torch may be required to sell or refinance such ineligible assets and/or acquire replacement assets at a loss, which could have a material adverse effect on Blue Torch and therefore the Fund. Under the EU Securitization Regulation a retention holder is required to commit to holding an EU Retention Interest for the full term of the relevant securitization structure which may adversely affect the interests of Blue Torch and the Fund.

The EU securitization Regulation also imposes certain direct obligations on the “originator”, “sponsor” or “original lender” of a “securitization” (in each case, as defined for the purposes of the EU Securitization Regulation) including certain extensive transparency or reporting obligations. The jurisdictional scope of such obligations is unclear. If however such obligations or equivalent obligations were determined to be applicable to non-EU regulated entities such as Blue Torch, Blue Torch and thereby the Fund may be adversely affected by the potentially considerable operational, cost and other implications of such obligations.

The EU Securitization Regulation came into effect on January 1, 2019 but remains subject to interpretational uncertainties in certain respects. Supplemental legislation in the form of regulatory and implementing technical standards which were intended to apply to the EU Securitization Regulation have not been finalized and various transitional technical standards apply in place thereof. Furthermore, the views of the various relevant EU regulatory authorities (with responsibility for the interpretation, implementation or enforcement of the EU Securitization Regulation) with regard to the requirements imposed by the EU Securitization Regulation may not be based exclusively on technical standards, regulatory guidance or other information known at this time.

Similar rules apply or may apply in other foreign non-EU countries.

There can be no assurances as to whether the transactions described herein will be affected, if at all, by a change in law or regulation or interpretations thereof relating to the Risk Retention Rules.

It is impossible to determine whether developments, revisions or new interpretations, if any, of the Risk Retention Rules will ultimately have a material adverse effect on the business, financial condition or prospects of Blue Torch and therefore the Fund. While Blue Torch will seek to comply with the Risk Retention Requirements applicable to it, given that such Blue Torch will be navigating a new and developing regulatory framework, there is no guarantee that its compliance efforts will be deemed sufficient by relevant regulators.

Risk of Highly Leveraged Borrowers. The issuers of debt in which the Fund may invest are likely to be highly leveraged, which may have adverse consequences for these companies and to the Fund. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. A borrower's leverage may adversely impact the Fund in a number of ways, such as creating a greater possibility of default or bankruptcy of the borrower. It is also possible that the pledging of collateral (if any) to secure debt could be found to constitute a fraudulent conveyance or preferential transfer which would be nullified or subordinated to the rights of other creditors of the borrower under applicable law.

Custodial Risk. Institutions, such as banks, are expected to have custody of the Fund's investments to the extent required under applicable law. Investments held with custodians may not be clearly identified as being assets of the Fund, causing the Fund to be exposed to a credit risk with regard to such parties. The Fund will attempt to limit its custody transactions to well capitalized and established banks in an effort to mitigate such risks, but the collapse in 2008 of the seemingly well capitalized and established Bear Stearns and Lehman Brothers demonstrates the limits on the effectiveness of this approach in avoiding counterparty losses.

Auditor Risk. In auditing the Fund, the Fund's auditor may not discover errors or miscalculations, including those arising from fraud. As a result, the Fund's auditor may issue an unqualified opinion or report despite the existence of such errors or miscalculations, either of which can have an adverse effect on a Limited Partner's returns. Conversely, an error by an auditor could cause lenders and other counterparties to impose unnecessarily stringent requirements on the Fund, which could have an adverse effect on the Fund's performance.

Investment Risks

Risk of Inability to Identify Sufficient Number of Investment Opportunities. There can be no assurance that the Investment Manager will be able to find suitable opportunities consistent with its investment approach. The Investment Manager may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. Among other things, market conditions may limit the availability of investment opportunities. Such limitations may cause delays in deploying the Fund's capital and may negatively impact the Fund's returns.

Credit Opportunities Generally. The Investment Manager, on behalf of the Fund, may originate loans to, or purchase the assignment of or participations in loans made to, middle-market companies. Such investments may include (i) secured debt assets that may be senior or junior, and may be collateralized by a variety of assets, including secured loans (both asset-based and cash flow loans) for working capital, refinancing, acquisitions, bridge capital, restructuring, recapitalization, exit financings and debtor-in possession financing, (ii) first priority, senior secured debt assets, which may include loans offered at lesser borrower leverage levels and commensurately reduced target yields and (iii) investments in distressed companies or assets. The Investment Manager may seek to make investments that provide acquisition financing to private equity funds and other companies seeking acquisition financing and will also lend to, or purchase secured and unsecured debt obligations of, companies that (a) are likely to become subject to U.S. bankruptcy proceedings, (b) are seeking to avoid restructuring, (c) are not distressed, but have lost the support of their financial lenders, (d) do not have sufficient capital to manage their operations, and/or (e) are seeking terms for their debt that are more flexible or appropriate for their current circumstances. The types of investments in this strategy include, but are not limited to, investments in loans, debt instruments issued in connection with acquisition financing and refinancing of existing company debt, publicly traded bonds, high yield bonds, bank debt, term loans (including as part of a single-tranche or multi-tranche financing, including unitranche financing), bridge loans, debtor-in possession and exit loans, mortgages and other fixed-income securities.

In addition, the Investment Manager may make investments on behalf of the Fund in debt of distressed companies, including debt with varying terms with respect to collateral, relative seniority or subordination, purchase price, convertibility, interest requirements and maturity (e.g., bonds, debentures and notes, trust certificates, commercial paper and trade claims) and equity and equity-related securities of distressed companies, including preferred stock, convertible preferred stock, common stock and warrants.

The Investment Manager may also make investments on behalf of the Fund in non-performing loans (“NPLs”) and pools of NPLs that have varying terms with respect to collateral, relative seniority or subordination, purchase price, convertibility, interest requirements and maturity. NPLs and pools of NPLs may consist of a large and diverse spectrum of loans, including, but not limited to (i) small to medium enterprise and other corporate loans, (ii) real estate secured loans (including residential, commercial and multi-family loans), (iii) unsecured loans and (iv) consumer loans.

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

Dependence on Private Equity Sponsors. Blue Torch may at times be dependent on relationships with private equity sponsors. If such sponsors find new sources of debt capital that are more advantageous to them, or if Blue Torch suffers reputational harm such that sponsors do not want to work with Blue Torch, the Investment Manager could have difficulty finding and sourcing new middle market debt investments. Private equity sponsors may experience financial distress, which may be related or unrelated to the portfolio companies in which the Fund invests. Once in financial distress, such sponsors may be unable to provide the same level of managerial, operating or financial support to such portfolio companies, resulting in an increased risk of default or inability to repay remaining principal at maturity.

The Fund may have exposure to companies controlled by private equity sponsors in which the sponsors have completed one or more dividend recapitalizations, thereby allowing a sponsor to substantially reduce or eliminate their net investment in underlying portfolio companies. These investments may present different investment characteristics than investments where a private equity sponsor retains a significant net contributed capital position in the company. These investments may experience a higher rate of default. Even when a default does not occur, a private equity sponsor may be less willing to provide ongoing financial support to a portfolio company after it has received one or more capital distributions on its investment.

Syndication and/or Transfer of Debt Instruments. The Fund may originate and/or purchase secured debt assets. The Fund may also purchase secured debt assets (including, participation interests or other indirect economic

interests) that have been originated by the Fund or from other parties and/or trading on the secondary market. The Fund may, in certain circumstances, originate or purchase such secured debt assets with the intent of syndicating and/or otherwise transferring a significant portion thereof. In such instances, the Fund will bear the risk of any decline in value prior to such syndication and/or other transfer. In addition, the Fund will also bear the risk of any inability to syndicate or otherwise transfer such secured debt assets or such amount thereof as originally intended, which could result in the Fund owning a greater interest therein than anticipated.

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

Investment in Special Situations. The Fund is authorized to invest in the obligations of companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. Investments in such companies are generally considered speculative. In any investment transaction involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will may be materially less than the purchase price paid by the Fund for the security or other financial instrument in respect of which such distribution is received. Similarly, if such an anticipated transaction does not in fact occur, the Fund may lose all or a material portion of its investment.

Credit Risk. Credit risk refers to the likelihood that an obligor will default on the payment of principal, interest or other amounts owed on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or other assets expected to be the source of repayment or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and debt instruments that are rated by rating agencies are subject to downgrade at a later date.

The Fund's investments may be secured by collateral. If securing first priority liens, collateral generally cannot be pledged, lent, re-hypothecated or otherwise re-used by the borrower. The value of this collateral may initially exceed the principal amount of such investments, but there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Fund could experience delays or limitations with respect to their ability to realize the benefits of the collateral securing an investment.

Under certain circumstances, collateral securing an investment may be released without the consent of the Fund. Moreover, the Fund's security interest (with respect to investments in secured debt) may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the Fund may not have priority over other creditors as anticipated. First priority lien investments made by the Fund may, in certain cases, provide a first priority lien over some, but not all, of the assets of the relevant borrower. The Fund may also invest in second-lien debt, unsecured debt, marketable and non-marketable common and preferred equity securities and other unsecured investments that involve a higher degree of risk than senior first-lien secured debt investments. Furthermore, the Fund's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of senior lenders (with respect to some or all of the assets of a portfolio investment). Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In such cases, the ability of the borrower to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the borrower, the occurrence of which is uncertain.

Interest Rate Risk. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively affect the price of a fixed rate debt instrument and falling interest rates will have a positive effect on the price of a fixed rate debt instrument. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Need for Follow-up Funding. The Fund may be called upon to provide follow-up funding for or may have the opportunity to increase its exposure to a borrower. There can be no assurance that the Fund will wish to make such follow-on investments or have available capital to do so, and the inability to make such follow-on investments may have a substantial negative impact on a portfolio company or other issuer in need of capital or may diminish the Fund's ability to influence the portfolio company's or other issuer's future development.

Investments in Companies in Regulated Industries. The Fund (directly, or through a CLO or other subsidiary) may invest in companies that are subject to governmental and non-governmental regulation, including by federal and state regulators and various self-regulatory organizations. Companies participating in regulated activities may incur significant costs to comply with these laws and regulations. If a company in which a client invests fails to comply with an applicable regulatory regime, it may be subject to fines, injunctions, operating restrictions or criminal prosecution, any of which could materially and adversely affect the value of the Fund's investment.

Due Diligence; Reliance on Financial Projections Related to Investments. Blue Torch will conduct, and may use third parties to conduct, due diligence on prospective investments. In conducting such due diligence, Blue Torch's investment professionals may use publicly available information as well as information from their relationships with former and current management teams, consultants, competitors and investment bankers. Such level of due diligence may not, however, reveal all matters and issues, material or otherwise, relating to prospective investments.

