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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM N-2**

- REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
- PRE-EFFECTIVE AMENDMENT NO. 1
- POST-EFFECTIVE AMENDMENT NO. \_\_\_

- REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
- AMENDMENT NO. 1

**VERTICAL CAPITAL INCOME FUND**  
Principal Executive Offices  
450 Wireless Boulevard, Hauppauge, NY 11788  
1-631-470-2600

*Agent for Service*  
The Corporation Trust Company  
Corporation Trust Center  
1209 Orange Street  
Wilmington, Delaware 19801

Copies of information to:

JoAnn Strasser, Esq. Thompson Hine LLP 41 South High Street, 17th floor Columbus, OH 43215 (614) 469-3265	Emile R. Molineaux, Esq. Gemini Fund Services, LLC 450 Wireless Boulevard Hauppauge, NY 11788 (631) 470-2616
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**Approximate Date of Proposed Public Offering:** As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee(1)
Shares of Beneficial Interest	10,000,000	\$10.00	\$100,000,000	\$11,610

(1) A filing fee of \$11,610 was previously paid to the Securities and Exchange Commission in connection with the registration of these shares.

**SUBJECT TO COMPLETION PRELIMINARY PROSPECTUS, as amended, September 30, 2011**

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Vertical Capital Income Fund**  
**Shares of Beneficial Interest**  
**\$5,000 minimum purchase for regular accounts**  
**\$1,000 minimum purchase for retirement plan accounts**

Vertical Capital Income Fund (the "Fund") is a newly organized, continuously offered, diversified, closed-end management investment company that is operated as an interval fund.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This prospectus concisely provides the information that a prospective investor should know about the Fund before investing. You are advised to read this prospectus carefully and to retain it for future reference. Additional information about the Fund, including an amended preliminary Statement of Additional Information ("SAI") dated September [ ], 2011, has been filed with the Securities and Exchange Commission ("SEC"). The SAI is available upon request and without charge by writing the Fund at c/o Gemini Fund Services, LLC, 450 Wireless Boulevard Hauppauge, NY 11788, or by calling toll-free 1-866-277-VCIF. The table of contents of the SAI appears on page [ ] of this prospectus. You may request the Fund's SAI, annual and semi-annual reports when available, and other information about the Fund or make shareholder inquiries by calling 1-866-277-VCIF or by visiting [www.VerticalUS.com](http://www.VerticalUS.com). The SAI, material incorporated by reference and other information about the Fund, is also available on the SEC's website at <http://www.sec.gov>. The address of the SEC's website is provided solely for the information of prospective shareholders and is not intended to be an active link.

*Investment Objective.* The Fund's investment objective is to seek income.

*Securities Offered.* The Fund engages in a continuous offering of shares. The Fund has registered 10,000,000 shares and is authorized as a Delaware statutory trust to issue an unlimited number of shares. The Fund is offering to sell, through its distributor, under the terms of this prospectus, 10,000,000 shares of beneficial interest, at net asset value from which any applicable sales load will be deducted. The initial net asset value is \$10.00 per share. The minimum initial investment by a shareholder is \$5,000 for regular accounts and \$1,000 for retirement plan accounts. Subsequent investments may be made with at least \$100 for regular accounts and \$50 for retirement plan accounts. The Fund is offering to sell its shares, on a continual basis, through its distributor. The distributor is not required to sell any specific number or dollar amount of the Fund's shares, but will use its best efforts to sell the shares. Funds received will be invested promptly and no arrangements have been made to place such funds in an escrow, trust or similar account. During the continuous offering, shares will be sold at the net asset value of the Fund next determined plus the applicable sales load. See "Plan of Distribution." The Fund's continuous offering is expected to continue in reliance on Rule 415 under the Securities Act of 1933 until the Fund has sold shares in an amount equal to approximately \$1 billion.

Price to Public		Sales Load	Proceeds to Registrant
Per Share	\$10.00	\$0.45	\$9.55
Total Minimum	\$1,000.00	\$45.00	\$955.00
Total Maximum	\$100,000,000.00	\$4,500,000.00	\$95,500,000.00

***The shares have no history of public trading, nor is it intended that the shares will be listed on a public exchange at this time. Investing in the Fund's shares involves risks. See "Risk Factors" below in this prospectus.***

Investment Adviser

Vertical Capital Asset Management, LLC (the "Adviser")

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## PROSPECTUS SUMMARY

*This summary does not contain all of the information that you should consider before investing in the shares. You should review the more detailed information contained or incorporated by reference in this prospectus and in the Statement of Additional Information, particularly the information set forth under the heading "Risk Factors."*

**The Fund.** Vertical Capital Income Fund is a newly organized, continuously offered, diversified, closed-end management investment company. See "The Fund." The Fund is an interval fund that will offer to make quarterly repurchases of shares at net asset value. See "Quarterly Repurchases of Shares."

**Investment Objective and Policies.** The Fund's investment objective is to seek income. The Fund pursues its investment objective by investing primarily in individual interest income-producing debt securities secured by residential real estate (i.e. mortgage loans made to individuals that are represented by a note (the "security") and a security agreement in the form of a mortgage or deed of trust). The Fund does not primarily invest in pools of mortgage-related notes, but rather note-by-note. The Fund invests without restriction as to the credit quality of the individual (the "issuer") issuing the note supported by a security agreement in exchange for the mortgage loan, or the maturity of individual securities. The Fund may invest substantially all its assets in notes issued by lower-quality issuers, commonly known as "sub-prime" issuers. The Fund does not invest in foreign securities.

The Fund defines the issuers of these types of mortgage-related notes as a type of industry. Therefore, the Fund concentrates investments in the mortgage-related industry because, under normal circumstances, it invests over 25% of its assets in mortgage-related securities. This policy is fundamental and may not be changed without shareholder approval.

**Investment Strategy.** The Adviser intends to primarily allocate the Fund's assets among debt securities that, in the view of the Adviser, represent attractive income-producing investment opportunities. The Adviser primarily assembles a group of securities with similar credit quality and residential collateral value issued by individuals in the real estate sector and selects those securities expected to produce the highest level of income. Under normal circumstances, the Fund will invest at least 25% of its net assets in mortgage-related securities represented by notes issued by individuals. This policy is fundamental and may not be changed without shareholder approval. The Statement of Additional Information contains a list of the fundamental and non-fundamental (if any) investment policies of the Fund under the heading "Investment Objective and Policies." Secondly, the Adviser considers potential for capital appreciation. The Adviser evaluates each issuer's likelihood of default, the liquidation value of the residential real estate collateral held by the issuer and the expected income of the security to assess risk versus reward. The Adviser buys notes of any quality that are current on payments, or not seriously delinquent (commonly referred to as "performing") provided they satisfy the Adviser's underwriting standards and are judged to present reasonable credit risk. The Adviser then ranks securities by risk and reward and evaluates the potential economic correlation among issuers in various geographic regions in the U.S. When constructing the Fund's portfolio, the Adviser selects securities from residential real estate sectors and geographic regions that it believes will not be highly correlated to each other or to the equity or fixed income markets in general. Generally, the Adviser expects to purchase notes at a significant discount from their face value to increase yield and provide a cushion in the event of delinquency and default. The Adviser sells a security if a target price is reached, an issuer's fundamentals deteriorate, or a more attractive investment opportunity is identified.

**Investment Adviser and Fee.** Vertical Capital Asset Management, LLC, the investment adviser of the Fund, is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended. The Adviser was formed in July 2011 for the purpose of advising the Fund and has no other clients. The Fund's portfolio managers have no experience managing a closed-end fund. The Adviser is entitled to receive a monthly fee at the annual rate of 1.25% of the Fund's daily net assets, depending upon the net assets in the Fund. The Adviser and the Fund have entered into an expense limitation and reimbursement agreement (the "Expense Limitation Agreement") under which the Adviser has agreed contractually to waive its fees and to pay or absorb the ordinary operating expenses of the Fund (including organizational and offering expenses, but excluding interest, brokerage commissions, extraordinary expenses and acquired fund fees and expenses) to the extent that they exceed 1.85% per annum of the Fund's average daily net assets (the "Expense Limitation"). See "Management of the Fund."

**Administrator, Accounting Agent and Transfer Agent.** Gemini Fund Services, LLC ("GFS") will serve as the administrator, accounting agent and transfer agent of the Fund. See "Management of the Fund."

**Closed-End Fund Structure.** Closed-end funds differ from open end management investment companies (commonly referred to as mutual funds) in that closed-end funds do not typically redeem their shares at the option of the shareholder. Rather, closed-end fund shares typically trade in the secondary market via a stock exchange. Unlike many closed-end funds, however, the Fund's shares will not be listed on a stock exchange. Instead, the Fund will provide limited liquidity to shareholders by offering to repurchase a limited amount of shares (at least 5%) quarterly, which is discussed in more detail below. The Fund, similar to a mutual fund, is subject to continuous asset in-flows, although not subject to the continuous out-flows.

**Investor Suitability.** An investment in the Fund involves a considerable amount of risk. It is possible that you will lose money. An investment in the Fund is suitable only for investors who can bear the risks associated with the limited liquidity of the shares and should be viewed as a long-term investment. Before making your investment decision, you should (i) consider the suitability of this investment with respect to your investment objectives and personal financial situation and (ii) consider factors such as your personal net worth, income, age, risk tolerance and liquidity needs.

**Repurchases of Shares.** The Fund is an interval fund and, as such, has adopted a fundamental policy to make quarterly repurchase offers, at net asset value, of no less than 5% of the shares outstanding. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly repurchase offer, although each shareholder will have the right to require the Fund to purchase up to and including 5% of such shareholder's shares in each quarterly repurchase. Limited liquidity will be provided to shareholders only through the Fund's quarterly repurchases. See "Quarterly Repurchases of Shares."

### Summary of Risks.

Investing in the Fund involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you invest in the Fund's shares. See "Risk Factors."

**Concentration Risk.** Because the Fund will invest more than 25% of its assets in the mortgage-related industry, the Fund will be subject to greater volatility risk than a fund that is not concentrated in a single industry.

**Credit Risk.** Issuers of notes may not make scheduled interest and principal payments, resulting in losses to the Fund. In addition, the credit quality of securities may be lowered if an issuer's financial condition deteriorates, which tends to increase the risk of default and decreases a note's value. Weak or declining general economic conditions tend to increase default risk. Lower-quality notes, such as those considered "sub-prime" by the Adviser are more likely to default than those considered "prime" by the Adviser or a rating evaluation agency or service provider. An economic downturn or period of rising interest rates could adversely affect the market for sub-prime notes and reduce the Fund's ability to sell these securities. The lack of a liquid market for these securities could decrease the Fund's share price. Additionally, issuers may seek bankruptcy protection which would delay resolution of security holder claims and may eliminate or materially reduce liquidity.

**Defaulted Securities Risk.** Defaulted securities lack liquidity and may have no secondary market for extended periods. Defaulted securities may have low recovery values and defaulting issuers may seek bankruptcy protection which would delay resolution of the Fund's claims. The Fund anticipates a significant likelihood of default by mortgage-related issuers.

**Fixed Income Risk.** Typically, a rise in interest rates causes a decline in the value of fixed income securities. Rising interest rates tend to increase the likelihood of issuer default.

**Issuer Risk.** A specific security can perform differently from the market as a whole for reasons related to the issuer, such as an individual's economic situation. Compared to investment companies that focus only on securities issued by large capitalization companies, the Fund's net asset value may be more volatile because it invests in notes of individuals. Individuals issuing notes secured by residential real estate are more likely to suffer sudden financial reversals such as (i)

job loss, (ii) depletion of savings or (iii) loss of access to refinancing opportunities. Further, compared to securities issued by large companies, notes issued by individuals are more likely to experience more significant changes in market values, be harder to sell at times and at prices that the Adviser believes appropriate, and offer greater potential for losses.

**Liquidity Risk.** There is currently no secondary market for Fund shares and the Fund expects that no secondary market will develop. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no less than 5% of the shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all the shares they desire in a quarterly repurchase offer. The Fund's investments also are subject to liquidity risk because there is a limited secondary market for mortgage notes. Liquidity risk exists when particular investments of the Fund would be difficult to purchase or sell, possibly preventing the Fund from selling such illiquid securities at an advantageous time or price, or possibly requiring the Fund to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.

**Management Risk.** The Adviser's judgments about the attractiveness, value and potential appreciation of a particular real estate segment and securities in which the Fund invests may prove to be incorrect and may not produce the desired results.

**Market Risk.** An investment in the Fund's shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in the Fund's shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably.

**No Operating History.** The Fund is a closed-end investment company with no history of operations. If the Fund commences operations under inopportune market or economic conditions, it may not be able to achieve its investment objective. The Fund's portfolio managers and the other principals of the Adviser have no experience managing a closed-end fund.

**Prepayment Risk.** Securities may be subject to prepayment risk because issuers are typically able to prepay principal. Consequently, a security's maturity may be longer or shorter than anticipated. When interest rates fall, obligations tend to be paid off more quickly than originally anticipated and the Fund may have to invest the prepaid proceeds in securities with lower yields. When interest rates rise, obligations will tend to be paid off by the obligor more slowly than anticipated, preventing the Fund from reinvesting at higher yields.

**Real Estate Risk.** The Fund will not invest in real estate directly, but, because the Fund will invest the majority of its assets in securities secured by real estate, its portfolio will be significantly impacted by the performance of the real estate market and may experience more volatility and be exposed to greater risk than a more diversified portfolio. The value of residential real estate collateral is affected by:

- (i) changes in general economic and market conditions including changes in employment;
- (ii) changes in the value of real estate properties generally;
- (iii) local economic conditions, overbuilding and increased competition;
- (iv) increases in property taxes and operating expenses;
- (v) changes in zoning laws;
- (vi) casualty and condemnation losses including environment remediation costs ;
- (vii) variations in rental income, neighborhood values or the appeal of property to tenants or potential buyers;
- (viii) the availability of financing and
- (ix) changes in interest rates and available borrowing leverage.

**Repurchase Policy Risks.** Quarterly repurchases by the Fund of its shares typically will be funded from available cash or sales of portfolio securities. The sale of securities to fund repurchases could reduce the market price of those securities, which in turn would reduce the Fund's net asset value.