Blue Torch generally will make investment decisions and establish the capital structure of companies, and/or the terms of financing for a company, on the basis of financial projections, including projections specific for such companies. There can be no assurance that financial or economic models used to determine investment decisions will be correct, accurate or appropriately reflect subsequent developments or all the other factors that could cause actual results to differ from such models or projections. Projected operating results will often be based on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections. Moreover, the Fund's investments, particularly investments in loans or other forms of indebtedness, may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer or borrower repaying the principal on an obligation held by that Fund earlier than expected (which could result in the Fund's investment return from such investment being less than that anticipated by the Fund when it made the investment). As a consequence, the Fund's ability to achieve its investment objective may be affected.

Loan and Loan-Related Investments

Loan Origination. The Fund will seek to originate loans, including but not limited to, secured and unsecured notes, senior and second lien loans, mezzanine loans and other similar investments. The Fund will retain all fees received in connection with originating or structuring the terms of any such investment. The Fund may subsequently offer such investments for sale to third parties, which could include certain other investment funds or separately managed accounts by affiliates of the General Partner. The decision by the Fund to accept or reject the offer may be made by a third party independent of the Fund, such as independent directors or an advisory or credit committee composed of individuals unaffiliated with the Fund. In determining the target amount to allocate to such an investment, the Fund may take into consideration the fact that it may sell, assign or offer participations in such investments to the third parties described above.

As a result of its investment activities, it is possible that the Fund or the affiliated entities in which the Fund invests could be deemed to be engaged in the origination of debt or debt-linked investments for purposes of the applicable regulatory or other laws in jurisdictions in which such activities take place. The laws regarding the origination of debt or debt-linked investments are frequently highly complex and may include licensing requirements. The licensing processes can be lengthy and can be expected to subject the Fund or the affiliated entities in which it invests to increased regulatory oversight. In some instances, the process for obtaining a required license or exception certificate may require disclosure to regulators or to the public of information about the Fund, its direct or indirect investors, its loans, its business activities, its management or controlling persons or other matters. Failure, even if unintentional, to comply fully with applicable laws may result in sanctions, fines, or limitations on the ability of the Fund, the Investment Manager or affiliates of the foregoing to do business in the relevant jurisdiction or to procure required licenses in other jurisdictions all of which could directly or indirectly have a material adverse effect on the Fund. While the Fund may make secured investments, losses may still occur as a result of default and recourse to the underlying collateral may not be sufficient to cover such losses. No guarantee exists with respect to the adequacy of a Fund's security in respect of a loan investment.

Licensing Requirements. Certain federal and local banking and regulatory bodies or agencies may require the Fund, the General Partner, the Investment Manager and/or certain employees of the Investment Manager to obtain licenses or authorizations to engage in many types of lending activities including the origination of loans. It may take a significant amount of time and expenses to obtain such licenses or authorizations and the Fund will be required to bear the costs of obtaining such licenses and authorizations. There can be no assurance that any such licenses or authorizations will be granted or, if granted, whether any such licenses or authorizations would impose restrictions on the Fund. Such licenses may require the disclosure of confidential information about the Fund, the Partners or their respective affiliates, including financial information and/or information regarding officers and directors or

certain significant Partners. The Fund may not be willing or able to comply with these requirements. Alternatively, the Investment Manager may be compelled to structure certain potential investments in a manner that would not require such licenses and authorizations, although such transactions may be inefficient or otherwise disadvantageous for the Fund and/or any relevant borrower, including because of the risk that licensing authorities would not accept such structuring alternatives in lieu of obtaining a license. The inability of the Fund, the General Partner or the Investment Manager to obtain necessary licenses or authorizations, the structuring of an investment in an inefficient or otherwise disadvantageous manner, or changes in licensing regulations, could adversely affect the Fund's ability to implement their investment program and achieve their intended results.

Ability to Lend on Advantageous Terms; Competition and Supply. The Fund intends to originate loans and may also invest in loans originated by other parties (including, without limitation, debt that trades on the secondary market). Success in this area will depend in part on the ability of the Fund to originate and obtain loans on advantageous terms. In making loans, the Fund will compete with a broad spectrum of lenders, some of which may be willing to lend money on terms more favorable to borrowers. Such competing lenders may include private investment funds, public funds, commercial and investment banks, commercial financing companies and other entities. Some competitors may have a lower cost of funds and/or access to funding sources that are not available to the Fund. In addition, some competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Fund. The Fund may also choose not to compete for investment opportunities based on interest rates. Ultimately, increased competition for, or a diminution in the available supply of, qualifying borrowers may result in lower yields on loans to such borrowers, which could reduce returns to the Fund.

Fraud. Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Fund to perfect or effectuate a lien on the collateral securing the loan. The Fund will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness.

Bank Loans and Participations. The Fund's investment program may include bank loans and 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; and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the Investment Manager compares the relative significance of the risks against the expected benefits. Successful claims by third parties arising from these and other risks, absent violation of the Standard of Care by the Investment Manager or its affiliates, will be borne by the Fund.

The Fund may experience significant delays in the settlement of certain loan and/or bank debt transactions, particularly in the case of investments that are or become distressed. Until such transactions are settled, the Fund is subject to counterparty insolvency risk. Pursuant to certain insolvency laws, a counterparty may have the ability to reject or terminate an unsettled loan transaction. If a counterparty rejects an unsettled transaction, the Fund may lose any increase in value with respect to such loan that accrued while the transaction was unsettled.

The Fund may also invest in loan participations where it will be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan, such as the additional credit risk of the counterparty, the lack of voting rights and the lack of direct enforcement rights in connection with a loan default. In such circumstances, the Fund generally would depend on the lender to enforce its rights and obligations under the loan arrangements in the event of a default by the borrower on the underlying loan and will generally have no voting rights with respect to the issuer, as such rights are typically retained by the lender. Such investments are

subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. There can be no assurance that the lender will not default on its obligations under such arrangements, resulting in substantial losses to the Fund.

From time to time, the Investment Manager may cause the Fund to acquire certain assets through participation and sub-participation arrangements with unaffiliated third parties. Such arrangements may expose the Fund to additional credit risk compared to acquiring the asset directly because, in addition to the underlying credit risk of the asset, the Fund is exposed to the risk of the direct participant defaulting on its obligations to the Fund under the participation or sub-participation arrangement.

Prepayment Risk; Fluctuation in Receipt of Proceeds. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans and other debt underlying certain of the Fund's investments will be affected by a variety of factors including, but not limited to, the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (*i.e.*, financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (*i.e.*, financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since the Fund's investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment. As a result of these factors, Blue Torch expects to experience fluctuations in the timing and amount of proceeds the Fund may receive in the form of interest and fee income and in connection with the realization of investments. As a result of these factors, the amounts of distributions to the Fund's investors may fluctuate substantially from one period to the next.

Agency Provisions in Loan Documents. The Fund's investments may include agented loans or loans subject to agency provisions. Agency provisions in the loan agreements governing the loans acquired by the Fund may undermine enforcement actions against the collateral and expose the Fund to losses on the loans. Under the underlying loan agreement with respect to agented loans, the loan originator or another financial institution may be designated as the administrative agent and/or collateral agent. Under these arrangements, the borrower grants a lien to such agent on behalf of the lenders and directs payments to such agent, which, in turn, will distribute payments to the lenders, including the Fund. The agent is responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions from lenders holding a specified percentage in commitments or principal amount of the loan. In the case of loans that are part of a capital structure that includes both senior and subordinated loans, the agent may take such action in accordance with the instructions of one or more senior lenders without consultation with, or any right to vote (except in certain limited circumstances) by, the subordinated lenders. The loans held by the Fund may represent less than the amount sufficient to compel such actions or may represent subordinated debt which is precluded from acting and, under such circumstances, the Fund would only be able to direct such actions if instructions from the Fund were made in conjunction with other lenders that together comprise the requisite percentage of lenders then entitled to take or direct the agent to take action. Conversely, if the required percentage of lenders other than the Fund desire to take or direct the agent to take certain actions, such actions may be taken even if the Fund did not support such actions. Furthermore, if a loan held by the Fund is subordinated to one or more senior loans made to the borrower, the ability of the Fund to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. However certain actions, such as amendments to the material payment terms of the loans, typically may not be taken without consent of all lenders, including the Fund. If the loan is a syndicated revolving loan or delayed draw term loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract resulting in a lawsuit by the borrower against the lenders (including the Fund even if it did not default) and adversely affect the fair market value of such loan.

There is a risk that an agent may become subject to insolvency proceedings. Such an event could delay, and possibly impair, the ability of the lenders for such agent loan to take any enforcement action against the related borrower or the collateral securing a loan and may require the lenders to take action in the agent's insolvency proceeding to realize on proceeds or payments made by borrowers that are in the possession or control of the agent.

In addition, it is expected that agent loans will allow for the agent to resign. Agent loans may or may not contain provisions for lenders to remove the agent. If an agent resigns or is removed, the lenders may be required to find, and the required percentage thereof agree to appoint, a successor agent that may be difficult to find or cost more than the predecessor agent.

Cross-collateralization. Certain of the loans may be cross-collateralized. Cross-collateralization arrangements may be subject to challenge, which could result in the subordination of the Fund's interest in the collateral or the loan itself. Cross-collateralization arrangements involving more than one borrower could be challenged as fraudulent conveyances by creditors of the related borrower in an action brought outside a bankruptcy case or, if the borrower were to become a debtor in a bankruptcy case, by the borrower's representative (or the borrower as debtor-in-possession). If a court were to conclude that the granting of the liens to cross-collateralize a loan was a voidable fraudulent conveyance, such court could (a) subordinate all or part of the pertinent loan to existing or future indebtedness of that borrower, (b) recover payments made under that loan or (c) take other actions detrimental to the Fund, including, under certain circumstances, invalidating the loan or the Fund's interest in the collateral securing the cross-collateralized loan. Any of these actions could impair, delay or eliminate payments by the borrower of a loan that is cross-collateralized, which would adversely affect the returns expected by the Limited Partners with respect to any such loan.

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

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). The Fund does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor should be equitably subordinated.

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

repayments; (v) the adequacy or inadequacy of capital; (vi) the identity of interest between the creditor and the equity holders; (vii) the security (if any) for the advances; (viii) the borrower's ability to obtain financing from outside lending institutions; (ix) the extent to which the advances were subordinated to the claims of outside creditors; (x) the extent to which the assets were used to acquire capital assets; and (xi) the presence or absence of a sinking fund to provide for repayment. These factors are reviewed under the circumstances of each case, and no one factor is controlling. The Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor held by the Fund should be recharacterized.

Risks Associated with Foreclosure. Certain loans made or invested in by the Fund may be secured by real estate, other physical assets or other illiquid collateral. To the extent the Fund needs to foreclose on such loans the Fund may, directly or indirectly, own such real estate, other physical assets or other illiquid collateral and may be subject to the risks incident to the ownership and operation of such assets. In addition, the Fund may, directly or indirectly, incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon and ultimately disposing of such property. There is no assurance that there will be a ready market for resale of real estate or such other assets or that such collateral will be sufficient to satisfy such defaulted loan obligation.