#### U.S. Federal Income Tax Matters.

The Fund intends to elect to be treated and to qualify each year for taxation as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). In order for the Fund to qualify as a regulated investment company, it must meet an income and asset diversification test each year. If the Fund so qualifies and satisfies certain distribution requirements, the Fund (but not its shareholders) will not be subject to federal income tax to the extent it distributes its investment company taxable income and net capital gains (the excess of net long-term capital gains over net short-term capital loss) in a timely manner to its shareholders in the form of dividends or capital gain distributions. The Code imposes a 4% nondeductible excise tax on regulated investment companies, such as the Fund, to the extent they do not meet certain distribution requirements by the end of each calendar year. The Fund anticipates meeting these distribution requirements. See "U.S. Federal Income Tax Matters."

#### Dividend Reinvestment Policy.

Unless a shareholder elects otherwise, the shareholder's distributions will be reinvested in additional shares under the Fund's dividend reinvestment policy. Shareholders who elect not to participate in the Fund's dividend reinvestment policy will receive all distributions in cash paid to the shareholder of record (or, if the shares are held in street or other nominee name, then to such nominee). See "Dividend Reinvestment Policy."

#### Custodian.

Union Bank, N.A., will serve as the Fund's custodian. See "Management of the Fund."

#### SUMMARY OF FUND EXPENSES

Shareholder Transaction Expenses		
Maximum Sales Load (as a percent of offering price) <sup>1</sup>		4.50%
Annual Expenses (as a percentage of net assets attributable to shares)		
Management Fees		1.25%
Other Expenses		0.97%
Shareholder Servicing Expenses	0.25%	
All Non-Shareholder Servicing Other Expenses <sup>2</sup>	0.72%	
Acquired Fund Fees and Expenses <sup>2,3</sup>		0.05%
Total Annual Expenses		2.27%
Fee Waiver and Reimbursement <sup>4</sup>		(0.37)%
Total Annual Expenses (after fee waiver and reimbursement)		1.90%

<sup>1</sup> The Fund's transfer agent charges a \$15 fee for repurchase proceeds transferred by wire.

<sup>2</sup> Estimated for current fiscal year.

<sup>3</sup> Acquired Fund Fees and Expenses are the indirect costs of investing in other investment companies such as money market mutual funds. The operating expenses in this fee table will not correlate to the expense ratio in the Fund's financial highlights, when issued, because the financial statements, when issued, include only the direct operating expenses incurred by the Fund.

4 The Adviser and the Fund have entered into an expense limitation and reimbursement agreement (the Expense Limitation Agreement) under which the Adviser has agreed contractually to waive its fees and to pay or absorb the ordinary annual operating expenses of the Fund (including organizational and offering expenses, but excluding interest, brokerage commissions, acquired fund fees and expenses and extraordinary expenses), to the extent that they exceed 1.85% per annum of the Fund's average daily net assets (the Expense Limitation). The Fund estimates that during its first year of operations it will issue 10,000,000 shares that will produce proceeds of between \$95,500,000 and \$100,000,000. The Fund estimates that organizational and offering costs will be approximately \$85,035 or \$0.0085 per share, which will be paid from the proceeds of the offering, less amounts advanced pursuant to the Expense Limitation. In consideration of the Adviser's agreement to limit the Fund's expenses, the Fund has agreed to repay the Adviser in the amount of any fees waived and Fund expenses paid or absorbed, subject to the limitations that: (1) the reimbursement for fees and expenses will be made only if payable not more than three years from the end of the fiscal year in which they were incurred; and (2) the reimbursement may not be made if it would cause the Expense Limitation to be exceeded. The Expense Limitation Agreement will remain in effect at least until October [ ], 2012, unless and until the Board approves its modification or termination. This agreement may be terminated only by the Fund's Board of Trustees on 60 days written notice to the Adviser. See "Management of the Fund."

The Summary of Expenses Table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. The table assumes that the Fund issues shares in an amount equal to \$ 100, 000,000. You may qualify for sales charge discounts on purchases of shares if you and your family invest, or agree to invest in the future, at least \$25,000 in the Fund. More information about these and other discounts is available from your financial professional and in **Purchase Terms** starting on page 30 of this prospectus.

The following example illustrates the hypothetical expenses that you would pay on a \$1,000 investment assuming annual expenses attributable to shares remain unchanged and shares earn a 5% annual return:

Example	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 63	\$ 109	\$ 158	\$ 291

Shareholders who choose to participate in repurchase offers by the Fund will not incur a repurchase fee. However, if shareholders request repurchase proceeds be paid by wire transfer, such shareholders will be assessed an outgoing wire transfer fee at prevailing rates charged by GFS, currently \$15. The Fund will also pay organizational and offering costs in connection with the initial offering of the shares estimated to be \$ 26,472 and \$ 58,563, which are subject to the 1.85% per annum limitation on expenses. These organizational expenses are recorded as incurred and offering expenses will be amortized over the first twelve months of the Fund's operations. The purpose of the above table is to help a holder of shares understand the fees and expenses that such holder would bear directly or indirectly. **The example should not be considered a representation of actual future expenses. Actual expenses may be higher or lower than those shown.**

#### FINANCIAL HIGHLIGHTS

Because the Fund is newly formed and has no performance history as of the date of this prospectus, a financial highlights table for the Fund has not been included in this prospectus.

#### THE FUND

The Fund is a newly organized, continuously offered, diversified, closed-end management investment company that is operated as an interval fund. The Fund was organized as a Delaware statutory trust on April 8, 2011 and has no operating history. The Fund's principal office is located at c/o Gemini Fund Services, LLC, 450 Wireless Boulevard, Hauppauge, NY 11788, and its telephone number is 1-866-277-VCIF.

#### USE OF PROCEEDS

The net proceeds of the continuous offering of shares, after payment of the sales load, will be invested in accordance with the Fund's investment objective and policies (as stated below) as soon as practicable after receipt, which the Fund expects will be less than 30 days. The Fund will pay organizational costs and its offering expenses incurred with respect to its initial and continuous offering. Pending investment of the net proceeds in accordance with the Fund's investment objective and policies, the Fund will invest in money market or short-term fixed-income mutual funds. Investors should expect, therefore, that before the Fund has fully invested the proceeds of the offering in accordance with its investment objective and policies, the Fund's assets would earn interest income at a modest rate.

#### INVESTMENT OBJECTIVE, POLICIES AND STRATEGIES

##### Investment Objective and Policies.

The Fund's investment objective is to seek income. The Fund pursues its investment objective by investing primarily in individual interest income-producing debt securities secured by residential real estate (i.e. mortgage loans made to individuals that are represented by a note (the "security") and a security agreement in the form of a mortgage or deed of trust). The Fund does not primarily invest in pools of mortgage-related notes, but rather note-by-note. The Fund invests without restriction as to the credit quality of the individual (the "issuer") issuing the note supported by a security agreement in exchange for the mortgage loan, or the maturity of individual securities. The Fund may invest substantially all its assets in notes issued by lower-quality issuers, commonly known as "sub-prime" issuers. The Fund does not invest in foreign securities. Under normal circumstances, the Fund will invest at least 25% of its net assets in mortgage-related securities represented by notes issued by individuals. This policy is fundamental and may not be changed without shareholder approval. The Statement of Additional Information contains a list of the fundamental and non-fundamental (if any) investment policies of the Fund under the heading "Investment Objective and Policies."

##### Investment Strategy and Criteria Used in Selecting Investments

The Adviser selects securities by evaluating the issuer's credit quality and the potential liquidation value of the residential real estate collateral securing the issuer's debt obligation. When evaluating credit quality the Adviser uses a proprietary underwriting model that will take into account the following factors, but may also take into consideration others:

###### Residential Issuers

- Issuer payment history including delinquencies and defaults
- Issuer credit report
- Issuer credit score, such as a FICO® score
- Security's interest rate
- Issuer total debt service load
- Alternative sources of repayment such as liquid assets
- Title search of property to assure clear title by issuer

When evaluating residential real estate collateral's potential liquidation value the Adviser uses a proprietary collateral valuation underwriting model that will take into account the following factors, but may also take into consideration others:

- Current property value as established by an independent broker's price opinion
- State laws pertaining to mortgages in that domicile
- Local real estate trends around the respective property
- Potential environmental remediation costs at site
- Estimated foreclosure value for the property

Even though the Adviser re-evaluates each issuer's ability to pay, it nonetheless anticipates a significant likelihood of default by issuers because of difficult-to-predict economic events, such as job loss. The Adviser expects to resolve or forestall defaults primarily by renegotiating note terms to lower interest and/or principal payments so that an issuer can resume payments on its note. The Adviser also may enter into an agreement with the issuer and a third party to sell the property to the third party for less than the principal balance on the note while forgiving any unpaid principal that remains after receiving the proceeds from the sale (commonly referred to as a short-sale). The Adviser may also foreclose upon the property and seek to recover via sale of the property.

The Adviser primarily selects securities with the highest expected income from a real estate sector peer group of issuers with similar market capitalization and/or credit quality and residential real estate collateral value relative to debt amount. Secondly, the Adviser considers potential for capital appreciation. Generally, the Adviser expects to purchase notes at a significant discount from their face value to increase yield and provide a cushion to the effects of delinquency and default. The Adviser anticipates using three primary methods of liquidating securities from the Fund:

- Issuer sells the collateral and the note is then paid in full
- Issuer refinances the note, and note is then paid in full
- The Fund sells the note to another institution

### ***Other Information Regarding Investment Strategy***

The Fund may, from time to time, take defensive positions that are inconsistent with the Fund's principal investment strategy in attempting to respond to adverse market, economic, political or other conditions. During such times, the Adviser may determine that the Fund should invest up to 100% of its assets in cash or cash equivalents, including money market instruments, prime commercial paper, repurchase agreements, Treasury bills and other short-term obligations of the U. S. Government, its agencies or instrumentalities. In these and in other cases, the Fund may not achieve its investment objective. The Adviser may invest the Fund's cash balances in any investments it deems appropriate. The Adviser expects that such investments will be made, without limitation and as permitted under the 1940 Act, in money market funds, repurchase agreements, U.S. Treasury and U.S. agency securities, municipal bonds and bank accounts. Any income earned from such investments is ordinarily reinvested by the Fund in accordance with its investment program. Many of the considerations entering into recommendations and decisions of the Adviser and the Fund's portfolio manager are subjective.

The frequency and amount of portfolio purchases and sales (known as the "portfolio turnover rate") will vary from year to year. It is anticipated that the Fund's portfolio turnover rate will ordinarily be between 10% and 15%. The portfolio turnover rate is not expected to exceed 100%, but may vary greatly from year to year and will not be a limiting factor when the Adviser deems portfolio changes appropriate. Although the Fund generally does not intend to trade for short-term profits, the Fund may engage in short-term trading strategies, and securities may be sold without regard to the length of time held when, in the opinion of the Adviser, investment considerations warrant such action. These policies may have the effect of increasing the annual rate of portfolio turnover of the Fund. Higher rates of portfolio turnover would likely result in higher brokerage or placement agent commissions and may generate short-term capital gains taxable as ordinary income. See "Tax Status" in the Fund's Statement of Additional Information.

There is no assurance what portion, if any, of the Fund's investments will qualify for the reduced federal income tax rates applicable to qualified dividends under the Code. As a result, there can be no assurance as to what portion of the Fund's distributions will be designated as qualified dividend income. See "U.S. Federal Income Tax Matters."

### **Portfolio Investments**

#### ***Securities Secured by Real Estate***

The Fund will invest primarily in securities secured by residential real estate. The market or liquidation value of each type of residential real estate collateral may be adversely affected by numerous factors, including rising interest rates; changes in the national, state and local economic climate and real estate conditions; perceptions of prospective buyers of the safety, convenience and attractiveness of the properties; maintenance and insurance costs; changes in real estate taxes and other expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; and other factors beyond the control of the issuers.

#### ***Certain Legal Aspects of Notes Secured by Real Estate***

Each of the Fund's securities will be secured by a deed of trust, mortgage, security agreement, or legal title. The deed of trust and mortgage are the most commonly used real property security devices. A deed of trust formally has three parties: (1) a debtor, referred to as the "trustor," (2) a third party referred to as the "trustee" and (3) the lender/creditor, referred to as the "beneficiary." The trustor irrevocably grants the property until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. In a mortgage note, there are only two parties, the mortgagor (commonly referred to as the borrower) and the mortgagee (commonly referred to as the investor). State law determines how a mortgage is foreclosed. The process usually requires a judicial process.

#### ***Foreclosure***

##### Deed of Trust

Some states have a statute known as the "one form of action" rule, which requires the beneficiary of a deed of trust to exhaust the security under the deed of trust (i.e., foreclose on the property) before any personal action may be brought against the note issuer (borrower). There are two methods of foreclosing a deed of trust. Foreclosure of a deed of trust is accomplished in most cases by a non-judicial trustee's sale under the power of sale provision in the deed of trust. A judicial foreclosure (in which the beneficiary's purpose is usually to obtain a deficiency judgment where otherwise unavailable) is subject to most of the delays and expenses of other lawsuits, sometimes requiring up to several years to complete.

##### Mortgage

Notes owned by the Fund secured by mortgages will be foreclosed in compliance with the laws of the state where the real property collateral is located, which vary from state to state. A mortgage is a legal document in which the owner uses the title to residential property as security for a loan described in a promissory note. If the owner fails to make payments on the promissory note then the lender can foreclose (through the courts, or in some states, without court involvement) on the mortgage to force a sale of the real property and receive the proceeds, or receive the property itself at a public sheriff's sale.

##### Additional Information Regarding Foreclosures and Related Issues

#### **Redemption**

After a foreclosure sale pursuant to a mortgage, the borrower and foreclosed junior lien holders may have a statutory period in which to redeem the property from the foreclosure sale by paying amounts due.

#### **Anti-Deficiency Legislation**

The Fund may acquire interests in mortgage notes which limit the Fund's recourse to foreclosure upon the security property, with no recourse against the borrower's other assets. In some jurisdictions, the Fund can pursue a deficiency judgment against the note issuer or a guarantor if the value of the property securing the note is insufficient to pay back the debt owed to the Fund. In other jurisdictions, however, if the Fund desires to seek a judgment in court against the note issuer for the deficiency balance, the Fund may be required to seek judicial foreclosure and/or have other security from the note issuer.

#### **Special Considerations in Connection with Junior Encumbrances**

In addition to the general considerations concerning trust deeds discussed above, there are certain additional considerations applicable to second and more junior deeds of trust ("junior encumbrances"). By its very nature, a junior encumbrance is less secure than a more senior lien. If a senior lienholder forecloses on its note, unless the amount of the bid exceeds the senior encumbrances, the junior lienholder will receive nothing. Because of the limited notice and

attention given to foreclosure sales, it is possible for a junior lienholder to be "sold out," receiving nothing from the foreclosure sale. By virtue of anti-deficiency legislation, discussed above, a junior lienholder may be totally precluded from any further remedies.

## Environmental

The Fund's security property may be subject to potential environmental risks. Of particular concern may be those security properties which have been built upon the site of manufacturing, industrial or disposal activity. These environmental risks may give rise to a diminution in value of the security property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the real property or the principal balance of the related mortgage note. For this reason, the Fund may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

## "Due-on-Sale" Clauses

The notes and deeds of trust held by the Fund, like those of many investors, contain "due-on-sale" clauses permitting the Fund to accelerate the maturity of a note if the note issuer sells, conveys or transfers all or any portion of the property, but may or may not contain "due-on-encumbrance" clauses which would permit the same action if the issuer further encumbers the property (i.e., executes further deeds of trust). The enforceability of these types of clauses has been the subject of several major court decisions and legislation in recent years.

## Prepayment Charges

Some notes acquired by the Fund may provide for certain prepayment charges to be imposed on the note issuer in the event of certain early payments on the note. The Adviser reserves the right at its business judgment to waive collection of prepayment penalties.

## Bankruptcy Laws

If an issuer files for protection under the federal bankruptcy statutes, the Fund will be initially barred from taking any foreclosure action on its real property security by an "automatic stay order" that goes into effect upon the note issuer's filing of a bankruptcy petition. Thereafter, the Fund would be required to incur the time, delay and expense of filing a motion with the bankruptcy court for permission to foreclose on the real property security ("relief from the automatic stay order"). Such permission is granted only in limited circumstances. If permission is denied, the Fund will likely be unable to foreclose on its security for the duration of the bankruptcy, which could be a period of years. During such delay, the issuer may or may not be required to pay current interest on the note. The Fund would therefore lack the cash flow it anticipated from the note, and the total indebtedness secured by the security property would increase by the amount of the defaulted payments, perhaps reaching a total that would exceed the market value of the property.

In addition, bankruptcy courts have broad powers to permit a sale of the real property free of the Fund's lien, to compel the Fund to accept an amount less than the balance due under the note and to permit the issuer to repay over a term which may be substantially longer than the original term of the note.

## RISK FACTORS

*An investment in the Fund's shares is subject to risks. The value of the Fund's investments will increase or decrease based on changes in the prices of the investments it holds. This will cause the value of the Fund's shares to increase or decrease. You could lose money by investing in the Fund. By itself, the Fund does not constitute a balanced investment program. Before investing in the Fund you should consider carefully the following risks. There may be additional risks that the Fund does not currently foresee or consider material. You may wish to consult with your legal or tax advisors before deciding whether to invest in the Fund.*

**Concentration Risk.** Because the Fund will invest more than 25% of its assets in the mortgage-related industry, the Fund will be subject to greater volatility risk than a fund that is not concentrated in a single industry. The mortgage-related industry, as a whole, may be unstable if the price of real estate declines below a certain level or if the U.S. economy weakens below a certain level. Additionally, the Fund's investments in mortgage-related industry securities may be more volatile than securities markets in general and may perform poorly even when securities markets, in general, are rising.

**Credit Risk.** There is a risk that note issuers will not make scheduled payments, resulting in losses to the Fund. In addition, the credit quality of securities may decline if an issuer's financial condition deteriorates. Lower credit quality may lead to greater volatility in the price of a note and in shares of the Fund. Lower quality notes, such as those considered sub-prime by the Adviser are more likely to default than those considered prime by the Adviser or a rating evaluation agency or service provider. An economic downturn or period of rising interest rates could adversely affect the market for these notes and reduce the Fund's ability to sell these securities. The lack of a liquid market for these securities could decrease the Fund's share price. Additionally, issuers may seek bankruptcy protection which will delay resolution of security holder claims and may eliminate or materially reduce liquidity. Default, or the market's perception that an issuer is likely to default, could reduce the value and liquidity of portfolio securities, thereby reducing the value of your investment in Fund shares. In addition, default may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings. Lower quality notes offer the potential for higher return, but also involve greater risk than debt securities of higher quality, including an increased possibility that the issuer or guarantor, if any, may not be able to make its payments of interest and principal. If that happens, the value of the security will decrease and may become worthless. This will cause the Fund's share price to decrease and its income will be reduced.

**Defaulted Securities Risk.** Defaulted securities lack liquidity and may have no secondary market for extended periods. Defaulted securities may have low recovery values and defaulting issuers may seek bankruptcy protection which would delay resolution of the Fund's claims. The Fund anticipates a significant likelihood of default by mortgage-related issuers. Defaulted securities will not make scheduled interest or principal payments which will reduce the Fund's returns and ability to make distributions. Defaulted securities may become worthless.

**Fixed Income Risk.** When the Fund invests in fixed income securities, the value of your investment in the Fund will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of fixed income securities. In general, the market price of debt securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. Other risk factors include credit risk (the debtor may default) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). Rising interest rates tend to increase the likelihood of issuer default. These risks could affect the value of a particular investment, possibly causing the Fund's share price and total return to be reduced and fluctuate more than other types of investments.

**Issuer Risk.** The value of a specific security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The Fund's performance may be more sensitive to regional economic occurrences than the value of shares of a fund that does not invest, in part, based on the recovery value of residential real estate collateral. The value of an issuer's securities that are held in the Fund's portfolio may decline for a number of reasons that directly relate to the issuer, such as financial leverage, job loss, or an individual's other sources of revenue or repayment. Individuals may have short work histories, limited alternative employment opportunities and few resources. The risks associated with these investments are generally greater than those associated with investments in the securities of large established companies. This may cause the Fund's net asset value to be more volatile when compared to investment companies that focus only on large capitalization companies. Generally, securities of individuals are more likely to experience sharper swings in market values and less liquid markets, in which it may be more difficult for the Adviser to sell at times and at prices that the Adviser believes appropriate. Further, the notes of individuals, in which the Fund invests, do not trade on an exchange and trade over-the-counter and generally experience a lower trading volume than is typical for securities that are traded on a national securities exchange. Consequently, the Fund may be required to dispose of these notes over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies, offering greater potential for gains and losses and associated tax consequences.

**Liquidity Risk.** The Fund is a closed-end investment company structured as an "interval fund" and designed for long-term investors. Unlike many closed-end investment companies, the Fund's shares are not listed on any securities exchange and are not publicly traded. There is currently no secondary market for the shares and the Fund expects that no secondary market will develop. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no less than 5% of the shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly repurchase offer. The Fund's investments are also subject to liquidity risk. Liquidity risk exists when particular investments of the Fund would be difficult to purchase or sell, possibly preventing the Fund from selling such illiquid securities at an advantageous time or price, or possibly requiring the Fund to dispose of other investments at unfavorable times or prices in order to satisfy its obligations. Funds with principal investment strategies that involve securities of individuals that may have substantial market and/or credit risk, tend to have the greatest exposure to liquidity risk.



**Management Risk.** The net asset value of the Fund changes daily based on the performance of the securities in which it invests. The Adviser's judgments about the attractiveness, value and potential appreciation of particular real estate segments and securities in which the Fund invests may prove to be incorrect and may not produce the desired results.

**Market Risk.** An investment in shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other investments, may move up or down, sometimes rapidly and unpredictably. The value of your shares at any point in time may be worth less than the value of your original investment, even after taking into account any reinvestment of dividends and distributions.

**No Operating History.** The Fund is a closed-end investment company with no history of operations. It is designed for long-term investors and not as a trading vehicle. During the Fund's start-up period (up to approximately 30 days), the Fund may not achieve the desired portfolio composition. If the Fund commences operations under inopportune market or economic conditions, it may not be able to achieve its investment objective. The Fund's portfolio managers and the other principals of the Adviser have no experience managing a closed-end fund.

**Prepayment Risk.** Securities may be subject to prepayment risk because issuers are typically able to prepay principal. Consequently, a security's maturity may be longer or shorter than anticipated. When interest rates fall, obligations will be paid off more quickly than originally anticipated and the Fund may have to invest the prepaid proceeds in securities with lower yields. The yield realized on a security purchased at a premium will be lower than expected if prepayment occurs sooner than expected, as is often the case when interest rates fall. When interest rates rise, certain obligations will be paid off by the obligor more slowly than anticipated, preventing the Fund from reinvesting at higher yields. The yield realized on a security purchased at a discount will be lower than expected if prepayment occurs later than expected, as is often the case when interest rates rise.

**Real Estate Risk.** The Fund will not invest in real estate directly, but because the Fund will concentrate its investments in securities secured by real estate, its portfolio will be significantly impacted by the performance of the real estate market and may experience more volatility and be exposed to greater risk than a more diversified portfolio. Although the Fund will not invest in real estate directly, the Fund may be subject to risks similar to those associated with direct ownership in real property. The value of the Fund's shares will be affected by factors affecting the value of real estate. These factors include, among others: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in property taxes and other expenses; (v) changes in zoning laws; (vi) casualty and condemnation losses, including environmental remediation costs; (vii) variations in neighborhood values or the appeal of property to potential buyers; (viii) the availability of financing and (ix) changes in interest rates.

**Repurchase Policy Risks.** Quarterly repurchases by the Fund of its shares typically will be funded from available cash or sales of portfolio securities. However, payment for repurchased shares may require the Fund to liquidate portfolio holdings earlier than the Adviser otherwise would liquidate such holdings, potentially resulting in losses, and may increase the Fund's portfolio turnover. The Adviser may take measures to attempt to avoid or minimize such potential losses and turnover, and instead of liquidating portfolio holdings, may borrow money to finance repurchases of shares. If the Fund borrows to finance repurchases, interest on any such borrowing will negatively affect shareholders who do not tender their shares in a repurchase offer by increasing the Fund's expenses and reducing any net investment income. To the extent the Fund finances repurchase proceeds by selling investments, the Fund may hold a larger proportion of its net assets in less liquid securities. Also, the sale of securities to fund repurchases could reduce the market price of those securities, which in turn would reduce the Fund's net asset value.

Repurchase of shares will tend to reduce the amount of outstanding shares and, depending upon the Fund's investment performance, its net assets. A reduction in the Fund's net assets may increase the Fund's expense ratio, to the extent that additional shares are not sold. In addition, the repurchase of shares by the Fund may be a taxable event to shareholders.

## MANAGEMENT OF THE FUND

### Trustees and Officers

The Board of Trustees is responsible for the overall management of the Fund, including supervision of the duties performed by the Adviser. The Board is comprised of 6 trustees. The Trustees are responsible for the Fund's overall management, including adopting the investment and other policies of the Fund, electing and replacing officers and selecting and supervising the Fund's investment adviser. The name and business address of the Trustees and officers of the Fund and their principal occupations and other affiliations during the past five years, as well as a description of committees of the Board, are set forth under "Management" in the Statement of Additional Information.

### Investment Adviser

Vertical Capital Asset Management, LLC, located at 7700 Irvine Center Drive, Suite 150, Irvine, California 92618, serves as the Fund's investment adviser. The Adviser is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended. The Adviser is a California limited liability company formed in July 2011 for the purpose of advising investment funds and has no clients other than the Fund. The Adviser is jointly controlled by Gus Altuzarra and Christopher Chase, each of whom own 50% of the Adviser's interests.

Under the general supervision of the Fund's Board of Trustees, the Adviser will carry out the investment and reinvestment of the net assets of the Fund, will furnish continuously an investment program with respect to the Fund, determine which securities should be purchased, sold or exchanged. In addition, the Adviser will supervise and provide oversight of the Fund's service providers. The Adviser will furnish to the Fund office facilities, equipment and personnel for servicing the management of the Fund. The Adviser will compensate all Adviser personnel who provide services to the Fund. In return for these services, facilities and payments, the Fund has agreed to pay the Adviser as compensation under the Investment Management Agreement a monthly management fee computed at the annual rate of 1.25% of the daily net assets. The Adviser may employ research services and service providers to assist in the Adviser's market analysis and investment selection.

A discussion regarding the basis for the Board of Trustees' initial approval of the Fund's Investment Management Agreement will be available in the Fund's initial report to shareholders.

The Adviser and the Fund have entered into an Expense Limitation Agreement under which the Adviser has agreed contractually to waive its fees and to pay or absorb the ordinary operating expenses of the Fund (including organizational and offering expenses, but excluding interest, brokerage commissions, extraordinary expenses and acquired fund fees and expenses) to the extent that they exceed 1.85% per annum of the Fund's average daily net assets (the Expense Limitation). In consideration of the Adviser's agreement to limit the Fund's expenses, the Fund has agreed to repay the Adviser in the amount of any fees waived and Fund expenses paid or absorbed, subject to the limitations that: (1) the reimbursement will be made only for fees and expenses incurred not more than three years from the end of the fiscal year in which they were incurred; and (2) the reimbursement may not be made if it would cause the Expense Limitation to be exceeded. The Expense Limitation Agreement will remain in effect, at least until October [ ], 2012, unless and until the Board approves its modification or termination. This agreement may be terminated only by the Fund's Board of Trustees on 60 days written notice to the Adviser. After October [ ], 2012, the Expense Limitation Agreement may be renewed at the Adviser's and Board's discretion.

### Portfolio Managers

Mr. Gus Altuzarra, Managing Member of the Adviser, is the Fund's co-portfolio manager. Mr. Altuzarra shares primary responsibility for management of the Fund's investment portfolio and has served the Fund in this capacity since it commenced operations in 2011. In addition to serving as Managing Member of the Adviser since July, 2011, Mr. Altuzarra is also Managing Member of Vertical Recovery Management, LLC, a position held since October 2008. Additionally, Mr. Altuzarra is also Principal and Secondary Marketing Officer of Vertical Financial Group, Inc., a position held since July 2004. Mr. Altuzarra is a graduate of the University of Southern California with a Bachelor of Arts Degree in Chemistry. During his senior year at USC, Mr. Altuzarra took elective classes that included Real Estate Finance and earned his Real Estate Sales license, which was later upgraded to a Real Estate Broker's license in 1984. Mr. Altuzarra joined Granite Mortgage Center in 1983 as a wholesale hard money loan officer. As a wholesale loan officer, Mr. Altuzarra solicited mortgage brokers for hard money loans. In early 1985, Mr. Altuzarra joined Sterling Home Loans in Anaheim, also a hard money lender, as its Sales Manager. In 1985, the first version of sub-prime lending bridged the gap between conventional financing and hard money. While at Sterling, Mr. Altuzarra's duties included sales, underwriting and secondary market investor

relations. Sterling quickly became a player in the sub-prime arena selling loans to Gibraltar Money Center, Imperial Savings and Loan, and Cathedral Mortgage. In early 1986, Mr. Altuzarra founded Laguna Capital Mortgage Corporation where he served as President. Through financing via a \$50 Million Repurchase Line, Laguna Capital grew to become a national lender with offices in California, Arizona, Tennessee, Pennsylvania, Florida, Colorado, Utah and Idaho. While at Laguna Capital, Mr. Altuzarra sold loans in bulk to secondary market investors including Wells Fargo, Saxon Mortgage, RFC GMAC, PSB Lending, The Money Store, Equicredit, Indymac Bank, Citi Financial and Equity One.