Non-Performing Nature of Loans. It is possible that certain of the loans purchased or originated by the Fund may be non-performing which may involve workout negotiations, restructuring and the possibility of foreclosure. These processes can be lengthy and expensive. Many of the non-performing loans will have been underwritten to "subprime," "Alternative A-Paper" or "expanded" underwriting guidelines. These underwriting guidelines are different from and, in certain respects, less stringent than the other general underwriting standards employed by originators. For example, these loans may have been originated to borrowers that have poor credit or that provide limited or no documentation in connection with the underwriting of the loan. Such loans present increased risk standards of delinquency, foreclosure, bankruptcy and loss than prime mortgage loans. An originator generally originates mortgage loans in accordance with underwriting guidelines it has established and, in certain cases, based on exceptions to those guidelines. These guidelines may not identify or appropriately assess the risk that the interest and principal payments due on a loan will be repaid when due, or at all, or whether the value of the property serving as collateral will be sufficient to otherwise provide for recovery of such amounts. To the extent exceptions were made to an originator's underwriting guidelines in originating a NPL, those exceptions may increase the risk that principal and interest amounts may not be received or recovered and compensating factors, if any, which may have been the premise for making an exception to the underwriting guidelines may not in fact compensate for any additional risk.

Investments in Secured Loans. The assets of the portfolio of the Fund may include secured debt, which involve various degrees of risk of a loss of capital. The factors affecting an issuer's secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of an issuer. For example, some secured loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company), or involve secured loans only on specified assets of an issuer (*e.g.*, excluding real estate). Issuers of secured loans may have two tranches of secured debt outstanding each with secured debt on separate collateral. Furthermore, the liens referred to herein generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of Chapter 11 filing by an issuer, the Bankruptcy Reform Act of 1978, as amended (the "Bankruptcy Code") authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides what the presiding bankruptcy judge considers to be "adequate protection" which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on the Fund's collateral would adversely affect the priority of the liens and claims held by the Fund and could adversely affect the Fund's recovery on the affected

loans. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk.

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

Nature of Subordinated Debt Investments. The Fund intends to make investments in debt instruments at different levels of an obligor's capital structure, including subordinated debt instruments, which involve a high degree of risk with no certainty of any return of capital. Although subordinated debt obligations are senior to common stock and other equity securities in the capital structure, they may be subordinated to large amounts of senior debt and are often unsecured. The ability of the subordinated debt holders to influence a company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under the terms of subordination agreements, senior creditors are typically able to block the acceleration of the subordinated debt or other exercises by the subordinated creditors of their rights. Accordingly, the Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all.

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

Mezzanine Debt Securities. Mezzanine debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Mezzanine debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine debt securities are generally unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of mezzanine debt securities may be highly leveraged, and their relatively high debt to equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Debtor-In-Possession (“DIP”) Loans. DIP loans involve a fundamental credit risk based on the debtor’s ability to make principal and interest payments and the inherent risks of the bankruptcy process. DIP loans are subject to a court approval process in which parties-in-interest may be heard but there can be no assurance that the Fund would be successful in obtaining favorable results. If Blue Torch’s calculations as to the outcome or timing of a reorganization are inaccurate, a company that has filed for bankruptcy may not be able to make payments on a DIP loan on time or at all. In addition, DIP loans may be privately negotiated transactions that have individualized terms. These positions may be illiquid and difficult to value. DIP loans may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the debtor and general market liquidity.

Investing through Subsidiaries. A substantial portion of the investments made by Blue Torch on behalf of the Fund may be made through subsidiaries. These subsidiaries may be created for leverage; liability management; compliance with the Risk Retention Rules; liability; capital diversification; available capital; tax and/or other reasons. Investments made indirectly through subsidiaries carry risks that direct investments do not carry. For example, indirect investments are structurally subordinate to direct investments in a bankruptcy or workout scenario. In addition, subsidiaries may have a duration, term or liquidity characteristics that differ from those of the Fund, which may affect the Fund’s ability to receive capital or income distributions or in-kind distributions. Blue Torch and the Fund are also dependent on the CLO market for future leverage of the Fund’s portfolio of subsidiaries. If the CLO market were unavailable for an extended period of time, the Fund could experience diminished returns.

Other Investment Risks

Nature of Bankruptcy Proceedings. There are a number of significant risks when investing in companies involved, or which may have been involved, in bankruptcy proceedings, including the following: First, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor’s return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise “domination and control” over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, investors in the company may be subject to a court-imposed “cram down” in which they lose their seniority in the capital and security interest structure. Eighth, the Fund may seek representation on creditors’ committees and as a member of a creditors’ committee it may owe certain obligations generally to all similarly situated creditors that the committee represents and may be exposed to liability to such other creditors who disagree with the Fund’s actions. There can be no assurance that the Fund would be successful in obtaining results most favorable to it in such proceedings, although the Fund may incur significant legal fees and other expenses in attempting to do so. The Fund may also be subject to various trading or confidentiality restrictions. In addition, the Fund and some of the Investment Manager’s other clients may potentially hold conflicting positions in relation to investments in companies involved in bankruptcy proceedings.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing, and the classification, seniority and treatment of claims.

Equity Securities. The Fund may invest in equity and equity-related securities and may also at times acquire equity in connection with a secured debt investment, as a result of a reorganization or as a consequence of loan foreclosure or foreclosure on the collateral securing such loans. Equity securities in general fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments and movements in the equity markets in general. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction.

Hedging Transactions. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Fund securities or other objective of the Investment Manager; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Investment Manager; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Fund's position; and (v) default or refusal to perform on the part of the counterparty with which the Fund transacts. Furthermore, to the extent that any hedging strategy involves the use of over-the-counter ("OTC") derivatives transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to the Reform Act.

The Investment Manager will not attempt to hedge all market or other risks inherent in the Fund's positions, and will hedge certain risks, if at all, only partially. Specifically, the Investment Manager may choose not, or may determine that it is economically unattractive, to hedge certain risks — either in respect of particular positions or in respect of the Fund's overall portfolio. The Fund's portfolio composition will commonly result in various directional market risks remaining unhedged. The Investment Manager may rely on diversification to control such risks to the extent that the Investment Manager believes it is desirable to do so; however, the Fund is not subject to formal diversification policies.

The ability of the Fund to hedge successfully will depend on the ability of the Investment Manager to predict relevant market movements, which cannot be assured. The Investment Manager is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Collateralized Debt Obligations ("CDOs"). The Fund may invest in CDOs and CLOs. The portfolio may consist of CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO mezzanine debt. CDOs are subject to credit, liquidity and interest rate risks. The CDO equity purchased by the Fund will most likely be unrated or non-investment grade, which means that a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. In addition, as a holder of CDO equity, the Fund will have limited remedies available upon the default of the CDO. In the recent past, the market for CDOs has become highly illiquid resulting in severe declines of the prices of such instruments.

Broad Investment Mandate. The Fund has a broad investment mandate, as described in the Fund Documents. As proceeds from the sale of the Fund's initial investments are realized, the proceeds may be reinvested in investments of a kind other than those in which the Fund initially invested. The Investment Manager may opportunistically implement whatever strategies or discretionary approaches it believes from time to time may be best suited to prevailing market conditions. Over time, the strategies implemented on behalf of the Fund can be expected to expand, evolve and

change, perhaps materially. The Investment Manager will not be required to implement any particular strategies and may discontinue employing any particular strategy on behalf of the Fund, whether or not such strategies are specifically described in the Fund Documents, and without notice to investors. There can be no assurance that the various investment strategies which the Investment Manager expects from time to time to develop and implement for the Fund will be successful or that strategies that have been successful will continue to be profitable.

Uncertain Exit Strategies; Duration of Investment Positions. The Investment Manager typically does not know the maximum, or, often, even the expected, duration of any particular investment at the time of initiation. Due to the illiquid nature of some of the investments that the Fund expects to make, the Investment Manager is unable to predict with confidence what, if any, exit strategy for a given investment will ultimately be available for the Fund. Exit strategies that appear to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. The larger the transaction in which the Fund is participating, the more uncertain the Fund's exit strategy tends to become. The length of time for which a position is maintained may vary significantly, based on the Investment Manager's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses. Many of the Fund's transactions may involve acquiring related positions in a variety of different instruments or markets at or about the same time. Frequently, optimizing the probability of being able to exploit the pricing anomalies among these positions requires holding periods of significant length—sometimes many months to a year or more. Actual holding periods depend on numerous market factors which can both expedite and disrupt price convergences. There can be no assurance that the Fund will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

Expedited Transactions. Investment analyses and decisions by the Investment Manager may be undertaken on an expedited basis in order to make it possible for the Fund to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Manager is unlikely to have sufficient time to fully evaluate information which is available. There is a significantly increased risk of making poor investments when they are made on an expedited basis.

Inability to Participate in Certain Investments. The Investment Manager has numerous business relationships worldwide. As a result of these relationships, and subject to the consideration by the Investment Manager of its fiduciary duty to the Fund, there may be situations in which the Investment Manager would otherwise take a position in an issuer, or a position adverse to the management of an issuer, but may choose not to do so because of the potential adverse effects on such relationships, even if such position could prove advantageous for the Fund, in the short-term or otherwise.

Other Regulated Industries. The Fund may issue or invest in loans to companies in industries that present inherent risks or that are in industries that are heavily regulated. The Fund's investments are expected to include loans to companies operating in industries that are subject to greater amounts of regulation than other industries generally. These more highly regulated industries include financial services (including banking and mortgage servicing), insurance, transportation (e.g., aviation or shipping) and also businesses that serve primarily customers that are governmental entities, including the defense industry. Investments in companies that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures and/or regulatory capital requirements in the case of banks or similarly regulated entities. If a company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. A company also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Governments have considerable discretion in implementing regulations that could impact a company's business and governments may

be influenced by political considerations and may make decisions that adversely affect a company's business. Additionally, certain companies may have a unionized work force or employees who are covered by a collective bargaining agreement, which could subject any such company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any such company's collective bargaining agreements, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such company's facilities could have a material adverse effect on its business, results of operations and financial condition. Additionally, any such problems may bring scrutiny and attention to the Fund itself, which could adversely affect the Fund's ability to implement its investment objectives.

Derivatives Risks

Derivatives. The Fund may use various derivative instruments. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Swap Agreements. The Fund may occasionally enter into various swap agreements ("Swaps") as part of its investment program. A Swap is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity prices, exchange rates, indices or prices, with payments generally calculated by reference to a principal ("notional") amount or quantity. Swaps and similar derivative contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, the Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Fund transacts. Swaps may be subject to various other types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, Swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on their structure, Swaps may increase or decrease exposure to the corporate credit market, equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates or other factors. Swaps can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of Swap if its use is consistent with the Fund's investment objectives and policies, and the Investment Manager anticipates that the Fund will invest in interest rate swaps, credit default swaps, total return swaps, variance swaps and other types of Swaps.