Mr. Christopher Chase, Managing Member of the Adviser, is the Fund's co-portfolio manager. Mr. Chase shares primary responsibility for management of the Fund's investment portfolio and has served the Fund in this capacity since it commenced operations in 2011. In addition to serving as Managing Member of the Adviser since July, 2011, Mr. Chase is also Managing Member of Vertical Recovery Management, LLC, a position held since October 2008. Mr. Chase is also President of Chase Pacific Capital Advisors, a commercial real estate mortgage brokerage firm specializing in originating debt and equity for commercial real estate projects, a position held since 1996. Since 1978, Mr. Chase has held executive positions in various firms specializing in all aspects of residential/commercial real estate financing and development, including American Liberty Financial Corp, Donnelly Chase Financial, Mason-McDuffie Financial Corporation, Lomas Financial, and Cushman & Wakefield. Mr. Chase has lived in South Orange County for 34 years and has developed many long lasting affiliations and business relationships within the community. Mr. Chase has participated on the Steering Committee for the Shawn Parr Charity Golf Tournament for 26 years, raising \$1.5 million for the John Tracy Clinic for Deaf Children, and for 18 years, Mr. Chase served as Chairman of the Tournament. Mr. Chase has been a member of Big Canyon Country Club for 28 years, and has shared a 14-year business relationship with Gus Altuzarra. Mr. Chase is a graduate of the University of Southern California, having obtained a Bachelor of Science Degree in Psychology with a minor in Real Estate Finance. Mr. Chase is married, and has raised three children.

The Statement of Additional Information provides additional information about the Fund's portfolio managers' compensation, other accounts managed and ownership of Fund shares.

#### **Administrator, Accounting Agent and Transfer Agent**

Gemini Fund Services, LLC, with principal offices at 450 Wireless Boulevard, Hauppauge, NY, 11788 and 4020 South 147<sup>th</sup> Street, Suite 2, Omaha, NE 68137, serves as Administrator, Accounting Agent and Transfer Agent. Gemini Fund Services, LLC receives the following fees: for administrative services 0.10% on the first \$100 million of net assets, 0.06% on the next \$150 million of net assets and 0.06% on net assets greater than \$250 million, paid monthly at the preceding annual rates; for accounting services a \$ 27, 000 base fee plus 0.02% of net assets from \$25 to \$100 million and 0.01% of net assets over \$100 million, paid monthly at the preceding annual rates; for transfer agent services \$14 per account plus various other account-related charges; plus out of pocket expenses for each of the preceding services.

#### **Security Servicing Agent**

Vertical Recovery Management, LLC, ("VRM ") serves as Security Servicing Agent. VRM assists the Fund in collections from and maintenance of its securities by providing services such as contacting delinquent issuers and managing the foreclosure process or other recovery processes for the Fund in the event of an issuer's default. VRM receives a fee equal to 0.25% of Fund average net assets, paid monthly at the preceding annual rate. VRM is an affiliate of the Adviser because they are under the common control of Mr. Altuzarra and Mr. Chase.

#### **Custodian**

Union Bank N.A., with principal offices at 350 California Street, 6th Floor San Francisco, California 94104 serves as custodian for the securities and cash of the Fund's portfolio. Under a Custody Agreement, Union Bank holds the Fund's assets in safekeeping and keeps all necessary records and documents relating to its duties.

#### **Estimated Fund Expenses**

The Adviser is obligated to pay expenses associated with providing the services stated in the Investment Management Agreement, including compensation of and office space for its officers and employees connected with investment and economic research, trading and investment management and administration of the Fund. The Adviser is obligated to pay the fees of any Trustee of the Fund who is affiliated with it.

GFS is obligated to pay expenses associated with providing the services contemplated by a Fund Services Administration Agreement (administration, accounting and transfer agent), including compensation of and office space for its officers and employees and administration of the Fund.

VRM is obligated to pay expenses associated with providing the services contemplated by a Security Services Agreement, including compensation of and office space for its officers and employees.

The Fund pays all other expenses incurred in the operation of the Fund including, among other things, (i) expenses for legal and independent accountants' services, (ii) costs of printing proxies, share certificates, if any, and reports to shareholders, (iii) charges of the custodian and transfer agent in connection with the Fund's dividend reinvestment policy, (iv) fees and expenses of independent Trustees, (v) printing costs, (vi) membership fees in trade association, (vii) fidelity bond coverage for the Fund's officers and Trustees, (viii) errors and omissions insurance for the Fund's officers and Trustees, (ix) brokerage costs, (x) taxes, (xi) costs associated with the Fund's quarterly repurchase offers, (xii) servicing fees and (xiii) other extraordinary or non-recurring expenses and other expenses properly payable by the Fund. The expenses incident to the offering and issuance of shares to be issued by the Fund will be recorded as a reduction of capital of the Fund attributable to the shares.

The Fund will pay a monthly shareholder servicing fee at an annual rate of 0.25% of the average daily net assets of the Fund.

On the basis of the anticipated size of the Fund, it is estimated that the Fund's first year annual operating expenses will be approximately \$ 1.1 million, which includes organizational and offering costs and does not take into account the effect of the Expense Limitation Agreement between the Fund and the Adviser. However, no assurance can be given, in light of the Fund's investment objective and policies and the fact that the Fund's offering is continuous and shares are sold on a best efforts basis that actual annual operating expenses will not be substantially more or less than this estimate.

The initial operating expenses for a new fund, including start-up costs, which may be significant, may be higher than the expenses of an established fund. Costs incurred in connection with the organization of the Fund, estimated at \$ 26,472 will be borne by the Fund. The Fund will pay organizational costs and offering expenses incurred with respect to the offering of its shares from the proceeds of the offering, less amounts advanced pursuant to the Expense Limitation Agreement. For tax purposes, offering costs cannot be deducted by the Fund or the Fund's shareholders. Therefore, for tax purposes, the expenses incident to the offering and issuance of shares to be issued by the Fund will be recorded as a reduction of capital of the Fund attributable to the shares.

The Investment Management Agreement authorizes the Adviser to select brokers or dealers (including affiliates) to arrange for the purchase and sale of Fund securities, including principal transactions. Any commission, fee or other remuneration paid to an affiliated broker or dealer is paid in compliance with the Fund's procedures adopted in accordance with Rule 17e-1 under the 1940 Act.

#### **Control Persons**

A control person is one who owns, either directly or indirectly, more than 25% of the voting securities of a company or acknowledges the existence of control. As of the date of this prospectus, the Fund could be deemed to be under control of the Christopher Chase, who had voting authority with respect to approximately 50% of the value of the outstanding interests in the Fund on such date, and Gus and Kelly Altuzarra who, jointly, had voting authority with respect to approximately 50% of the value of the outstanding interests in the Fund on such date. However, it is expected that once the Fund commences investment operations and its shares are sold to the public that control will be diluted until such time as the Fund is controlled by its unaffiliated shareholders.

### **DETERMINATION OF NET ASSET VALUE**

The net asset value of shares of the Fund is determined daily, as of the close of regular trading on the NYSE (normally, 4:00 p.m., Eastern time). Each share will be offered at net asset value plus the applicable sales load. During the continuous offering, the price of the shares will increase or decrease on a daily basis according to the net asset value of the shares. In computing net asset value, portfolio securities of the Fund are valued at their current market values determined on the basis of market quotations, if available. Because market quotations are not typically readily available for the majority of the Fund's securities, they are valued at fair value as determined by the Board of Trustees. The Board has delegated the day to day responsibility for determining these fair values in accordance with the policies it has approved to the Adviser and GFS. Fair valuation involves subjective judgments, and it is possible that the fair value determined for a security may differ materially from the value that could be realized upon the sale of the security. There is no single standard for determining fair value of a security. Rather, in determining the fair value of a security for which there are no readily available market quotations, the Adviser may consider several factors, including fundamental analytical data relating to the investment in the security, the nature and duration of any restriction on the disposition of the security, the cost of the security at the date of purchase, the liquidity of the market for the security and the recommendation of the Fund's Portfolio Managers.

The Adviser and GFS will provide the Board of Trustees with periodic reports, no less frequently than quarterly, that discuss the functioning of the valuation process, if applicable to that period, and that identify issues and valuations problems that have arisen, if any. To the extent deemed necessary by the Adviser, the Valuation Committee of the Board will review any securities valued by the Adviser and GFS in accordance with the Fund's valuation policies. The Adviser will provide the Board of Trustees with periodic reports, no less frequently than quarterly, that discuss the functioning of the valuation process, if applicable to that period, and that identify issues and valuations problems that have arisen, if any.

Non-dollar-denominated securities, if any, are valued as of the close of the NYSE at the closing price of such securities in their principal trading market, but may be valued at fair value if subsequent events occurring before the computation of net asset value materially have affected the value of the securities. Trading may take place in foreign issues held by the Fund, if any, at times when the Fund is not open for business. As a result, the Fund's net asset value may change at times when it is not possible to purchase or sell shares of the Fund. The Fund may use a third party pricing service to assist it in determining the market value of securities in the Fund's portfolio. The Fund's net asset value per share is calculated by dividing the value of the Fund's total assets (the value of the securities the Fund holds plus cash or other assets, including interest accrued but not yet received), less accrued expenses of the Fund, less the Fund's other liabilities by the total number of shares outstanding.

For purposes of determining the net asset value of the Fund, readily marketable portfolio securities listed on the NYSE are valued, except as indicated below, at the last sale price reflected on the consolidated tape at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day or if market prices may be unreliable because of events occurring after the close of trading, then the securities is valued by such method as the Board shall determine in good faith to reflect its fair market value. Readily marketable securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a like manner. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the consolidated tape at the close of the exchange representing the principal market for such securities. Securities trading on the NASDAQ are valued at the closing price.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by the Adviser to be over-the-counter, are valued at the mean of the current bid and asked prices as reported by the NASDAQ or, in the case of securities not reported by the NASDAQ or a comparable source, as the Board deems appropriate to reflect their fair market value. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Trustees believes reflect most closely the value of such securities.

#### **CONFLICTS OF INTEREST**

As a general matter, certain conflicts of interest may arise in connection with a portfolio manager's management of a fund's investments, on the one hand, and the investments of other accounts for which the portfolio manager is responsible, on the other. For example, it is possible that the various accounts managed could have different investment strategies that, at times, might conflict with one another to the possible detriment of the Fund. Alternatively, to the extent that the same investment opportunities might be desirable for more than one account, possible conflicts could arise in determining how to allocate them. Other potential conflicts might include conflicts created by specific portfolio manager compensation arrangements, and conflicts relating to selection of brokers or dealers to execute Fund portfolio trades and/or specific uses of commissions from Fund portfolio trades (for example, research, or "soft dollars", if any). The Adviser has adopted policies and procedures and has structured its portfolio managers' compensation in a manner reasonably designed to safeguard the Fund from being negatively affected as a result of any such potential conflicts.

#### **QUARTERLY REPURCHASES OF SHARES**

Once each quarter, the Fund will offer to repurchase at net asset value no less than 5% of the outstanding shares of the Fund, unless such offer is suspended or postponed in accordance with regulatory requirements (as discussed below). The offer to purchase shares is a fundamental policy that may not be changed without the vote of the holders of a majority of the Fund's outstanding voting securities (as defined in the 1940 Act). Shareholders will be notified in writing of each quarterly repurchase offer and the date the repurchase offer ends (the "Repurchase Request Deadline"). Shares will be repurchased at the NAV per share determined as of the close of regular trading on the NYSE no later than the 14th day after the Repurchase Request Deadline, or the next business day if the 14th day is not a business day (each a "Repurchase Pricing Date"). The Fund expects its first Repurchase Request Deadline will be during the first calendar quarter of 2011.

Shareholders will be notified in writing about each quarterly repurchase offer, how they may request that the Fund repurchase their shares and the Repurchase Request Deadline, which is the date the repurchase offer ends. Shares tendered for repurchase by shareholders prior to any Repurchase Request Deadline will be repurchased subject to the aggregate repurchase amounts established for that Repurchase Request Deadline. The time between the notification to shareholders and the Repurchase Request Deadline is generally 30 days, but may vary from no more than 42 days to no less than 21 days. Payment pursuant to the repurchase will be made by checks to the shareholder's address of record, or credited directly to a predetermined bank account on the "Repurchase Payment Date", which will be no more than seven days after the Repurchase Pricing Date. The Board may establish other policies for repurchases of shares that are consistent with the 1940 Act, regulations thereunder and other pertinent laws.

#### **Determination of Repurchase Offer Amount**

The Board of Trustees, or a committee thereof, in its sole discretion, will determine the number of shares that the Fund will offer to repurchase (the "Repurchase Offer Amount") for a given Repurchase Request Deadline. The Repurchase Offer Amount, however, will be no less than 5% and no more than 25% of the total number of shares outstanding on the Repurchase Request Deadline.

If shareholders tender for repurchase more than the Repurchase Offer Amount for a given repurchase offer, the Fund will repurchase the shares on a pro rata basis. However, the Fund may accept all shares tendered for repurchase by shareholders who own less than one hundred shares and who tender all of their shares, before prorating other amounts tendered. In addition, the Fund will accept the total number of shares tendered in connection with required minimum distributions from an IRA or other qualified retirement plan. It is the shareholder's obligation to both notify and provide the Fund supporting documentation of a required minimum distribution from an IRA or other qualified retirement plan.

#### **Notice to Shareholders**

Approximately 30 days (but no less than 21 days and more than 42 days) before each Repurchase Request Deadline, the Fund shall send to each shareholder of record and to each beneficial owner of the shares that are the subject of the repurchase offer a notification ("Shareholder Notification"). The Shareholder Notification will contain information shareholders should consider in deciding whether or not to tender their shares for repurchase. The notice also will include detailed instructions on how to tender shares for repurchase, state the Repurchase Offer Amount and identify the dates of the Repurchase Request Deadline, the scheduled Repurchase Pricing Date, and the date the repurchase proceeds are scheduled for payment (the "Repurchase Payment Deadline"). The notice also will set forth the NAV that has been computed no more than seven days before the date of notification, and how shareholders may ascertain the NAV after the notification date.