Credit Default Swap Agreements. The Fund may invest in credit default swaps. The typical credit default swap contract requires the seller to pay to the buyer, if a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Fund may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Fund will be subject to certain risks in addition to those described elsewhere herein. In circumstances in which the Fund does not own the debt securities that are deliverable under a credit default swap, the Fund will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. The creation of the ISDA Credit Derivatives Determination Committee (the “Determination Committee”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determination Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Fund would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Fund will incur leveraged exposure to the credit of the reference entity and become subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Fund will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Fund following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Fund.

Counterparty risk is always present in credit default swaps. The market for credit default swaps on distressed securities is not liquid (compared to the market for credit default swaps on investment grade corporate reference entities). If current interest rate spreads over LIBOR (or over the applicable United States Treasury Benchmark) widen or the prevailing credit premiums on credit default swaps increase, the amount of a termination or assignment payment upon a termination or assignment of a transaction due from the Fund to the credit default swap counterparty could increase by a substantial amount.

In addition, the proper tax treatment of credit default swaps and other derivatives may not be clear. Limited Partners generally are required to treat any such derivatives for U.S. federal income tax purposes in the same manner as they are treated by the Fund. The tax environment for derivatives is evolving and changes in the taxation of derivatives may adversely affect the value of derivatives held by the Fund.

Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the timeframe originally anticipated by counterparties. Such delays may adversely impact the Fund’s ability to otherwise productively deploy any capital that is committed with respect to such contracts.

Certain governmental entities have indicated that they intend to regulate the market in credit default swaps. It is difficult to predict the impact of any such regulation on the Fund, but it may be adverse (including making the Fund ineligible to be a “seller” of credit default swaps).

Credit Default Swaps on Loans and LCDX Transactions. The Fund may invest in all types of loan credit default swaps (“LCDS”) and all types of LCDX transactions, a tradable index comprising 100 equally-weighted underlying single-name loan-only credit default swaps. LCDS are similar to credit default swaps on bonds, except that the underlying protection is sold on syndicated secured loans of a reference entity rather than a broader category of bonds or loans. Buyers of protection pay a fixed coupon agreed at time of trade, and receive compensation on the principal if the entity named on the contract defaults on its secured debt. The compensation will be par minus recovery either via the protection seller paying par in return for gaining possession of the loan or via cash settlement. Loan credit default swaps may be on single names or on baskets of loans, both tranching and untranching.

The Fund may also invest in LCDX, which is the buying or selling of protection on 100 names that comprise the LCDX portfolio (*i.e.*, the buying and selling of 100 single-name LCDS). Buying and selling the LCDX can be compared to buying and selling a loan portfolio. When the index is bought, the buyer is taking on the credit exposure to the loans, and is exposed to defaults similar to when a loan portfolio is bought. If the index is sold, this exposure is passed on to someone else. The index has a fixed coupon, which is paid when the index is sold, or received if the index is bought. The credit events that generally trigger a payout from the buyer (protection seller) of the index are bankruptcy or failure to pay a scheduled payment on any debt (after a grace period), for any of the constituents of the index. Credit events can be settled by physical or cash settlement. Physical settlement entails delivering the loan and receiving par. The protection seller who took delivery of the loan holds the defaulted asset. Although this method is the traditional method of settlement, there are risks that the notional amounts of the outstanding loans is less than the LCDS outstanding and that the LCDX counterparty will be able to take receipt of the loans.

Total Return Swaps. The Fund from time to time may invest in total return swaps. As a buyer of total return swaps, the Fund will be obligated to make certain periodic payments in exchange for the total return on a referenced asset, including coupons, interest and the gain or loss on such asset over the term of the swap. The Fund may be required to maintain collateral with the total return swap counterparty. If the Fund fails to fulfill its payment obligations or fails to post any required collateral under a total return swap, the total return swap counterparty may declare an event of default and, as a result, the Fund may be required to pay swap breakage fees, suffer the loss of the amounts paid to the counterparty and forego the receipts from the counterparty of further total return swap payments.

Over-the-Counter Derivatives Markets. Pursuant to the Reform Act, the CFTC, the SEC and other regulators have enacted multiple regulations impacting the OTC derivatives markets such as the requirement for many OTC derivatives to be traded and executed on regulated markets or submitted for clearing to regulated clearinghouses. For many transactions that are not cleared, regulators have imposed minimum initial and variation margin requirements and those that are cleared are subject to the margin requirements of the clearing members and clearing houses. These margin requirements may increase the amount of collateral the Fund is required to provide and the costs associated with providing it and the additional regulations may increase the costs of entering into such transactions.

In addition, some of the new regulatory requirements may make it more difficult and costly for investment funds, including the Fund, to enter into highly tailored or customized transactions. They may also render certain strategies in which the Fund might otherwise engage impossible or so costly that they will no longer be economical to implement. If the Fund decides to become a direct member of one or more of derivatives exchanges or execution facilities, the Fund would be subject to all of the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential additional regulatory requirements. The increased regulation of derivatives has increased the overall costs for OTC derivative dealers, which costs may be passed along to market participants as market changes continue to be implemented. Additionally, if the Fund transacts with derivatives dealers that are regulated outside of the United States, the Fund may indirectly become subject to regulatory requirements imposed by non-U.S. regulators which may limit the Fund's ability to enter into transactions or increase costs.

Convertible Securities, Rights and Warrants. The Fund may invest in hybrid securities that may be exchanged for, converted into or exercised to acquire a predetermined number of shares of an issuer's common stock at the option of the holder during a specified time period (such as convertible preferred stocks, convertible debentures, stock purchase rights, and warrants). Convertible securities generally pay interest or dividends and provide for participation in the appreciation of the underlying common stock but at a lower level of risk because the yield is

higher and the security is senior to common stock. Convertible debt securities purchased by the Fund that are acquired for their equity characteristics are not subject to minimum rating requirements.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The credit standing of the issuer and other factors may also affect the investment value of a convertible security. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security is increasingly influenced by its conversion value.

Convertible securities may also include warrants, often publicly traded, that give a holder the right to purchase at any time during a specified period a predetermined number of shares of common stock at a fixed price but that do not pay a fixed dividend. Their value depends primarily on the relationship of the exercise price to the current and anticipated price of the underlying securities.

Futures Trading. The Fund may trade futures contracts, including stock index futures. Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as changing supply and demand relationships, government trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and speculative frenzy and the emotions of the marketplace. In addition, governments from time to time intervene in certain markets, particularly currency and interest-rate markets.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the investor.

There can be no assurance that a liquid market will exist at a time when the Fund seeks to close out an option position, future or Swap. Most U.S. commodity exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses. In addition, certain of these instruments are relatively new and are without a significant trading history. As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Fund from liquidating an unfavorable position and the Fund would remain obligated to meet margin requirements until the position is closed.

The CFTC and the U.S. commodities exchanges impose limits referred to as “speculative position limits” on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on U.S. commodities exchanges. For example, the CFTC currently imposes speculative position limits on a number of agricultural commodities (*e.g.*, corn, oats, wheat, soybeans and cotton) and U.S. commodities exchanges currently impose speculative position limits on many other commodities. The Reform Act significantly expands the CFTC’s authority to impose position limits with respect to futures contracts and options on futures contracts, swaps that are economically equivalent to futures or options on futures, and swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In response to this expansion of its authority, in 2012, the CFTC proposed a series of new speculative position limits with respect to futures and options on futures on so-called “exempt commodities” (which includes most energy and metals contracts) and with respect to agricultural commodities. Those proposed speculative position limits were vacated by a United

States District Court. The CFTC continues to try to finalize speculative position limits through rule-making. If the CFTC successfully finalizes position limits, the counterparties with which the Fund deals may further limit the size or duration of positions available to the Fund. All accounts owned or managed by the Investment Manager are likely to be combined for speculative position limit purposes. The Fund could be required to liquidate positions it holds in order to comply with such limits, or may not be able to fully implement trading instructions generated by its trading models, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial costs to the Fund.

Options Trading. When purchasing or selling an option, the risks associated with the transaction will vary depending on the type of option (*i.e.*, put or call). When purchasing an option, it is necessary to calculate the extent to which the value of the underlying security must increase (in the case of a call) or decrease (in the case of a put) in order for the Fund's position to become profitable, taking into account the premium and all transaction costs. The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased option expires worthless, the Fund will suffer a total loss of the amount invested in the option that will consist of the option premium plus transaction costs.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option, and, upon such exercise, the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest, depending on the terms of the option. If the option is on a future, upon exercise by the purchaser of the option, the seller will acquire a position in a future with associated liabilities for margin. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited. In the case of an option on a future, certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

Forward Contracts. The Fund may trade forward contracts in the inter-bank currency market. Certain forward contracts may be traded on exchanges; however, forward contracts that are not traded on an exchange are traded via banks and/or dealers who act as principals in these markets. As a result of the Reform Act, the CFTC now regulates non-deliverable forwards (including deliverable forwards where the parties do not take delivery). Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to the Reform Act might limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Fund.

Regulatory Developments Related to Commodities Trading. Pursuant to a joint rulemaking by the CFTC and the Securities and Exchange Commission (the "SEC") (required under the Reform Act), the definition of "commodities" positions was expanded to include certain types of swaps, including some foreign exchange trades, that were previously not regulated as commodities. As a result, certain derivatives trading activity now falls within scope of CFTC rules that previously did not apply such as rules related to commodity pools. The General Partner expects to remain exempt from registration with the CFTC as a commodity pool operator ("CPO") pursuant to CFTC Rule 4.13(a)(3) which imposes certain quantitative limits on the size of commodities positions (including positions in swaps regulated as commodities) that the Fund may take. Continued reliance on CFTC Rule 4.13(a)(3) will cause

the Fund to forego certain investment opportunities that might otherwise be suitable investments for the Fund. In order to avoid the trading limitations imposed by CFTC Rule 4.13(a)(3), the Investment Manager may seek to rely on other exemptions from registration that do not impose such limitations, or it may elect to register as a CPO with the CFTC. However, even if the Investment Manager does register as a CPO, it expects that it may nevertheless be able to avoid certain disclosure, recordkeeping and reporting requirements that would otherwise apply to it (in reliance on CFTC Rule 4.7).

Structural Risks

Absence of Certain Regulatory Protection. The Fund will not be registered under the Investment Company Act. The Investment Company Act provides certain protections to investors in registered investment companies and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability to incur leverage), none of which will apply to the Fund. Consequently, Limited Partners will not be afforded these protections. Furthermore, neither the General Partner nor the Investment Manager is registered as a broker-dealer or is a member of FINRA and, consequently, are not subject to the Exchange Act, the regulations thereunder or the rules of FINRA.