#### **Repurchase Price**

The repurchase price of the shares will be the NAV as of the close of regular trading on the NYSE on the Repurchase Pricing Date. You may call 1-866-277-VCIF to learn the NAV. The notice of the repurchase offer also will provide information concerning the NAV, such as the NAV as of a recent date or a sampling of recent NAVs, and a toll-free number for information regarding the repurchase offer.

### **Repurchase Amounts and Payment of Proceeds**

Shares tendered for repurchase by shareholders prior to any Repurchase Request Deadline will be repurchased subject to the aggregate Repurchase Offer Amount established for that Repurchase Request Deadline. Payment pursuant to the repurchase offer will be made by check to the shareholder's address of record, or credited directly to a predetermined bank account on the Repurchase Payment Date, which will be no more than seven days after the Repurchase Pricing Date. The Board may establish other policies for repurchases of shares that are consistent with the 1940 Act, regulations thereunder and other pertinent laws.

If shareholders tender for repurchase more than the Repurchase Offer Amount for a given repurchase offer, the Fund may, but is not required to, repurchase an additional amount of shares not to exceed 2% of the outstanding shares of the Fund on the Repurchase Request Deadline. If the Fund determines not to repurchase more than the Repurchase Offer Amount, or if shareholders tender shares in an amount exceeding the Repurchase Offer Amount plus 2% of the outstanding shares on the Repurchase Request Deadline, the Fund will repurchase the shares on a pro rata basis. However, the Fund may accept all shares tendered for repurchase by shareholders who own less than one hundred shares and who tender all of their shares, before prorating other amounts tendered. In addition, the Fund will accept the total number of shares tendered in connection with required minimum distributions from an IRA or other qualified retirement plan. It is the shareholder's obligation to both notify and provide the Fund supporting documentation of a required minimum distribution from an IRA or other qualified retirement plan.

### **Suspension or Postponement of Repurchase Offer**

The Fund may suspend or postpone a repurchase offer only: (a) if making or effecting the repurchase offer would cause the Fund to lose its status as a regulated investment company under the Code; (b) for any period during which the NYSE or any market on which the securities owned by the Fund are principally traded is closed, other than customary weekend and holiday closings, or during which trading in such market is restricted; (c) for any period during which an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable, or during which it is not reasonably practicable for the Fund fairly to determine the value of its net assets; or (d) for such other periods as the SEC may by order permit for the protection of shareholders of the Fund.

### **Liquidity Requirements**

The Fund must maintain liquid assets equal to the Repurchase Offer Amount from the time that the notice is sent to shareholders until the Repurchase Pricing Date. The Fund will ensure that a percentage of its net assets equal to at least 100% of the Repurchase Offer Amount consists of assets that can be sold or disposed of in the ordinary course of business at approximately the price at which the Fund has valued the investment within the time period between the Repurchase Request Deadline and the Repurchase Payment Deadline. The Board of Trustees has adopted procedures that are reasonably designed to ensure that the Fund's assets are sufficiently liquid so that the Fund can comply with the repurchase offer and the liquidity requirements described in the previous paragraph. If, at any time, the Fund falls out of compliance with these liquidity requirements, the Board of Trustees will take whatever action it deems appropriate to ensure compliance.

### **Consequences of Repurchase Offers**

Repurchase offers will typically be funded from available cash or sales of portfolio securities. Payment for repurchased shares, however, may require the Fund to liquidate portfolio holdings earlier than the Adviser otherwise would, thus increasing the Fund's portfolio turnover and potentially causing the Fund to realize losses. The Adviser intends to take measures to attempt to avoid or minimize such potential losses and turnover, and instead of liquidating portfolio holdings, may borrow money to finance repurchases of shares. If the Fund borrows to finance repurchases, interest on that borrowing will negatively affect shareholders who do not tender their shares in a repurchase offer by increasing the Fund's expenses and reducing any net investment income. To the extent the Fund finances repurchase amounts by selling Fund investments, the Fund may hold a larger proportion of its assets in less liquid securities. The sale of portfolio securities to fund repurchases also could reduce the market price of those underlying securities, which in turn would reduce the Fund's net asset value.

Repurchase of the Fund's shares will tend to reduce the amount of outstanding shares and, depending upon the Fund's investment performance, its net assets. A reduction in the Fund's net assets would increase the Fund's expense ratio, to the extent that additional shares are not sold and expenses otherwise remain the same (or increase). In addition, the repurchase of shares by the Fund will be a taxable event to shareholders.

The Fund is intended as a long-term investment. The Fund's quarterly repurchase offers are a shareholder's only means of liquidity with respect to his or her shares. Shareholders have no rights to redeem or transfer their shares, other than limited rights of a shareholder's descendants to redeem shares in the event of such shareholder's death pursuant to certain conditions and restrictions. The shares are not traded on a national securities exchange and no secondary market exists for the shares, nor does the Fund expect a secondary market for its shares to exist in the future.

## **DISTRIBUTION POLICY**

### **Monthly Distribution Policy**

The Fund intends to make a dividend distribution each month to its shareholders of the net investment income of the Fund after payment of Fund operating expenses. The dividend rate may be modified by the Board from time to time. If, for any monthly distribution, investment company taxable income (which term includes net short-term capital gain), if any, and net tax-exempt income, if any, is less than the amount of the distribution, then assets of the Fund will be sold and the difference will generally be a tax-free return of capital distributed from the Fund's assets. The Fund's final distribution for each calendar year will include any remaining investment company taxable income and net tax-exempt income undistributed during the year, as well as all net capital gain realized during the year. If the total distributions made in any calendar year exceed investment company taxable income, net tax-exempt income and net capital gain, such excess distributed amount would be treated as ordinary dividend income to the extent of the Fund's current and accumulated earnings and profits. Distributions in excess of the earnings and profits would first be a tax-free return of capital to the extent of the adjusted tax basis in the shares. After such adjusted tax basis is reduced to zero, the distribution would constitute capital gain (assuming the shares are held as capital assets). This distribution policy may, under certain circumstances, have certain adverse consequences to the Fund and its shareholders because it may result in a return of capital resulting in less of a shareholder's assets being invested in the Fund and, over time, increase the Fund's expense ratio. The distribution policy also may cause the Fund to sell a security at a time it would not otherwise do so in order to manage the distribution of income and gain. The initial distribution will be declared on a date determined by the Board. If the Fund's investments are delayed, the initial distribution may consist principally of a return of capital.

Unless the registered owner of shares elects to receive cash, all dividends declared on shares will be automatically reinvested in additional shares of the Fund. See "Dividend Reinvestment Policy."

The dividend distribution described above may result in the payment of approximately the same amount or percentage to the Fund's shareholders each month. Section 19(a) of the 1940 Act and Rule 19a-1 thereunder require the Fund to provide a written statement accompanying any such payment that adequately discloses its source or sources. Thus, if the source of the dividend or other distribution were the original capital contribution of the shareholder, and the payment amounted to a return of capital, the Fund would be required to provide written disclosure to that effect. Nevertheless, persons who periodically receive the payment of a dividend or other distribution may be under the impression that they are receiving net profits when they are not. Shareholders should read any written disclosure provided pursuant to Section 19(a) and Rule 19a-1 carefully and should not assume that the source of any distribution from the Fund is net profit.

The Board reserves the right to change the monthly distribution policy from time to time.

## **DIVIDEND REINVESTMENT POLICY**

The Fund will operate under a dividend reinvestment policy administered by GFS (the "Agent"). Pursuant to the policy, the Fund's income dividends or capital gains or other distributions (each, a "Distribution" and collectively, "Distributions"), net of any applicable U.S. withholding tax, are reinvested in shares of the Fund.

Shareholders automatically participate in the dividend reinvestment policy, unless and until an election is made to withdraw from the policy on behalf of such participating shareholder. Shareholders who do not wish to have Distributions automatically reinvested should so notify the Agent in writing at Vertical Capital Income Fund, c/o Gemini Fund Services, LLC, 4020 South 147<sup>th</sup> Street, Suite 2, Omaha, NE 68137. Such written notice must be received by the Agent 30 days prior to the record date of the Distribution or the shareholder will receive such Distribution in shares through the dividend reinvestment policy. Under the dividend reinvestment policy, the Fund's Distributions to shareholders are reinvested in full and fractional shares as described below.

When the Fund declares a Distribution, the Agent, on the shareholder's behalf, will receive additional authorized shares from the Fund either newly issued or repurchased from shareholders by the Fund and held as treasury stock. The number of shares to be received when Distributions are reinvested will be determined by dividing the amount of the Distribution by the Fund's net asset value per share.

The Agent will maintain all shareholder accounts and furnish written confirmations of all transactions in the accounts, including information needed by shareholders for personal and tax records. The Agent will hold shares in the account of the shareholders in non-certificated form in the name of the participant, and each shareholder's proxy, if any, will include those shares purchased pursuant to the dividend reinvestment policy. Each participant, nevertheless, has the right to request certificates for whole and fractional shares owned. The Fund will issue certificates in its sole discretion. The Agent will distribute all proxy solicitation materials, if any, to participating shareholders.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating under the dividend reinvestment policy, the Agent will administer the dividend reinvestment policy on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount of shares registered in the shareholder's name and held for the account of beneficial owners participating under the dividend reinvestment policy.

Neither the Agent nor the Fund shall have any responsibility or liability beyond the exercise of ordinary care for any action taken or omitted pursuant to the dividend reinvestment policy, nor shall they have any duties, responsibilities or liabilities except such as expressly set forth herein. Neither shall they be liable hereunder for any act done in good faith or for any good faith omissions to act, including, without limitation, failure to terminate a participant's account prior to receipt of written notice of his or her death or with respect to prices at which shares are purchased or sold for the participants account and the terms on which such purchases and sales are made, subject to applicable provisions of the federal securities laws.

The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. See "U.S. Federal Income Tax Matters."

The Fund reserves the right to amend or terminate the dividend reinvestment policy. There is no direct service charge to participants with regard to purchases under the dividend reinvestment policy; however, the Fund reserves the right to amend the dividend reinvestment policy to include a service charge payable by the participants.

All correspondence concerning the dividend reinvestment policy should be directed to the Agent at Vertical Capital Income Fund, c/o Gemini Fund Services, LLC, 4020 South 147<sup>th</sup> Street, Suite 2, Omaha, NE 68137. Certain transactions can be performed by calling the toll free number 1-866-277-VCIF.

#### **U.S. FEDERAL INCOME TAX MATTERS**

The following briefly summarizes some of the important federal income tax consequences to shareholders of investing in the Fund's shares, reflects the federal tax law as of the date of this prospectus, and does not address special tax rules applicable to certain types of investors, such as corporate, tax-exempt and foreign investors. Investors should consult their tax advisers regarding other federal, state or local tax considerations that may be applicable in their particular circumstances, as well as any proposed tax law changes.

The following is a summary discussion of certain U.S. federal income tax consequences that may be relevant to a shareholder of the Fund that acquires, holds and/or disposes of shares of the Fund, and reflects provisions of the Internal Revenue Code of 1986, as amended, existing Treasury regulations, rulings published by the IRS, and other applicable authority, as of the date of this prospectus. These authorities are subject to change by legislative or administrative action, possibly with retroactive effect. The following discussion is only a summary of some of the important tax considerations generally applicable to investments in the Fund and the discussion set forth herein does not constitute tax advice. For more detailed information regarding tax considerations, see the Statement of Additional Information. There may be other tax considerations applicable to particular investors such as those holding shares in a tax deferred account such as an IRA or 401(k) plan. In addition, income earned through an investment in the Fund may be subject to state, local and foreign taxes.

The Fund intends to elect to be treated and to qualify each year for taxation as a regulated investment company under Subchapter M of the Code. In order for the Fund to qualify as a regulated investment company, it must meet an income and asset diversification test each year. If the Fund so qualifies and satisfies certain distribution requirements, the Fund (but not its shareholders) will not be subject to federal income tax to the extent it distributes its investment company taxable income and net capital gains (the excess of net long-term capital gains over net short-term capital loss) in a timely manner to its shareholders in the form of dividends or capital gain distributions. The Code imposes a 4% nondeductible excise tax on regulated investment companies, such as the Fund, to the extent they do not meet certain distribution requirements by the end of each calendar year. The Fund anticipates meeting these distribution requirements.

The Fund intends to make distributions of investment company taxable income after payment of the Fund's operating expenses no less frequently than annually. Unless a shareholder is ineligible to participate or elects otherwise, all distributions will be automatically reinvested in additional shares of the Fund pursuant to the dividend reinvestment policy. For U.S. federal income tax purposes, all dividends are generally taxable whether a shareholder takes them in cash or they are reinvested pursuant to the policy in additional shares of the Fund. Distributions of the Fund's investment company taxable income (including short-term capital gains) will generally be treated as ordinary income to the extent of the Fund's current and accumulated earnings and profits. Distributions of the Fund's net capital gains ("capital gain dividends"), if any, are taxable to shareholders as capital gains, regardless of the length of time shares have been held by shareholders. Distributions, if any, in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after that basis has been reduced to zero, will constitute capital gains to the shareholder of the Fund (assuming the shares are held as a capital asset). A corporation that owns Fund shares generally will not be entitled to the dividends received deduction with respect to all of the dividends it receives from the Fund. Fund dividend payments that are attributable to qualifying dividends received by the Fund from certain domestic corporations may be designated by the Fund as being eligible for the dividends received deduction. There can be no assurance as to what portion of Fund dividend payments may be classified as qualifying dividends. The determination of the character for U.S. federal income tax purposes of any distribution from the Fund (i.e. ordinary income dividends, capital gains dividends, qualified dividends or return of capital distributions) will be made as of the end of the Fund's taxable year. Generally, no later than 60 days after the close of its taxable year, the Fund will provide shareholders with a written notice designating the amount of any capital gain distributions and any other distributions.

The Fund will inform its shareholders of the source and tax status of all distributions promptly after the close of each calendar year.

#### **DESCRIPTION OF CAPITAL STRUCTURE AND SHARES**

The Fund is an unincorporated statutory trust established under the laws of the State of Delaware upon the filing of a Certificate of Trust with the Secretary of State of Delaware on April 8, 2011. The Fund's Declaration of Trust (the "Declaration of Trust") provides that the Trustees of the Fund may authorize separate classes of shares of beneficial interest. The Trustees have authorized an unlimited number of shares, subject to a \$1 billion limit on the Fund. The Fund does not intend to hold annual meetings of its shareholders.