The Investment Manager has registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and the General Partner is deemed to be registered under the Advisers Act as a “special purpose” entity in reliance on SEC staff guidance set forth in *American Bar Association, Business Law Section*, SEC No-Action Letter (January 18, 2012). Registered advisers are subject to substantial regulatory reporting and recordkeeping requirements regarding their advisory business. Compliance with these reporting and recordkeeping requirements will require the expenditure of the Investment Manager’s resources and the attention of certain personnel of the Investment Manager and its affiliates who also have responsibilities on behalf of the Fund and to the Investment Manager generally.

Risks of Coinvesting with Third Parties. The Fund may coinvest with third parties through partnerships, joint ventures or other entities or otherwise. Such investments may involve risks in connection with such third party involvement and risks not present in direct investments, including the possibility that a third party co-venturer 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 Fund or may be in a position to take (or block) action in a manner contrary to the Fund’s investment objective. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the Fund to make up the shortfall from other sources. The Fund may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default by such co-venturer or partner could have an adverse effect on the Fund, their assets and the interests of the Limited Partners. In addition, the Fund may be liable for the actions of its co-venturers or partners. While Blue Torch will attempt to limit the liability of the Fund through contractual arrangements and by reviewing the qualifications and previous experience of co-venturers or partners, it may not undertake private investigations with respect to prospective co-venturers or partners. The Fund may enter into compensation arrangements with third parties relating to such investments, including incentive compensation arrangements. Though Blue Torch considers the effect of such compensation on the expected returns, such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and the Fund.

Valuation Risk. Many of the investments made by the Fund are illiquid and thus have no readily ascertainable market prices. Blue Torch values these investments based on its estimate, or an independent third party’s estimate, of their fair value as of the date of determination, which often involves significant subjectivity. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. Blue Torch estimates the fair value of our investments based on third-party models, or models developed by it, which include discounted cash flow analyses and other techniques and may be based, at least in part, on independently sourced market parameters. The material estimates and

assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings, some or all of which factors may be ascribed more or less weight in light of the particular circumstances. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the investments held by the Fund are in industries or sectors which are unstable, in distress or undergoing some uncertainty, valuations of such investments may be subject to rapid and/or significant changes caused by, among other matters, sudden company-specific or industry-wide developments.

Because such valuations will be inherently uncertain, may fluctuate significantly over short periods of time and will be based on estimates and other material assumptions, Blue Torch's determinations of fair value may differ materially from the values that would have been used if a readily available market for these investments existed and may differ materially from the values that the Fund may ultimately realize on such investments.

Risks Related to Multiple Clients. Blue Torch has explored and will continue to explore opportunities to invest capital outside of the Fund for other clients. Blue Torch anticipates launching additional funds and managing accounts that may pursue similar strategies or have substantially overlapping objectives. Such activity may adversely affect the Fund and the Limited Partners. These risks include, but are not limited to, loss of management attention and time due to multiple constraints, increased competition of capital allocations, and expansion of potential risks to Blue Torch as a whole outside those previously disclosed. As Blue Torch organizes and manages new clients, Blue Torch will face conflicts with respect to the allocation of investment opportunities among such clients, including the Fund. See SECTION III "CERTAIN CONFLICTS OF INTEREST—Other Clients; Investment Opportunities."

Investments by Affiliated Entities in the Same Borrower. In the future, the Fund may invest in loans held by or issued to other Blue Torch clients or issue loans to borrowers in which other Blue Torch clients also have an economic interest, which economic interest may be in a different debt tier or a different part of the capital structure. There is no limit on the number of additional Blue Torch investment funds that may be established in the future to pursue lending and credit strategies. In certain instances, Blue Torch funds participating in a loan origination strategy (including the Fund) and Blue Torch funds participating in other credit strategies may be in different tranches of the same financing. Debt investments of the Fund may also include one or more revolving credit facilities. Portfolio borrowers may also have senior revolving facilities provided by one or more third parties. Under such scenarios, the Fund and such other Blue Torch funds may have opposing interests and actions taken on behalf of another Blue Torch fund may have an adverse effect on the interests of the Fund.

Risks of Reliance on the Founder. Blue Torch's investment operations are led by its founder, [REDACTED]. The death, permanent disability or prolonged unavailability of [REDACTED] could have an adverse effect on the Fund, even before the Limited Partners are able to exercise any no-fault termination or Key Person rights.

Risks Associated with Reliance on Blue Torch. The success of the Fund's investing may, to a large degree, be dependent upon the Blue Torch's personnel, who may influence the investment decisions with respect to the Fund's investments. Competition in the financial services industry for experienced and capable employees, such as Blue Torch's personnel, is intense. The loss of the services of any of such personnel could adversely affect the Fund's portfolio.

Limited Liability and Indemnification of Blue Torch Parties. Blue Torch Parties have limited liability to the Fund and Limited Partners. The Fund (and indirectly, the Limited Partners) has agreed to indemnify and hold each of the General Partner, the Investment Manager, their respective affiliates (including other Blue Torch general partners, formed to act in such capacity) and all owners, partners, members, directors, officer and employees of the foregoing (each, a "Blue Torch Party") harmless against any losses except to the extent such losses result from a Blue Torch Party's violation of the standard of care described in the Fund Documents. Therefore, the Fund will not be

able to recover from Blue Torch Parties for losses that arise from such Blue Torch Parties' actions or inactions absent a violation of such standard of care. Furthermore, the Fund may be required to bear, or reimburse Blue Torch Parties for, potentially unlimited amounts, which could result in a material adverse effect on the Fund.

Default Risks. Limited Partners make Capital Commitments that the Fund is entitled to call from throughout the Investment Period and, to a lesser extent, thereafter. The Fund depends on Limited Partners fulfilling and honoring these commitments in order to consummate investments and otherwise pay the Fund's obligations when due. As a result, the Fund may be subject to costs, including break-up fees or damages, for unconsummated transactions if Limited Partners default on their commitment to fund capital. The other Limited Partners in the Fund may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default or excused investment by one or more Limited Partners could have a deleterious effect on the Fund, its assets and the interests of the other investors in the Fund. In addition, the consequences of defaulting on a Drawdown Notice are material and adverse to the defaulting Limited Partner, including the forfeiture of a defaulting Limited Partner's capital account and the imposition of penalty interest.

Cybersecurity Breaches and Information Technology. Blue Torch is heavily reliant on its information technology infrastructure, processes and procedures, and it has devoted significant resources to ensuring it has competitive informational technology systems. Information technology changes rapidly, however, and Blue Torch may not be able to stay ahead of such advances. Moreover, as Blue Torch grows, it may find itself a target of cybersecurity breaches and attacks. The Fund is subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. The computer systems, networks and devices used by Blue Torch and service providers to Blue Torch and the Fund to carry out routine business operations employ a variety of protections 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, these systems, networks, or devices potentially can be breached. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality.

The Fund and its investors could be negatively impacted as a result of a cybersecurity breach. If a cybersecurity breach occurs, the Fund may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; loss of data and other records; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to the Fund; interference with Blue Torch's ability to calculate the value of an investment in the Fund; impediments to trading; the inability of Blue Torch and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Conflicts of Interest. The General Partner and Investment Manager have certain conflicts of interest in their management of the Fund. These conflicts arise primarily from the involvement of the Investment Manager and its affiliates in other activities that may conflict with those of the Fund and will also arise whenever the Investment Manager or any of its affiliates is engaged to perform for compensation any services for the Fund. (See "SECTION III. CERTAIN CONFLICTS OF INTEREST.")

The General Partner, the Investment Manager, and the custodians of the Fund may from time to time act as directors, investment advisors, administrators, or custodians in relation to or otherwise be involved with other companies established by parties other than the Fund which have similar objectives. In such event, should a conflict of interest arise, the General Partner will endeavor to ensure that it is resolved fairly.

No Withdrawal Rights; Long-Term Commitment. Limited Partners may not make withdrawals from their capital accounts. Limited Partners, furthermore, may not receive any distributions until the conclusion of the Investment Period, at which point the timing of any distributions by the Fund may remain uncertain. The amount and timing of distributions to Limited Partners will depend on the available cash received by the Fund, which, in turn, will depend on the disposition of the assets held by the Fund as well as the General Partner's determination of the amounts that the Fund needs to hold in reserve to meet expenses, reinvestments and financial commitments.

There can be no assurance that all of the Fund's assets will be realized following the Investment Period, or that the General Partner will not determine to retain any substantial portion of the disposition proceeds received by the Fund as a reserve against future obligations. A Limited Partner will generally be committed to the Fund for [REDACTED], irrespective of materially adverse changes to the General Partner, the Investment Manager, the Fund, general economic conditions and/or such Limited Partner's own financial situation.

Transfers Restricted. Interests may not be transferred, *i.e.*, assigned, sold, pledged, gifted, hypothecated or otherwise encumbered, without the prior written consent of, and on the terms approved by, the General Partner. A Limited Partner that is permitted to transfer its Interest will generally remain obligated to meet Drawdown Notices on the transferred Capital Commitment to the extent that the transferee does not do so. There is no public market for the Interests and none is expected to develop.

Unpredictable Drawdowns and Distributions. One of the principal shortcomings of the structure of the Fund relates to the uncertainty of the timing of Drawdowns and distributions. This uncertainty makes it difficult to schedule cash flows efficiently and can lead to Limited Partners incurring reduced overall portfolio returns due to "uninvested capital" associated with both reserving cash to meet their Capital Commitments to, and distributions received unexpectedly from, the Fund.

Requirements to Return Distributions. Subject to the terms and conditions of the Fund Agreement, the General Partner may require each Partner to return distributions previously made to such Partner for the purpose of funding such Partner's *pro rata* share of certain obligations of the Fund (including the Fund's indemnification obligations).

Distributions in Kind. Distributions may be in cash or in securities, but the Fund will use commercially reasonable efforts not to distribute securities other than marketable securities unless such distribution is in connection with the liquidation of the Fund. Assets that are distributed in kind may be illiquid. Even for those assets for which a liquid market exists or develops, there is no guarantee that such market will be sustained. There can be no assurance that any Limited Partner would be able to realize an amount equal to the value attributed by the Investment Manager to the distribution.

Investments Longer than Term. Although the General Partner and the Investment Manager expect that the Fund's investments will be realized prior to the end of the term (which, in any event, may be extended by the Investment Manager in its discretion for up to three one year periods), the Fund may have to sell, distribute or otherwise dispose of its investments at a disadvantageous time in order to achieve such realization. As a result, the Fund may sell, distribute or otherwise dispose of its investments for a price which is less than the price that could have been obtained if the investments were held for a longer period of time. There can be no assurance that the winding up of the Fund and the final distribution of the Fund's assets will be able to be executed expeditiously.

Limited Partners Do Not Participate in Management. Limited Partners do not participate in the management of the Fund or in the conduct of its business or otherwise deal with third parties. Moreover, Limited Partners have no right to influence the management of the Fund, whether by voting, withdrawing, removing, or replacing the General Partner or otherwise absent an event constituting Cause. Any participation in the management or conduct of the business of the Fund or third party dealings could subject a Limited Partner to unlimited liability as a general partner.

Capital Accounts Are Not Separate Legal Entities. As among the Limited Partners, the appreciation and depreciation attributable to a particular capital account will be allocated only to such capital account. However, a creditor of the Fund generally will not be bound to satisfy its claims from assets attributable to a particular capital account. Rather, such creditor generally may seek to satisfy its claims from the assets of the Fund as a whole.

Material, Non-Public Information. Affiliates of the General Partner may serve as directors of, or in a similar capacity with, issuers of debt instruments held by the Fund. Similarly, Blue Torch investment professionals may enter into non-disclosure agreements providing them access to confidential information. If material nonpublic information is obtained with respect to such issuers, the Fund could be prohibited by law or otherwise restricted from purchasing or selling such loans or debt instruments of such issuers for a period of time, and such prohibitions may have an adverse effect on the Fund.

Private Offering Exemption; “Bad Actors”. The Fund intends to offer Interests without registration under any securities laws in reliance on an exemption for “transactions by an issuer not involving any public offering.” While the Fund believes reliance on such exemption is justified, there can be no assurance that factors such as the manner on which offers and sales are made, the scope of disclosure provided, failure to make notices, filings or changes in applicable laws, regulations or interpretations will not cause the Fund to fail to qualify for such exemptions under U.S. federal or one or more states’ securities laws. Failure to so qualify could result in the rescission of sales of Interests at prices higher than the current value of those Interests, potentially materially and adversely affecting the Fund’s performance and business. Further, even non-meritorious claims that offers and sales of Interests were not made in compliance with applicable securities laws could materially and adversely affect the Fund’s and Investment Manager’s ability to conduct the Fund’s business. Rule 506(d) of Regulation D (“Regulation D”) promulgated under the Securities Act provides that an issuer may not rely on Regulation D if certain covered persons (including the issuer, any affiliated issuer, certain officers of the issuer, any beneficial owner of 20% of the issuer’s outstanding voting equity securities (calculated on the basis of voting power), the investment manager, any compensated solicitor and certain other persons) engage in any disqualifying event described in Rule 506(d)(1). As a result of this new rule, if any such disqualifying event occurs, the Fund may be unable to offer the Interests in reliance on Regulation D.

Broker-Dealer Regulatory Risks. Certain activities in which the Fund and its affiliates may participate, including loan origination activity, may subject them to the risk of being deemed to be engaged in the business of effecting securities transactions for others. This could mean that the Fund or one or more of its affiliates is acting as an unregistered broker-dealer, a subject of heightened SEC focus in recent years. If the Fund or one of its affiliates were deemed to be acting as an unregistered broker-dealer, it may be subject to regulatory censure and may be required to register with FINRA, which could have adverse effects on the Fund, including additional regulatory scrutiny and increased regulatory and operational costs.

Risk of Litigation. In the ordinary course of its business, the Fund may be subject to litigation from time to time. The outcome of litigation, which may materially adversely affect the value of the Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Investment Manager’s time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. The Fund also may

enter into direction letters or similar agreements with third parties in connection with claims or litigation that may include indemnification and exculpation provisions in favor of such third parties.

Carried Interest. The General Partner or its affiliate, under certain circumstances, will receive performance-based compensation. Risks related to performance-based compensation include the fact that such compensation is payable only out of increases in net profits may create an incentive for the Investment Manager to make investments that are riskier or more speculative than would be the case if the Investment Manager or its affiliate were compensated solely based on a flat percentage of capital. Other clients (or investors in certain clients) of the Investment Manager may be subject to reduced or no Carried Interest Distributions.

Side Letters; Additional Reports and Information. To the extent permitted by the Fund Agreement, the Investment Manager and/or the General Partner on behalf of the Fund, as applicable, may, in their sole and absolute discretion, agree to waive or modify the application of any provision of the offering terms described herein with respect to any Limited Partner, by side letter or otherwise, without obtaining the consent of any other Limited Partner. Such side letters may provide, among other things, for the following modified terms: (i) various notification requirements; (ii) limitations on the Fund's ability to distribute securities in kind; (iii) the provision of audited financial statements within certain periods of time; (iv) the provision of information relating to the Fund's portfolio holdings (subject to non-disclosure agreements and other confidentiality considerations); (v) reduced Management Fees, Carried Interest Distributions or fee rebates; (vi) minor investment restrictions that do not materially affect the Fund; (vii) the provision of periodic pricing information; or (viii) provisions necessary to accommodate a particular investor's legal, tax, sovereign or regulatory status, accounting considerations, contractual obligations, or internal guidelines or policies.

In certain cases, the Investment Manager may disclose portfolio holdings of the Fund to entities that evaluate portfolio risk for Limited Partners. The Investment Manager will provide this information to such entities as it chooses and may refuse to provide this information to any such entity at any time. Every effort is made to bind the recipients of this information to maintain the confidential nature of this information, including entering into non-disclosure agreements prior to providing this information to them. However, there can be no assurance that these entities will fulfill their confidentiality obligations to the Investment Manager. In addition, Limited Partners, in the course of conducting due diligence, may request information pertaining to their investments in the Fund (either verbally or in writing), including information that is not generally made available to all Limited Partners of the Fund. The Fund and the Investment Manager may respond to such requests without providing relevant information to all other Limited Partners. The Fund and the Investment Manager generally are available to receive reasonable information requests from Limited Partners concerning their investments in the Fund. However, the Fund and the Investment Manager reserve the right to determine what information is appropriate to provide in response to inquiries from Limited Partners in the Fund.

Legal Counsel. DLA Piper LLP (US) serves as legal counsel ("Legal Counsel") to the Investment Manager in connection with the organization of the Fund and the preparation of the Fund Documents. Legal Counsel may continue to serve in such capacity in the future, but has not assumed any obligation to update the Fund Documents Schedule F. Legal Counsel may advise the Investment Manager in matters relating to the operation of the Fund on an ongoing basis. Legal Counsel does not represent and has not represented the prospective Limited Partners, any group of Limited Partners, or the Fund in the course of the organization of the Fund, the negotiation of their business terms, the offering of Interests or in respect of its ongoing operations.

If a conflict of interest or dispute arises between the Investment Manager on the one hand and any Limited Partner or the Limited Partners as a group on the other hand, it will be accepted that Legal Counsel is counsel to the Investment Manager and is not counsel to any Limited Partner or the Limited Partners as a group, notwithstanding the fact that, in certain cases, the fees of Legal Counsel are paid through the Fund (and therefore, in effect, by the Limited Partners).

Legal Counsel's engagement by the Investment Manager in respect of the Fund is limited to the specific matters as to which it is consulted by the Investment Manager and, therefore, there may exist facts or circumstances which could have a bearing on the Fund's or the Investment Manager's financial condition or operations with respect to which Legal Counsel has not been consulted and for which Legal Counsel expressly disclaims any responsibility. More specifically, Legal Counsel does not undertake to monitor the compliance of the Investment Manager and its affiliates with the investment program, valuation procedures and other guidelines set forth herein, nor does it monitor compliance with applicable laws. In preparing the Fund Documents, Legal Counsel has relied upon information furnished to it by the Fund and/or the Investment Manager, and did not investigate or verify the accuracy and completeness of information set forth herein concerning the Investment Manager, the Fund's service providers and their affiliates and personnel.

Tax Risks

Various tax issues may affect the investment results of a Limited Partner. The taxation of partnerships and their partners is complex. Potential investors should therefore consult their own tax advisors.

Phantom Income. The Fund expects to be treated as a partnership for U.S. federal income tax purposes. Accordingly, the Fund's income and gain for each taxable year will not be taxed in the hands of the Fund. Instead, such income and gain will be allocated to, and includible in, a Limited Partner's taxable income whether or not cash (or other property, such as a loan or a security) is actually distributed by the Fund to the Limited Partner. Furthermore, in any given taxable year, the Fund may not make current cash distributions. As a result, each Limited Partner may have taxable income attributable to the Fund without any corresponding cash distributions from the Fund. Each Limited Partner should therefore have alternative sources of cash outside of its investment in the Fund from which to pay its annual U.S. federal income tax liability attributable to its investment in the Fund, if any.

ECI for Non-U.S. Limited Partners. Since the Fund, which expects to be treated as a partnership for U.S. federal income tax purposes, expects to originate loans, the Fund likely will be treated as engaged in a U.S. trade or business for U.S. federal income tax purposes, with the result that the Fund's income would constitute income "effectively connected with the conduct of a trade or business within the United States" (or "ECI"). Accordingly, non-U.S. Limited Partners (defined below) that invest in the Fund generally would be expected to be subject to regular net U.S. federal income tax (and potentially, in respect of non-U.S. corporate investors, U.S. federal branch profits tax) in respect of their shares of such ECI and would be required to file annual U.S. federal income tax returns with the U.S. Internal Revenue Service ("IRS").

UBTI for Tax-Exempt U.S. Limited Partners. Due to the intended use of leverage in connection with the origination, acquisition and ownership of loans and other debt instruments, the Fund, which expects to be treated as a partnership for U.S. federal income tax purposes, expects to generate a substantial amount of "unrelated business taxable income" ("UBTI") and U.S. Tax-Exempt Limited Partners (defined below) that invest in the Fund may incur U.S. federal income tax liability with respect to their shares of such UBTI. There is also a risk that the Fund may be treated for U.S. federal income tax purposes as a "dealer" in loans and thereby generate additional UBTI (even if such income is not debt-financed). In addition, it is possible that certain fees associated with Investments will not be treated as additional interest income for U.S. federal income tax purposes and will therefore result in UBTI (even if such income is not debt-financed). Accordingly, U.S. Tax-Exempt Limited Partners that invest in the Fund would generally be subject to U.S. federal income tax on their shares of such UBTI.

Tax Accounting Concerning Distressed Debt Investments. The tax accounting rules with respect to the timing and character of income and losses on investments in distressed debt instruments may result in adverse tax consequences. For instance, Limited Partners may be required to include in income accrued interest, "original issue discount," and, potentially, "market discount" (each of which will be ordinary income), with respect to debt instruments held by the Fund even though there is uncertainty as to whether such amounts and/or the ultimate

principal amount will ever be received by the Fund. If an item of income is accrued and subsequently becomes uncollectible, the effect is a deduction, rather than the elimination of the accrual, even if the item becomes uncollectible in the same tax year that it is accrued. Accordingly, Limited Partners may be subject to character mismatches where the Fund is required to accrue an amount of interest, original issue discount or market discount with respect to a capital asset which is subsequently sold at a loss. In addition, if a debt instrument held by the Fund is modified, Limited Partners may be required to recognize gain as a result of the modification.