#### **Shares**

The Declaration of Trust, which has been filed with the SEC, permits the Fund to issue an unlimited number of full and fractional shares of beneficial interest, no par value. Each share of the Fund represents an equal proportionate interest in the assets of the Fund with each other share in the Fund. Holders of shares will be entitled to the payment of dividends when, as and if declared by the Board of Trustees. The Fund currently intends to make dividend distributions to its

shareholders after payment of Fund operating expenses including interest on outstanding borrowings, if any, no less frequently than quarterly. Unless the registered owner of shares elects to receive cash, all dividends declared on shares will be automatically reinvested for shareholders in additional shares of the Fund. See "Dividend Reinvestment Policy." The 1940 Act may limit the payment of dividends to the holders of shares. Each whole share shall be entitled to one vote as to matters on which it is entitled to vote pursuant to the terms of the Declaration of Trust on file with the SEC. Upon liquidation of the Fund, after paying or adequately providing for the payment of all liabilities of the Fund, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining assets of the Fund among its shareholders. The shares are not liable to further calls or to assessment by the Fund. There are no pre-emptive rights associated with the shares. The Declaration of Trust provides that the Fund's shareholders are not liable for any liabilities of the Fund. Although shareholders of an unincorporated statutory trust established under Delaware law, in certain limited circumstances, may be held personally liable for the obligations of the Fund as though they were general partners, the provisions of the Declaration of Trust described in the foregoing sentence make the likelihood of such personal liability remote.

The Fund generally will not issue share certificates. However, upon written request to the Fund's transfer agent, a share certificate may be issued at the Fund's discretion for any or all of the full shares credited to an investor's account. Share certificates that have been issued to an investor may be returned at any time. The Fund's transfer agent will maintain an account for each shareholder upon which the registration of shares are recorded, and transfers, permitted only in rare circumstances, such as death or bona fide gift, will be reflected by bookkeeping entry, without physical delivery. GFS will require that a shareholder provide requests in writing, accompanied by a valid signature guarantee form, when changing certain information in an account such as wiring instructions or telephone privileges.

### **ANTI-TAKEOVER PROVISIONS IN THE DECLARATION OF TRUST**

The Agreement and Declaration of Trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of the Board of Trustees, and could have the effect of depriving the Fund's shareholders of an opportunity to sell their shares at a premium over prevailing market prices, if any, by discouraging a third party from seeking to obtain control of the Fund. These provisions may have the effect of discouraging attempts to acquire control of the Fund, which attempts could have the effect of increasing the expenses of the Fund and interfering with the normal operation of the Fund. The Trustees are elected for indefinite terms and do not stand for reelection. A Trustee may be removed from office without cause only by a written instrument signed or adopted by a majority of the remaining Trustees or by a vote of the holders of at least two-thirds of the class of shares of the Fund that are entitled to elect a Trustee and that are entitled to vote on the matter. The Declaration of Trust does not contain any other specific inhibiting provisions that would operate only with respect to an extraordinary transaction such as a merger, reorganization, tender offer, sale or transfer of substantially all of the Fund's asset, or liquidation. Reference should be made to the Declaration of Trust on file with the SEC for the full text of these provisions.

### **PLAN OF DISTRIBUTION**

Northern Lights Distributors, LLC (the "Distributor"), located at 4020 South 147<sup>th</sup> Street, Omaha, NE 68137, is serving as the Fund's principal underwriter and acts as the distributor of the Fund's shares on a best efforts basis, subject to various conditions. The Fund's shares are offered for sale through the Distributor at net asset value plus the applicable sales load. The Distributor also may enter into selected dealer agreements with other broker dealers for the sale and distribution of the Fund's shares. In reliance on Rule 415, the Fund intends to offer to sell up to \$1,000,000,000 of its shares, on a continual basis, through the Distributor. No arrangement has been made to place funds received in an escrow, trust or similar account. The Distributor is not required to sell any specific number or dollar amount of the Fund's shares, but will use its best efforts to sell the shares. Shares of the Fund will not be listed on any national securities exchange and the Distributor will not act as a market maker in Fund shares.

The Adviser or its affiliates, in the Adviser's discretion and from their own resources, may pay additional compensation to brokers or dealers in connection with the sale and distribution of Fund shares (the "Additional Compensation"). In return for the Additional Compensation, the Fund may receive certain marketing advantages including access to a broker's or dealer's registered representatives, placement on a list of investment options offered by a broker or dealer, or the ability to assist in training and educating the broker's or dealer's registered representatives. The Additional Compensation may differ among brokers or dealers in amount or in the manner of calculation: payments of Additional Compensation may be fixed dollar amounts, or based on the aggregate value of outstanding shares held by shareholders introduced by the broker or dealer, or determined in some other manner. The receipt of Additional Compensation by a selling broker or dealer may create potential conflicts of interest between an investor and its broker or dealer who is recommending the Fund over other potential investments. Additionally, the Adviser or its affiliates pay a servicing fee to the Distributor and to other selected securities dealers and other financial industry professionals for providing ongoing broker-dealer services in respect of clients with whom they have distributed shares of the Fund. Such services may include electronic processing of client orders, electronic fund transfers between clients and the Fund, account reconciliations with the Fund's transfer agent, facilitation of electronic delivery to clients of Fund documentation, monitoring client accounts for back-up withholding and any other special tax reporting obligations, maintenance of books and records with respect to the foregoing, and such other information and liaison services as the Fund or the Adviser may reasonably request.

The Fund and the Adviser have agreed to indemnify the Distributor against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the Distributor may be required to make because of any of those liabilities. Such agreement does not include indemnification of the Distributor against liability resulting from willful misfeasance, bad faith or gross negligence on the part of the Distributor in the performance of its duties or from reckless disregard by the Distributor of its obligations and duties under the Distribution Agreement. The Distributor may, from time to time, engage in transactions with or perform services for the Adviser and its affiliates in the ordinary course of business.

Prior to the initial public offering of shares, the [Adviser] purchased shares from the Fund in an amount satisfying the net worth requirements of Section 14(a) of the 1940 Act.

### **Purchasing Shares**

Investors may purchase shares directly from the Fund in accordance with the instructions below. Investors will be assessed fees for returned checks and stop payment orders at prevailing rates charged by Gemini Fund Services, LLC, the Fund's administrator. The returned check and stop payment fee is currently \$25. Investors may buy and sell shares of the Fund through financial intermediaries and their agents that have made arrangements with the Fund and are authorized to buy and sell shares of the Fund (collectively, "Financial Intermediaries"). Orders will be priced at the appropriate price next computed after it is received by a Financial Intermediary and accepted by the Fund. A Financial Intermediary may hold shares in an omnibus account in the Financial Intermediary's name or the Financial Intermediary may maintain individual ownership records. The Fund may pay the Financial Intermediary for maintaining individual ownership records as well as providing other shareholder services. Financial intermediaries may charge fees for the services they provide in connection with processing your transaction order or maintaining an investor's account with them. Investors should check with their Financial Intermediary to determine if it is subject to these arrangements. Financial Intermediaries are responsible for placing orders correctly and promptly with the Fund, forwarding payment promptly. Orders transmitted with a Financial Intermediary before the close of regular trading (generally 4:00 p.m., Eastern Time) on a day that the NYSE is open for business, will be priced based on the Fund's NAV next computed after it is received by the Financial Intermediary.

### **By Mail**

To make an initial purchase by mail, complete an account application and mail the application, together with a check made payable to Vertical Capital Income Fund to:

Vertical Capital Income Fund  
c/o Gemini Fund Services, LLC  
4020 South 147<sup>th</sup> Street, Suite 2  
Omaha, NE 68137

All checks must be in US Dollars drawn on a domestic bank. The Fund will not accept payment in cash or money orders. The Fund also does not accept cashier's checks in amounts of less than \$10,000. To prevent check fraud, the Fund will neither accept third party checks, Treasury checks, credit card checks, traveler's checks or starter checks for the purchase of shares, nor post dated checks, post dated on-line bill pay checks, or any conditional purchase order or payment.

The transfer agent will charge a \$25.00 fee against an investor's account, in addition to any loss sustained by the Fund, for any payment that is returned. It is the policy of the Fund not to accept applications under certain circumstances or in amounts considered disadvantageous to shareholders. The Fund reserves the right to reject any application.

### By Wire — Initial Investment

To make an initial investment in the Fund, the transfer agent must receive a completed account application before an investor wires funds. Investors may mail or overnight deliver an account application to the transfer agent. Upon receipt of the completed account application, the transfer agent will establish an account. The account number assigned will be required as part of the instruction that should be provided to an investor's bank to send the wire. An investor's bank must include both the name of the Fund, the account number, and the investor's name so that monies can be correctly applied. If you wish to wire money to make an investment in the Fund, please call the Fund at 1-866-277-VCIF for wiring instructions and to notify the Fund that a wire transfer is coming. Any commercial bank can transfer same-day funds via wire. The Fund will normally accept wired funds for investment on the day received if they are received by the Fund's designated bank before the close of regular trading on the NYSE. Your bank may charge you a fee for wiring same-day funds. The bank should transmit funds by wire to:

ABA #: (number provided by calling toll-free number above)  
Credit: Gemini Fund Services, LLC  
Account #: (number provided by calling toll-free number above)  
Further Credit:  
Vertical Capital Income Fund  
(shareholder registration)  
(shareholder account number)

### By Wire — Subsequent Investments

Before sending a wire, investors must contact Gemini Fund Services, LLC to advise them of the intent to wire funds. This will ensure prompt and accurate credit upon receipt of the wire. Wired funds must be received prior to 4:00 p.m. Eastern time to be eligible for same day pricing. The Fund, and its agents, including the transfer agent and custodian, are not responsible for the consequences of delays resulting from the banking or Federal Reserve wire system, or from incomplete wiring instructions.

### Automatic Investment Plan — Subsequent Investments

You may participate in the Fund's Automatic Investment Plan, an investment plan that automatically moves money from your bank account and invests it in the Fund through the use of electronic funds transfers or automatic bank drafts. You may elect to make subsequent investments by transfers of a minimum of \$100, or \$50 for retirement plan accounts, on specified days of each month into your established Fund account. Please contact the Fund at 1-866-277-VCIF for more information about the Fund's Automatic Investment Plan.

### By Telephone

Investors may purchase additional shares of the Fund by calling 1-866-277-VCIF. If an investor elected this option on the account application, and the account has been open for at least 15 days, telephone orders will be accepted via electronic funds transfer from your bank account through the Automated Clearing House (ACH) network. Banking information must be established on the account prior to making a purchase. Orders for shares received prior to 4 p.m. Eastern time will be purchased at the appropriate price calculated on that day.

Telephone trades must be received by or prior to market close. During periods of high market activity, shareholders may encounter higher than usual call waits. Please allow sufficient time to place your telephone transaction.

In compliance with the USA Patriot Act of 2001, GFS will verify certain information on each account application as part of the Fund's Anti-Money Laundering Program. As requested on the application, investors must supply full name, date of birth, social security number and permanent street address. Mailing addresses containing only a P.O. Box will not be accepted. Investors may call Gemini Fund Services, LLC at 1-866-277-VCIF for additional assistance when completing an application.

If Gemini Fund Services, LLC does not have a reasonable belief of the identity of a customer, the account will be rejected or the customer will not be allowed to perform a transaction on the account until such information is received. The Fund also may reserve the right to close the account within 5 business days if clarifying information/documentation is not received.

### Purchase Terms

The minimum initial purchase by an investor is \$5,000 for regular accounts and \$1,000 for retirement plan accounts. The Fund's shares are offered for sale through its Distributor at net asset value plus the applicable sales load. The price of the shares during the Fund's continuous offering will fluctuate over time with the net asset value of the shares. Investors in the Fund will pay a sales load based on the amount of their investment in the Fund. The sales load payable by each investor depends upon the amount invested by such investor in the Fund, but may range from 0.00% to 4.50%, as set forth in the table below. A reallocation will be made by the Distributor from the sales load paid by each investor. The sales charge varies, depending on how much you invest. There are no sales charges on reinvested distributions. The Fund reserves the right to waive sales charges. The following sales charges apply to your purchases of shares of the Fund:

Amount Invested	Sales Charge as a % of Offering Price	Sales Charge as a % of Amount Invested	Dealer Reallocation
Under \$ 49,999	4.50%	4.71%	4.00%
\$ 50,000 to \$ 99,999	3.75%	3.90%	3.35%
\$ 100,000 to \$ 249,999	3.00%	3.09%	2.75%
\$ 250,000 to \$ 499,999	2.50%	2.56%	2.25%
\$ 500,000 to \$ 999,999	1.25%	1.27%	1.00%
\$1,000,000 and above	0.00%	0.00%	0.00%

You may be able to buy shares without a sales charge (i.e. "load-waived") when you are:

- reinvesting dividends or distributions;
- participating in an investment advisory or agency commission program under which you pay a fee to an investment advisor or other firm for portfolio management or brokerage services;
- exchanging an investment in Class A (or equivalent type) shares of another fund for an investment in the Fund;
- a current or former director or Trustee of the Fund;
- an employee (including the employee's spouse, domestic partner, children, grandchildren, parents, grandparents, siblings, and any dependent of the employee, as defined in section 152 of the Code) of the Fund's Adviser or its affiliates or of a broker-dealer authorized to sell shares of the Fund;
- purchasing shares through the Fund's Adviser; or
- purchasing shares through a financial services firm (such as a broker-dealer, investment adviser or financial institution) that has a special arrangement with the Fund.

In addition, concurrent purchases by related accounts may be combined to determine the application of the sales load. The Fund will combine purchases made by an investor, the investor's spouse or domestic partner, and dependent children when it calculates the sales load.

It is the investor's responsibility to determine whether a reduced sales load would apply. The Fund is not responsible for making such determination. To receive a reduced sales load, notification must be provided at the time of the purchase order. If you purchase shares directly from the Fund, you must notify the Fund in writing. Otherwise, notice should be provided to the Financial Intermediary through whom the purchase is made so they can notify the Fund.

### Right of Accumulation

For the purposes of determining the applicable reduced sales charge, the right of accumulation allows you to include prior purchases of shares of the Fund as part of your current investment as well as reinvested dividends. To qualify for this option, you must be either:

- an individual;
- an individual and spouse purchasing shares for your own account or trust or custodial accounts for your minor children; or
- a fiduciary purchasing for any one trust, estate or fiduciary account, including employee benefit plans created under Sections 401, 403 or 457 of the Code, including related plans of the same employer.