U.S. State and Local Taxes. Limited Partners may be subject to state and/or local income, franchise, withholding, capital gain or other tax payment obligations and filing requirements in those jurisdictions where the Fund directly or indirectly engages in lending activities, forecloses on collateral, holds or sells foreclosed-upon collateral, or is otherwise regarded as doing business or purposefully directing its economic activity in a regular, continuous, and substantial manner. A prospective investor should be aware that state and/or local taxes could potentially have a material adverse effect on the amount available for distribution by the Fund due to actual state and/or local tax payment obligations and/or the establishment of reserves for state and/or local taxes that may potentially be owing.

Foreign Taxes. Interest payments on securities or loans issued or entered into by non-U.S. issuers or borrowers may be subject to non-U.S. withholding taxes, which could reduce net investment proceeds to the Fund.

Tax Positions. The Fund may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the IRS, a Limited Partner might be found to have a different tax liability for that year than that reported on its U.S. federal income tax return.

Delayed K-1s. The Fund expects that it will not be able to provide final Schedules K-1 to Limited Partners for any given calendar year until after April 15 of the following year, although it will attempt to provide them as soon as practicable. Limited Partners should therefore be prepared to obtain extensions of the filing date for their income tax returns at the U.S. federal, state and local levels.

Tax Disclosures. The Fund will be required to disclose identifying information to the IRS regarding each of its Limited Partners, including each Limited Partner's name, address and taxpayer identification number.

Partnership Tax Audit Rules. In general, the audit procedures for partnerships require underpayments of tax to be determined and paid at the partnership level following any adjustment to the partnership's items of income, gain, loss, deduction or credit. The amount of any underpayment will generally be computed based on the highest tax rate applicable to an individual or corporation, but a partnership may claim a reduction in tax rate based on amended returns of partners who opt to file, the types of income adjusted (*e.g.*, capital gains and qualifying dividend income) and the tax rates applicable to specific partners (*e.g.*, individuals, corporations, tax-exempt organizations). In general, any such underpayment will be an expense of the partnership in the year of assessment (not the reviewed year to which the adjustment relates) and any payments made by the partnership will be nondeductible. A partnership will be permitted to elect to have a partnership adjustment taken into account by the persons who were partners in the year to which the assessment relates by providing a list of all such partners and identifying each such partner's share of the adjustment. If the election is made, each partner will be required to take into account such adjustment at the partner level and will also be required to pay any interest and penalties. In general, the Fund's "partnership representative" intends to make such election if available to the Fund. The General Partner is designated as the Fund's "partnership representative." A partnership's designated "partnership representative" has broad authority to resolve the partnership audit and any such resolution will be binding on all partners, and partners have no statutory right to notice nor to participate in the audit proceeding. The legal and accounting costs incurred in connection with any such tax audit of the Fund's income tax return will be borne by the Fund. It is still not clear whether (and if so,

to what extent) most of the U.S. states and, if applicable municipalities, will conform their own partnership income tax audit rules to the current U.S. federal partnership income tax audit rules.

Accounting for Uncertainty in Income Taxes. Accounting Standards Codification Topic No. 740, “Income Taxes” (in part formerly known as “FIN 48”) (“ASC 740”), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity’s financial statements. It also provides guidance on recognition, measurement, classification, and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of the Fund, including reducing the net asset value of the Fund to reflect reserves for income taxes, such as foreign withholding taxes, that may be payable by the Fund. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from the Fund.

FATCA Withholding. The Fund may be required to act as a withholding agent for the IRS under the U.S. Foreign Account Tax Compliance Act (together with any regulations, rules and other guidance implementing such Code sections and any applicable intergovernmental agreement (“IGA”) or information exchange agreement and related statutes, regulations, rules and other guidance thereunder, “FATCA”) and therefore be required to withhold on certain types of U.S. source income allocated to (and otherwise distributable to) an investor that fails to comply with FATCA, which could occur if an investor does not provide the appropriate information and documentation (including the prescribed IRS forms) to the Fund or its agents showing its exemption from such withholding or compliance with FATCA.

THE FOREGOING SUMMARY OF CERTAIN RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING. PROSPECTIVE INVESTORS SHOULD READ THE FUND DOCUMENTS IN THEIR ENTIRETY AND CONFER WITH THEIR RESPECTIVE INVESTMENT, TAX AND LEGAL ADVISERS BEFORE DETERMINING WHETHER TO INVEST IN THE FUND.

III. CERTAIN CONFLICTS OF INTEREST

Compensation Structure. Because the Investment Manager and its affiliates receive fees and performance-based compensation from the Fund, certain parties and their principals have a conflict of interest between their responsibility to manage the Fund for the benefit of Limited Partners and their interest in maximizing the fees and profits the Investment Manager will receive. For example, the performance-based compensation paid to the General Partner or its affiliate may create an incentive for the General Partner to engage in more speculative investing than might be the case if the General Partner or its affiliate were compensated solely based on a flat percentage of capital.

Managing assets for different clients with different fee structures, including ones that may allow for the possibility of Blue Torch’s earning carried interest or incentive allocations at the same time as others that are not subject to the same carried interest or incentive allocation structure or rates, can create a conflict of interest for the Investment Manager because such an arrangement creates an incentive to favor accounts for which Blue Torch has the ability to earn more carried interest or incentive allocation. Such situations give rise to potential conflicts of interest including: (1) the incentive to allocate investment opportunities to the client bearing the greater carried interest or incentive allocation; and (2) the incentive to transfer all or a portion of an existing investment from the client bearing the lesser carried interest or incentive allocation to the client bearing the greater carried interest or incentive allocation (*i.e.*, cross trades).

Valuation Risks. It is anticipated that a substantial portion of the Fund’s portfolio will consist of illiquid and difficult to value instruments. The Investment Manager will be responsible for valuing instruments based on

available information. Because the performance and reports provided by the Investment Manager derive from the valuation of the Fund's assets, the Investment Manager faces a conflict in valuing the Fund's portfolio. Although the Investment Manager will seek to mitigate this conflict by relying on third party sources for valuation in certain instances, such third party sources may not be available for many instruments.

Other Clients; Investment Opportunities. The Investment Manager, the General Partner and/or companies with which any of them is associated may from time to time act as manager, investment manager, in relation to, or be otherwise involved with, other clients, including other investment funds and client accounts, including those (such as open-end funds and single investor funds) that follow an investment program substantially similar to that of the Fund, such as Fund I and other affiliate entities or separate accounts (such other clients, funds and accounts, collectively the "Other Clients"). The investment objectives and programs of the Fund may be similar to, or overlap with, the investment objectives and proposed investment programs of Other Clients and, therefore, certain affiliates regularly compete for investment opportunities with each other (and potentially with Blue Torch). As a result, the allocation of investment opportunities gives rise to potential and actual conflicts of interest.

In making allocation decisions with respect to limited investment opportunities that could reasonably be expected to fit the investment objectives of the Fund and Other Clients, or of Blue Torch itself, Blue Torch anticipates that it may consider one or more of the following factors that it deems relevant: the investment objectives of clients; the source of the investment opportunity; any exclusive rights to investment opportunities that may have been granted to particular clients; the expected duration of the investment in light of clients' investment objectives and policies (including diversification policies); the amount of available capital; available financing of the clients; proximity of a client to the end of its investment period and/or term; the size of the investment opportunity; regulatory and tax considerations; the degree of risk arising from an investment; the expected investment return relative to the client's target return; relative liquidity needs of the clients; likelihood of current income; and such other factors as Blue Torch deems to be appropriate. These factors provide substantial discretion to Blue Torch in allocating investment opportunities. Further, two or more clients may hold an investment for which there is extremely limited, or no, liquidity or that is subject to legal or other restrictions on transfer. In a situation where Blue Torch is limited in its ability to dispose of an investment, Blue Torch may consider the factors described above in allocating the sale of such an investment.

If an investment opportunity is available in limited quantities, and subject to investment restrictions and fiduciary duties, Blue Torch may have an incentive to allocate such investment opportunity to Blue Torch or its employees or to one particular Other Client rather than Other Clients. For example, such an incentive may arise if the economic interests of Blue Torch and its employees in certain of these clients, when combined with their rights to Management Fees and/or Carried Interest Distributions or other fees, are significantly larger than their direct and indirect economic interests in Other Clients. Such an instance may lead to fewer, and less attractive, investment opportunities being made available to clients than would have been the case had Blue Torch and its employees been restricted from pursuing proprietary investments and/or investment programs on behalf of Other Clients. Similarly, the potential for Blue Torch to retain a portion of the origination (including agenting) and similar fees associated with an investment opportunity may create a conflict of interest in allocating such opportunity.

In an attempt to resolve those conflicts in the context of allocating credit opportunities, Blue Torch has developed a set of allocation procedures which will take into account many of the above enumerated factors, as well as other considerations, in determining how loan investment opportunities will be allocated among various Blue Torch proprietary accounts, managed accounts and other affiliated and unaffiliated persons to whom such opportunities might be offered or with whom such opportunities may be participated in the future. All transactions among Blue Torch client's on the one hand and other affiliates of Blue Torch on the other hand will be approved in a manner designed to comply with Section 206(3) of the Advisers Act.

Where the Fund, an Other Client, Blue Torch itself, or its employees hold the same investment, the differing investment objectives of such clients, as well as other factors applicable to the specific situation, may result in a determination to dispose of, or retain, all or a portion of such investment on behalf of the Fund (or on behalf of the Other Client, Blue Torch itself or its employees) at different times as such investment or portion thereof is being disposed of, or retained, by the Fund. In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment which would be beneficial for the Fund while retaining such investment would be beneficial for an Other Client. Blue Torch may also invest in securities on behalf of one client (or Blue Torch itself or its employees may purchase such securities) that may differ from investments made on behalf of the Fund, even though the investment objectives of Other Clients may be similar. Moreover, the Fund, Other Clients, Blue Torch or Blue Torch's employees may make investments or engage in other activities that express inconsistent views with respect to an investment, a particular security or relevant market conditions.

In addition, Blue Torch expects to make other business decisions on behalf of certain Other Clients relating to investments independently of the manner in which it approaches a similar or even the same investment held by the Fund. Consequently, Blue Torch, on behalf of certain Other Clients, may choose not to hedge certain risks that the Fund hedges, or certain clients, including the Fund, may be exposed to risks of financing on an investment when Other Clients are not. Further, in some instances, Blue Torch may choose to coordinate its clients' activities (such as timing dispositions in an orderly way in order to avoid affecting the value of an investment in an unduly volatile manner) with respect to investments held by more than one client, including the Fund, when it would theoretically be possible for Blue Torch to act unilaterally with respect to a particular client's holdings in such investment. Such coordination could have the effect of lowering returns for a particular client, such as the Fund, with respect to an investment relative to what might have been achieved absent such coordination.

If the Fund invests in entities or assets in which other clients hold an investment, the investment by such client could be viewed, especially in hindsight, to have been made on a non-arm's-length basis and could have an effect (either positive or negative) on the market price of the initial investment.

The Fund, or Blue Torch itself, may hold interests in an entity that are of a different class or type than the class or type of interest held by an Other Client. For example, the Fund may hold securities in an entity and Other Clients may hold equity or debt of such entity that are senior or junior to the securities held by the Fund, which could mean that the Fund will be entitled to different payment or other rights, or that in a workout or other distressed scenario the interests of the Fund might be adverse to those of Other Client(s) and such Other Client(s) might recover all or part of its investment while the Fund might not. Blue Torch clients, including the Fund, will not be required to take any action or refrain from taking any action to mitigate an Other Client's losses in such a scenario, and Blue Torch will make decisions on how to resolve such situations in its sole discretion.

The Investment Manager will not enter into transactions in which it knowingly and deliberately favors itself or an Other Client over the Fund; however, the Investment Manager is given considerable discretion to trade for other accounts, and intends to do so to a significant extent.

The Investment Manager as Principal. The Investment Manager and its affiliates do not act as principal, either buying securities for itself or its affiliates from the Fund or selling securities it or its affiliates own to the Fund. However, if the Investment Manager or an affiliate were to decide to engage in any such "principal transaction" in the future, it will comply with the requirements of Section 206(3) of the Advisers Act: (i) disclosing to the client in writing the material terms of the transaction; and (ii) obtaining the written consent of the client for such transaction. The Investment Manager or an affiliate, as applicable, will include in such disclosure: (1) its capacity as principal; (2) the cost to the Investment Manager of the security, in the case of a sale to a client, or the price of the security in a resale, in the case of a purchase from a client; and (3) the best price at which the transaction could be effected by or for the client elsewhere if such price is more advantageous to the client than the purchase or

sale with the Investment Manager. The Fund does not anticipate engaging in such transactions when the Investment Manager may make a trading profit.

“Cross Trades” Between Investment Advisory Clients and Affiliates. From time to time, an affiliate of the Investment Manager may sell or buy an investment to or from another affiliate, including the Fund. Such transactions may not be deemed principal transactions if the Investment Manager (including its controlling persons) owns less than a certain portion of the interests of each such Blue Torch client. Nevertheless, the Investment Manager recognizes the conflict of interest such transactions may create. To mitigate such conflict of interest, the Investment Manager may, but is not obligated to, obtain an independent review of the fairness of the transaction to both funds if the investment is private or an independent price (*i.e.*, a pricing service or broker quote) if the investment is public.

Similarly, from time to time, one Blue Torch client, including the Fund, may sell or buy an investment to or from another separate account managed by the Investment Manager. The Investment Manager also recognizes the conflict of interest such transactions may create. To mitigate such conflict of interest, the Investment Manager may provide the separately managed account with the name of each investment to be crossed for review and confirm approval by such separately managed account before executing the trade. Public instruments will typically be “crossed” at the mid-point between the bid and the ask. Private instruments will be valued by the Investment Manager, based on its valuation procedures, and such valuation may be reviewed and approved by the separately managed account.

Originated Loans. From time to time, the Fund may offer to other Blue Torch clients, including Blue Torch affiliates, participations in and/or assignments or sales of loans (or interests therein) that the Fund has originated or purchased. In the event of such an offer to other Blue Torch clients, the price of the participation, assignment or sale may not be set by the General Partner, Blue Torch or the Fund but rather established based on third-party valuations. Further, the decision by other Blue Torch clients to accept or reject the offer may be made by a party independent of the General Partner and Blue Torch, such as an independent third-party valuation firm or the independent directors or independent representative of such Blue Torch client. In determining the target amount to allocate to a particular loan origination, the Fund will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to third parties as described above. If the Fund is not successful in offering such participations, assignments or sales, the Fund will be forced to hold such excess until such time as it can be disposed. This may result in the Fund being “overweighted” with respect to a particular borrower.

Co-investments. Certain of the Fund’s investments may generate the opportunity for certain persons or entities to co-invest in such investments alongside the Fund. Blue Torch may make these opportunities available to certain Limited Partners; however, it may also choose to offer some or all of any available co-investment opportunity to one or more non-Limited Partner investors that the General Partner deems, in its sole discretion, to be strategic to the investment or the Fund. Such decisions will be made based on the Investment Manager’s co-investment policy, which may change over time. As a result, Limited Partners should not expect to be offered co-investment opportunities.

To the extent any co-investment opportunity is in fact offered to co-investors, such co-investors participating may be required to pay amounts to the Investment Manager or its affiliates, including management fees, administration fees and other fees, carried interest or other incentive compensation, and operating expenses and other expense reimbursements associated with any co-investment vehicle through which they invest. The Investment Manager and its affiliates may elect to reduce or waive any or all such fees, carried interest and other amounts for the benefit of one or more co-investors without offering such reduction or waiver to the other co-investors. A co-investor will not receive the benefit of any transaction fees received by the Investment Manager or its affiliates in connection with a co-investment unless such co-investor is also paying management fees to the

Investment Manager or its affiliates in respect of such co-investment (with the allocation of any such transaction fees being made in accordance with the terms of the Fund Agreement and Blue Torch's co-investment policy). In addition, a co-investor will not receive a share of any topping, break up or broken deal fees received in connection with an unconsummated co-investment unless such co-investor has agreed to pay its share of broken deal expenses associated with such unconsummated co-investment.

In general, the Fund will bear 100% of all out of pocket expenses (including, without limitation, legal and accounting costs and travel expenses) associated with any investment that is not consummated, including any portion thereof that may or would have been allocated to potential co-investors had such investment been consummated. The Investment Manager believes this approach to broken deal expenses is reasonable from the Fund's perspective for the following reasons: (i) the amount of broken deal expenses associated with an investment is expected to be the same, or substantially similar, regardless of whether co-investors participate in such investment; (ii) in most cases, it is impracticable to charge broken deal expenses to co-investors since such expenses are often incurred prior to the date on which a co-investor is contractually committed to participate in such investment; and (iii) the participation of co-investors can often provide material benefits to the Fund, including facilitating Blue Torch's efforts to diversify the Fund's portfolio of investments and allowing the Fund to participate in larger, and potentially attractive, investments with co-investors whose interests are more likely to be aligned with the interests of the Fund than third party co-investors not selected by the Investment Manager.

Restrictions of Fund Trading Activities—Material Non-Public Information. Employees of the Investment Manager regularly acquire confidential information and the Investment Manager may enter into confidentiality and/or "standstill agreements" when assessing investment opportunities. By reason of its various activities, the Investment Manager and its employees may have access to material non-public information ("MNPI") about an issuer. For example, an employee of the Investment Manager may serve from time to time as a director, or in a similar capacity, or as an executive officer, with respect to, an issuer the securities of which may be purchased or sold on behalf of clients, which service may prohibit all clients from engaging in transactions in certain issuers. Additionally, employees of the Investment Manager may acquire MNPI in the ordinary course of their investment activities, which acquisition may result in restrictions on the Fund's ability to sell a portfolio investment at a time when it might otherwise have done so. Any of these activities could prevent the Fund from buying or selling securities or other interests in an issuer, potentially for an extended period.

Affiliated Loan Origination Vehicle. Certain affiliates of the Investment Manager may engage in loan origination. Such parties will receive loan origination fees (including agenting fees) in connection with such activity. To the extent that the Fund originates or participates in loans originated by such affiliates, it is anticipated that the Fund will share in the related origination and other fees. However, the Fund may not benefit from all of the origination and other fees (including agenting fees) received by such affiliates. Certain members of the management team involved in managing the Fund and selecting investments may also be entitled, under certain circumstances, to share in such origination and other fees (including agenting fees).

Investments in Managed Accounts and Affiliated Funds. In order to take advantage of diversification and new investment strategies and concepts, the Investment Manager, from time to time, may place a portion of the Fund's investable assets in accounts managed by or co-managed with other investment advisors, in which case the Fund may be subject to its proportionate share of costs and expenses. The Investment Manager also may place a portion of the Fund's investable assets in other Blue Torch affiliated investment funds managed by it or by an affiliate, in which case the Fund will also bear its proportionate share of costs and expenses. The amounts that may be invested into other managed accounts or in Blue Torch affiliated investment funds are not expected to be significant.

Use of Placement Agents. Blue Torch and the Fund have engaged [REDACTED] as placement agent in respect of the offer of Interests to certain prospective investors. Any such placement agent acts

for the Fund and Blue Torch and not as an investment adviser to potential investors in connection with the offering of Interests. Potential investors must independently evaluate the offering and make their own investment decisions. In making those decisions, potential investors should be aware that a placement agent may be paid a placement fee based upon the amount of capital commitments to the Fund by investors that such placement agent introduces to the General Partner or the Fund. Any placement agent fees and expenses may be paid by the Fund and borne as described in the Fund Agreement. Potential investors should also note that at various times the Fund's placement agent may act as placement agent for other fund sponsors and funds, including fund sponsors and funds that are not affiliated with Blue Torch. Such unaffiliated fund sponsors may pay placement fees on terms different from the fees such placement agents may receive in respect of the Fund, and such differences in fees may influence a placement agent's decision to introduce potential investors to the Fund. Furthermore, such placement agents (or its affiliates) may seek to do business with and earn fees or commissions from portfolio companies of the Fund and affiliates of Blue Torch, for example in connection with financing or investment banking services, or lending or arranging credit. Accordingly, potential investors should recognize that each such placement agent's (or its affiliates') participation as a placement agent for the Interests may be influenced by its interest in such current or future fees and commissions. Potential investors should also be aware that affiliates or employees of a placement agent could invest in the Fund on their own behalf and/or on behalf of their clients.

The foregoing list of risk factors and conflicts of interest does not purport to be a complete enumeration or explanation of all the risks, conflicts and significant considerations involved in an investment in the Fund.

Prior to their decision to invest, prospective investors are invited to review any materials available to the General Partner relating to the Fund, the operations of the Fund, this offering, the experience and operating history of the principals and affiliates of the General Partner and any other matters relating to this offering, and representatives of the General Partner will answer inquiries from prospective investors and their representatives relating thereto. All such materials will be made available at any mutually convenient location at any reasonable hour upon reasonable prior notice. The General Partner will afford prospective investors and their representatives the opportunity to obtain any additional information necessary to verify the accuracy of any representations or information set forth in the Fund Documents to the extent that the Fund or the General Partner possesses such information or can acquire it without unreasonable effort or expense. Such review is limited by the proprietary and confidential nature of the trading systems and money management principles to be utilized by the General Partner and by the confidentiality of personal information relating to investors.