If you plan to rely on this right of accumulation, you must notify the Fund's distributor at the time of your purchase. You will need to give the Distributor your account numbers. Existing holdings of family members or other related accounts of a shareholder may be combined for purposes of determining eligibility. If applicable, you will need to provide the account numbers of your spouse and your minor children as well as the ages of your minor children.

### Letter of Intent

The letter of intent allows you to count all investments within a 13-month period in shares of the Fund as if you were making them all at once for the purposes of calculating the applicable reduced sales charges. The minimum initial investment under a letter of intent is 5% of the total letter of intent amount. The letter of intent does not preclude the Fund from discontinuing sales of its shares. You may include a purchase not originally made pursuant to a letter of intent under a letter of intent entered into within 90 days of the original purchase. To determine the applicable sales charge reduction, you also may include (1) the cost of shares of the Fund which were previously purchased at a price including a front end sales charge during the 90-day period prior to the Distributor receiving the letter of intent, and (2) the historical cost of shares of other Funds you currently own acquired in exchange for shares the Fund purchased during that period at a price including a front-end sales charge. You may combine purchases and exchanges by family members (limited to spouse and children, under the age of 21, living in the same household). You should retain any records necessary to substantiate historical costs because the Fund, the transfer agent and any financial intermediaries may not maintain this information. Shares acquired through reinvestment of dividends are not aggregated to achieve the stated investment goal.

### Shareholder Service Expenses

The Fund has adopted a "Shareholder Services Plan" under which the Fund may compensate financial industry professionals for providing ongoing services in respect of clients with whom they have distributed shares of the Fund. Such services may include electronic processing of client orders, electronic fund transfers between clients and the Fund, account reconciliations with the Fund's transfer agent, facilitation of electronic delivery to clients of Fund documentation, monitoring client accounts for back-up withholding and any other special tax reporting obligations, maintenance of books and records with respect to the foregoing, and such other information and liaison services as the Fund or the Adviser may reasonably request. Under the Shareholder Services Plan, the Fund may incur expenses on an annual basis equal to 0.25% of its average net assets.

### LEGAL MATTERS

Certain legal matters in connection with the shares will be passed upon for the Fund by Thompson Hine, LLP, 41 South High Street, 17th floor, Columbus, OH 43215.

### REPORTS TO SHAREHOLDERS

The Fund will send to its shareholders unaudited semi-annual and audited annual reports, including a list of investments held.

### Householding

In an effort to decrease costs, the Fund intends to reduce the number of duplicate annual and semi-annual reports by sending only one copy of each to those addresses shared by two or more accounts and to shareholders reasonably believed to be from the same family or household. Once implemented, a shareholder must call 1-866-277-VCIF to discontinue householding and request individual copies of these documents. Once the Fund receives notice to stop householding, individual copies will be sent beginning thirty days after receiving your request. This policy does not apply to account statements.

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BBD, LLP is the independent registered public accounting firm for the Fund and will audit the Fund's financial statements. BBD, LLP is located at 1835 Market Street, 26th Floor, Philadelphia, PA 19103.

### ADDITIONAL INFORMATION

The prospectus and the Statement of Additional Information do not contain all of the information set forth in the Registration Statement that the Fund has filed with the SEC (file No. 333- 173872) . The complete Registration Statement may be obtained from the SEC at [www.sec.gov](http://www.sec.gov). See the cover page of this prospectus for information about how to obtain a paper copy of the Registration Statement or Statement of Additional Information without charge.

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## **NOTICE OF PRIVACY POLICY & PRACTICES**

*Your privacy is important to the Fund. The Fund is committed to maintaining the confidentiality, integrity, and security of your personal information. When you provide personal information, the Fund believes that you should be aware of policies to protect the confidentiality of that information.*

*The Fund collects the following nonpublic personal information about you:*

- Information we receive from you on or in applications or other forms, correspondence, or conversations, including, but not limited to, your name, address, phone number, social security number, assets, income, and date of birth; and*
- Information about your transactions with us, our affiliates, or others, including, but not limited to, your account number and balance, payments history, parties to transactions, cost basis information, and other financial information.*

*The Fund does not disclose any nonpublic personal information about our current or former shareholders to affiliated or nonaffiliated third parties, except as permitted by law. For example, the Fund is permitted by law to disclose all of the information we collect, as described above, to our transfer agent to process your transactions. Furthermore, the Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic, and procedural safeguards that comply with applicable federal and state standards to guard your nonpublic personal information.*

*In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your nonpublic personal information would be shared with affiliated or non-affiliated third parties.*

**Vertical Capital Income Fund  
Shares of Beneficial Interest**

**PROSPECTUS  
[ ] , 2011**

**Investment Adviser  
Vertical Capital Asset Management, LLC**

All dealers that buy, sell or trade the Fund's shares, whether or not participating in this offering, may be required to deliver a prospectus when acting on behalf of the Fund's Distributor.

You should rely only on the information contained in or incorporated by reference into this prospectus. The Fund has not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

The information in this Statement of Additional Information is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This Statement of Additional Information is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, as amended September [ ], 2011**

## **STATEMENT OF ADDITIONAL INFORMATION**

September [ ], 2011

### **VERTICAL CAPITAL INCOME FUND**

Principal Executive Offices  
450 Wireless Boulevard, Hauppauge, NY 11788  
1-866-277-VCIF

This Statement of Additional Information ("SAI") is not a prospectus. This SAI should be read in conjunction with the amended preliminary prospectus of Vertical Capital Income Fund, dated September [ ], 2011 (the "Prospectus"), as it may be supplemented from time to time. The Prospectus is hereby incorporated by reference into this SAI (legally made a part of this SAI). Capitalized terms used but not defined in this SAI have the meanings given to them in the Prospectus. This SAI does not include all information that a prospective investor should consider before purchasing the Fund's securities.

You should obtain and read the Prospectus and any related Prospectus supplement prior to purchasing any of the Fund's securities. A copy of the Prospectus may be obtained without charge by calling the Fund toll-free at 1-866-277-VCIF or by visiting [www.VerticalUS.com](http://www.VerticalUS.com). Information on the website is not incorporated herein by reference. The registration statement of which the Prospectus is a part can be reviewed and copied at the Public Reference Room of the Securities and Exchange Commission (the "SEC") at 100 F Street NE, Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-202-551-8090. The Fund's filings with the SEC also are available to the public on the SEC's Internet web site at [www.sec.gov](http://www.sec.gov). Copies of these filings may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street NE, Washington, D.C. 20549.

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### GENERAL INFORMATION AND HISTORY

The Fund is a newly organized, continuously offered, diversified, closed-end management investment company that is operated as an interval fund (the "Fund" or the "Trust"). The Fund was organized as a Delaware statutory trust on April 8, 2011 and has no operating history. The Fund's principal office is located at c/o Gemini Fund Services, LLC, 450 Wireless Boulevard, Hauppauge, NY 11788, and its telephone number is 1-866-277-VCIF. The investment objective and principal investment strategies of the Fund, as well as the principal risks associated with the Fund's investment strategies, are set forth in the Prospectus. Certain additional investment information is set forth below.

### INVESTMENT OBJECTIVE AND POLICIES

#### Investment Objective

The Fund's investment objective is to seek income.

#### Fundamental Policies

The Fund's stated fundamental policies, which may only be changed by the affirmative vote of a majority of the outstanding voting securities of the Fund (the shares), are listed below. For the purposes of this SAI, "majority of the outstanding voting securities of the Fund" means the vote, at an annual or special meeting of shareholders, duly called, (a) of 67% or more of the shares present at such meeting, if the holders of more than 50% of the outstanding shares are present or represented by proxy; or (b) of more than 50% of the outstanding shares, whichever is less. The Fund may not:

(1) Borrow money, except to the extent permitted by the Investment Company Act of 1940, as amended (the "1940 Act") (which currently limits borrowing to no more than 33-1/3% of the value of the Fund's total assets, including the value of the assets purchased with the proceeds of its indebtedness, if any). The Fund may borrow for investment purposes, for temporary liquidity, or to finance repurchases of its shares.

(2) Issue senior securities, except to the extent permitted by Section 18 of the 1940 Act (which currently limits the issuance of a class of senior securities that is indebtedness to no more than 33-1/3% of the value of the Fund's total assets or, if the class of senior security is stock, to no more than 50% of the value of the Fund's total assets).

(3) Underwrite securities of other issuers, except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933, as amended (the "Securities Act") in connection with the disposition of its portfolio securities. The Fund may invest in restricted securities (those that must be registered under the Securities Act before they may be offered or sold to the public) to the extent permitted by the 1940 Act.

(4) Invest more than 25% of the market value of its assets in the securities of companies, entities or issuers engaged in any one industry, except the mortgage-related industry, as defined in the Fund's prospectus. This limitation does not apply to investment in the securities of the U.S. Government, its agencies or instrumentalities.

(5) Purchase or sell real estate or interests in real estate. This limitation is not applicable to investments in securities that are secured by or represent interests in real estate (e.g. mortgage loans evidenced by notes or other writings defined to be a type of security). Additionally, the preceding limitation on real estate or interests in real estate does not preclude the Fund from investing in mortgage-related securities or investing in companies engaged in the real estate business or that have a significant portion of their assets in real estate (including real estate investment trusts), nor from disposing of real estate that may be acquired pursuant to a foreclosure (or equivalent procedure) upon a security interest.

(6) Purchase or sell commodities, commodity contracts, including commodity futures contracts, unless acquired as a result of ownership of securities or other investments, except that the Fund may invest in securities or other instruments backed by or linked to commodities, and invest in companies that are engaged in a commodities business or have a significant portion of their assets in commodities, and may invest in commodity pools and other entities that purchase and sell commodities and commodity contracts.

(7) Make loans to others, except (a) through the purchase of debt securities in accordance with its investment objectives and policies, including notes secured by real estate, which may be considered loans; (b) to the extent the entry into a repurchase agreement is deemed to be a loan; and (c) by loaning portfolio securities. Additionally, the preceding limitation on loans does not preclude the Fund from modifying note terms.

In addition, the Fund has adopted a fundamental policy that

(8) The Fund will make quarterly repurchases offers for no less than for 5% of the shares outstanding at net asset value ("NAV") less any repurchase fee, unless suspended or postponed in accordance with regulatory requirements, and each repurchase pricing shall occur no later than the 14th day after the Repurchase Request Deadline, or the next business day if the 14th is not a business day.

If a restriction on the Fund's investments is adhered to at the time an investment is made, a subsequent change in the percentage of Fund assets invested in certain securities or other instruments, or change in average duration of the Fund's investment portfolio, resulting from changes in the value of the Fund's total assets, will not be considered a violation of the restriction; provided, however, that the asset coverage requirement applicable to borrowings shall be maintained in the manner contemplated by applicable law.

#### Certain Portfolio Securities and Other Operating Policies

As discussed in the Prospectus, the Fund invests in securities secured by real estate. No assurance can be given that any or all investment strategies, or the Fund's investment program, will be successful. The Fund's investment adviser is Vertical Capital Asset Management, LLC (the "Adviser"). The Adviser is responsible for allocating the Fund's assets among various securities using its investment strategies, subject to policies adopted by the Fund's Board of Trustees. Additional information regarding the types of securities and financial instruments is set forth below.

#### Non-Performing Notes Issued By Individual Issuers Secured By Residential Real Estate

The Adviser may invest up to 20% of the Fund's assets in non-performing notes secured by residential real estate. Non-performing notes are not current on payments and are considered by the Adviser to be seriously delinquent (at least 120 days overdue). In selecting these notes, the Adviser focuses on rehabilitating an issuer's delinquency and resuming payments primarily by renegotiating note terms to lower interest and/or principal payments so that an issuer can resume payments on its note. The Adviser also gives greater weight to the liquidation value of residential real estate collateral than when selecting performing notes.

When evaluating an issuer's ability to resume payments, the Adviser uses a proprietary underwriting model that will take into account the following factors, but may also take into consideration others:

- Issuer payment history including delinquencies and defaults
- Security's interest rate and principal balance
- Issuer total debt service load
- Alternative sources of repayment such as liquid assets
- Title search of property to assure clear title by issuer

When evaluating residential real estate collateral's potential liquidation value the Adviser uses a proprietary collateral valuation underwriting model that will take into account the following factors, but may also take into consideration others:

- Current property value as established by an independent broker's price opinion
- State laws pertaining to mortgages in that domicile
- Local real estate trends around the respective property
- Potential environmental remediation costs at site
- Estimated foreclosure value for the property

Non-performing notes are subject to the investment risks associated with performing notes (See "Risk Factors" on page [11] of the Fund's Prospectus), but are especially sensitive to residential real estate collateral recovery values and are considered illiquid. Non-performing notes require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such a note. Even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such a note, replacement "take-out" financing will not be available. It is possible that the Adviser may find it necessary or desirable to foreclose.

### **Notes Issued By Commercial Real Estate-Related Issuers Secured By Commercial Real Estate**

The Adviser may invest up to 10% of the Fund's assets in notes secured by commercial real estate. The Adviser selects securities by evaluating the issuer's credit quality and the potential liquidation value of the commercial real estate collateral securing the issuer's debt obligation. When evaluating credit quality the Adviser uses a proprietary underwriting model that will take into account the following factors, but may also take into consideration others:

#### Commercial Issuers

- Issuer payment history including delinquencies and defaults
- Issuer credit report
- Security's interest rate
- Issuer total debt service load and total fixed costs
- Tenant quality and lease roll-over
- Local market competition
- Projected vacancy rate
- Title search of property to assure clear title by issuer

When evaluating residential real estate collateral's potential liquidation value the Adviser uses a proprietary collateral valuation underwriting model that may take into account the following factors, but may also take into consideration others:

- Current property value as established by an independent broker's price opinion
- State laws pertaining to mortgages in that domicile
- Local real estate trends around the respective property
- Potential environmental remediation costs at site
- Estimated foreclosure value for the property

Even though the Adviser re-evaluates each issuer's ability to pay, it nonetheless anticipates a significant likelihood of default by issuers because of difficult-to-predict economic events. The Adviser expects to resolve or forestall defaults primarily by renegotiating note terms to lower interest and/or principal payments so that an issuer can resume payments on its note. The Adviser also may enter into an agreement with the issuer and a third party to sell the property to the third party for less than the principal balance on the note while forgiving any unpaid principal that remains after receiving the proceeds from the sale (commonly referred to as a short-sale). The Adviser may also foreclose upon the property and seek to recover via sale of the property.

There are also special risks associated with particular sectors, or real estate operations generally, as described below:

*Retail Properties.* Retail properties are affected by the overall health of the economy and may be adversely affected by, among other things, the growth of alternative forms of retailing, bankruptcy, departure or cessation of operations of a tenant, a shift in consumer demand due to demographic changes, changes in spending patterns and lease terminations.

*Office Properties.* Office properties are affected by the overall health of the economy, and other factors such as a downturn in the businesses operated by their tenants, obsolescence and non-competitiveness.

*Hotel Properties.* The risks of hotel properties include, among other things, the necessity of a high level of continuing capital expenditures, competition, increases in operating costs which may not be offset by increases in revenues, dependence on business and commercial travelers and tourism, increases in fuel costs and other expenses of travel, and adverse effects of general and local economic conditions. Hotel properties tend to be more sensitive to adverse economic conditions and competition than many other commercial properties.

*Healthcare Properties.* Healthcare properties and healthcare providers are affected by several significant factors, including federal, state and local laws governing licenses, certification, adequacy of care, pharmaceutical distribution, rates, equipment, personnel and other factors regarding operations, continued availability of revenue from government reimbursement programs and competition on a local and regional basis. The failure of any healthcare operator to comply with governmental laws and regulations may affect its ability to operate its facility or receive government reimbursements.

*Multifamily Properties.* The value and successful operation of a multifamily property may be affected by a number of factors such as the location of the property, the ability of the management team, the level of mortgage rates, the presence of competing properties, adverse economic conditions in the locale, oversupply and rent control laws or other laws affecting such properties.

*Community Centers.* Community center properties are dependent upon the successful operations and financial condition of their tenants, particularly certain of their major tenants, and could be adversely affected by bankruptcy of those tenants. In some cases a tenant may lease a significant portion of the space in one center, and the filing of bankruptcy could cause significant revenue loss. Like others in the commercial real estate industry, community centers are subject to environmental risks and interest rate risk. They also face the need to enter into new leases or renew leases on favorable terms to generate rental revenues. Community center properties could be adversely affected by changes in the local markets where their properties are located, as well as by adverse changes in national economic and market conditions.

**Self-Storage Properties.** The value and successful operation of a self-storage property may be affected by a number of factors, such as the ability of the management team, the location of the property, the presence of competing properties, changes in traffic patterns and effects of general and local economic conditions with respect to rental rates and occupancy levels.

Other factors may contribute to the risk of real estate investments:

**Development Issues.** Certain commercial real estate issuers may engage in the development or construction of real estate properties. These issuers are exposed to a variety of risks inherent in real estate development and construction, such as the risk that there will be insufficient tenant demand to occupy newly developed properties, and the risk that prices of construction materials or construction labor may rise materially during the development.

**Lack of Insurance.** Certain commercial real estate issuers may fail to carry comprehensive liability, fire, flood, earthquake extended coverage and rental loss insurance, or insurance in place may be subject to various policy specifications, limits and deductibles. Should any type of uninsured loss occur, the portfolio company could lose its investment in, and anticipated profits and cash flows from, a number of properties and, as a result, adversely affect the Fund's investment performance.

**Dependence on Tenants.** The value of commercial real estate issuers' properties and the ability to repay their notes depend upon the ability of the tenants at their properties to generate enough income in excess of their operating expenses to make their lease payments. Changes beyond the control of commercial real estate issuers may adversely affect their tenants' ability to make their lease payments and, in such event, would substantially reduce both their income from operations and ability to repay their notes.

**Financial Leverage.** Commercial real estate issuers may be highly leveraged and financial covenants may affect the ability of these issuers to operate effectively.

**Environmental Issues.** In connection with the ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances, a commercial real estate issuer may be considered an owner, operator or responsible party of such properties and, therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such issuer and, as a result, the amount available to make interest or principal payments to the Fund could be reduced.

**Current Conditions.** The decline in the broader credit markets in recent years related to the sub-prime mortgage dislocation has caused the global financial markets to become more volatile and the United States homebuilding and commercial real estate market has been dramatically impacted as a result. The confluence of the dislocation in the real estate credit markets with the broad based stress in the United States real estate industry could create a difficult environment for owners of real estate in the near term and investors should be aware that the general risks of investing in securities secured by real estate may be magnified.

Recent instability in the United States, Europe and other credit markets also has made it more difficult for borrowers to obtain financing or refinancing on attractive terms or at all. In particular, because of the current conditions in the credit markets, borrowers may be subject to increased interest expenses for borrowed money and tightening underwriting standards. There is also a risk that a general lack of liquidity or other adverse events in the credit markets may adversely affect the ability of issuers in whose securities the Fund invests to continue to finance real estate developments and projects or refinance completed projects.

For example, adverse developments relating to sub-prime mortgages have been adversely affecting the willingness of some lenders to extend credit, in general, which may make it more difficult for companies to obtain financing on attractive terms or at all so that they may commence or complete real estate development projects, refinance completed projects or purchase real estate. It also may adversely affect the price at which companies can sell real estate, because purchasers may not be able to obtain financing on attractive terms or at all. These developments also may adversely affect the broader economy, which in turn may adversely affect the real estate markets. Such developments could, in turn, reduce the number of real estate funds publicly-traded during the investment period and reduce the Fund's investment opportunities.

### **Certain Legal Aspects of Notes Secured by Real Estate**

Each of the Fund's securities will be secured by a deed of trust, mortgage, security agreement, or legal title. The deed of trust and mortgage are the most commonly used real property security devices. A deed of trust formally has three parties: (1) a debtor, referred to as the "trustor," (2) a third party referred to as the "trustee" and (3) the lender/creditor, referred to as the "beneficiary." The trustor irrevocably grants the property until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary. The Fund will be the beneficiary under all deeds of trust securing Fund investments. In a mortgage note, there are only two parties, the mortgagor (commonly referred to as the borrower) and the mortgagee (commonly referred to as the investor). State law determines how a mortgage is foreclosed. The process usually requires a judicial process.

### **Foreclosure**

#### Deed of Trust

Some states have a statute known as the "one form of action" rule, which requires the beneficiary of a deed of trust to exhaust the security under the deed of trust (i.e., foreclose on the property) before any personal action may be brought against the note issuer (borrower). There are two methods of foreclosing a deed of trust.

- (1) Foreclosure of a deed of trust is accomplished in most cases by a non-judicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and send a copy to the trustor and to any person who has recorded a request for a copy of a notice of default, and to the successor in interest to the trustor and to the beneficiary of any junior deed of trust. The trustor or any person having a junior lien or encumbrance of record may, during a three month reinstatement period, cure the default by paying the entire amount of the debt then due, plus costs and expenses actually incurred in enforcing the obligation and statutorily limited attorneys' and trustee's fees. Thereafter, a notice of sale must be posted in a public place and published for a specified amount of time. A copy of the notice of sale must be posted on the property, and sent to the trustee, to each person who has requested a copy, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust for a period of time before the sale. Generally, following the sale, neither the debtor/trustor nor a junior lien has any right of redemption, and the beneficiary may not obtain a deficiency judgment against the trustor.
- (2) A judicial foreclosure (in which the beneficiary's purpose is usually to obtain a deficiency judgment where otherwise unavailable) is subject to most of the delays and expenses of other lawsuits, sometimes requiring up to several years to complete. Following a judicial foreclosure sale, the trustor or his or her successors in interest may redeem for a period of one year (or a period of only three months if the entire amount of the debt is bid at the foreclosure sale), and until the trustor redeems, foreclosed junior lienholder may redeem during successive redemption periods of sixty (60) days following the previous redemption, but in no event later than one year after the judicial foreclosure sale. The Fund generally will not pursue a judicial foreclosure to obtain a deficiency judgment, except where, in the sole discretion of the Adviser, such a remedy is warranted in light of the time and expense involved.

#### Mortgage

Notes owned by the Fund secured by mortgages will be foreclosed in compliance with the laws of the state where the residential real property collateral is located. Foreclosure statutes vary from state to state. A mortgage is a legal document in which the owner uses the title to residential or commercial property as security for a loan described in a promissory note. The mortgage must be signed by the owner (borrower/mortgagor), acknowledged before a notary public, and recorded with the County Recorder or Recorder of Deeds. If the owner fails to make payments on the promissory note then the lender can foreclose on the mortgage to force a sale of the real property and receive the proceeds, or receive the property itself at a public sheriff's sale. Generally, the foreclosure process varies somewhat from state to state, and depends primarily on whether the state uses mortgages or deeds of trust for the purchase of real property. Overall, states that use mortgages conduct judicial foreclosures; states that use deeds of trust conduct non-judicial foreclosures. The principal difference between the two is that the judicial procedure requires court action on a foreclosed home.

To foreclose in accordance with the judicial procedure, a lender must prove that the mortgagor (borrower/property owner) is in default. Once the lender has exhausted its attempts to resolve the default with the homeowner, the next step is to contact an attorney to pursue court action. The attorney contacts the mortgagor to try to resolve the default. If the mortgagor is unable to pay off the default, the attorney files a lis pendens (lawsuit pending) with the court. The lis pendens gives notice to the public that a pending action has been filed against the mortgagor. The purpose of the action is to provide evidence of a default and get the court's approval to initiate foreclosure. Before the property is sold, the mortgagor must be notified and offered an opportunity to pay all delinquent payments and costs of foreclosure to save the property. In some states the property can be redeemed by such payment even after foreclosure. When the mortgage is paid in full, the lender is required to execute a "satisfaction of mortgage" (sometimes called a "discharge of mortgage") and record it to clear the title to the property.

#### Additional Information Regarding Foreclosures and Related Issues

#### **Redemption**

After a foreclosure sale pursuant to a mortgage, the borrower and foreclosed junior lien holders may have a statutory period in which to redeem the property from the foreclosure sale. Redemption may be limited to where the mortgagee receives payment of all or the entire principal balance of the loan, accrued interest and expenses of foreclosure. The statutory right of redemption diminishes the ability of the note holder to sell the foreclosed property. The right of redemption may defeat the title of any purchaser at a foreclosure sale or any purchaser from the note holder subsequent to a foreclosure sale. One remedy the Fund may have is to avoid a post-sale redemption by waiving the Fund's right to a deficiency judgment. Consequently, as noted above, the practical effect of the redemption right is often to force the note holder to retain the property and pay the expenses of ownership until the redemption period has run.

#### **Anti-Deficiency Legislation**

The Fund may acquire interests in mortgage notes which limit the Fund's recourse to foreclosure upon the security property, with no recourse against the borrower's other assets. Even if recourse is available pursuant to the terms of the mortgage note against the borrower's assets in addition to the mortgaged property, the Fund may confront statutory prohibitions which impose prohibitions against or limitations on this recourse. For example, the right of the mortgagee to obtain a deficiency judgment against the borrower may be precluded following foreclosure. A deficiency judgment is a personal judgment against the former note issuer equal in most cases to the difference between the net amount realized upon the public sale of the security (the real estate) and the amount due to the note holder. Other statutes require the mortgagee to exhaust the security afforded under a mortgage by foreclosure in an attempt to satisfy the full note before bringing a personal action against the borrower. The Fund may elect, or be deemed to have elected, between exercising the Fund's remedies with respect to the security (the real estate) or the deficiency balance. The practical effect of this election requirement is that note holders will usually proceed first against the security (the real estate) rather than bringing personal action against the note issuer. Other statutory provisions limit any deficiency judgment against the former note issuer following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of the public sale.

In some jurisdictions, the Fund can pursue a deficiency judgment against the note issuer or a guarantor if the value of the property securing the note is insufficient to pay back the debt owed to the Fund. In other jurisdictions, however, if the Fund desires to seek a judgment in court against the note issuer for the deficiency balance, the Fund may be required to seek judicial foreclosure and/or have other security from the note issuer. The Fund would expect this to be a more prolonged procedure, and is subject to most of the delays and expenses that affect other lawsuits.

#### **Special Considerations in Connection with Junior Encumbrances**

In addition to the general considerations concerning trust deeds discussed above, there are certain additional considerations applicable to second and more junior deeds of trust ("junior encumbrances"). By its very nature, a junior encumbrance is less secure than a more senior lien. If a senior lienholder forecloses on its note, unless the amount of the bid exceeds the senior encumbrances, the junior lienholder will receive nothing. Because of the limited notice and attention given to foreclosure sales, it is possible for a junior lienholder to be "sold out," receiving nothing from the foreclosure sale. By virtue of anti-deficiency legislation, discussed above, a junior lienholder may be totally precluded from any further remedies.

Accordingly, a junior lienholder (such as the Fund in some cases) may find that the only method of protecting its security interest in the property is to take over all obligations of the trustor with respect to senior encumbrances while the junior lienholder commences its own foreclosure, making adequate arrangements either to (i) find a purchaser for the property at a price which will recoup the junior lienholder's interest, or (ii) to pay off the senior encumbrances so that the junior lienholder's encumbrance achieves first priority. Either alternative may require the Fund to make substantial cash expenditures to protect its interest.

The Fund may also acquire wrap-around mortgage notes (sometimes called "all-inclusive"), which are junior encumbrances to which all the considerations discussed above will apply. A wrap-around note is created when the borrower desires to refinance his or her property but does not wish to retire the existing indebtedness for any reason, e.g., a favorable interest rate or a large prepayment penalty. A wrap-around note will have a principal amount equal to the outstanding principal balance of the existing secured obligations plus the amount actually to be advanced by the Fund. The note issuer will then make all payments directly to the Fund, and the Fund in turn will pay the holder of the senior encumbrance. The actual yield to the Fund under a wrap-around mortgage note will likely exceed the stated interest rate on the underlying senior obligation, since the full principal amount of the wrap-around note will not actually be advanced by the Fund. The law requires that the Fund will be notified when any senior lienholder initiates foreclosure.

If the borrower defaults solely upon his or her debt to the Fund while continuing to perform with regard to the senior lien, the Fund (as junior lienholder) will foreclose upon its security interest in the manner discussed above in connection with deeds of trust generally. Upon foreclosure by a junior lien, the property remains subject to all liens senior to the foreclosed lien. Thus, were the Fund to purchase the security property at its own foreclosure sale, it would acquire the property subject to all senior encumbrances. The standard form of deed of trust used by most institutional investors, like the one that will be used by the Fund, confers on the beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with any condemnation proceedings, and to apply such proceeds and awards to any indebtedness secured by the deed of trust in such order as the beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the beneficiary under the underlying first deed of trust will have the prior right to collect any insurance proceeds payable under a hazards insurance policy and any award of damages in connection with the condemnation, and to apply the same to the indebtedness secured by the first deed of trust before any such proceeds are applied to repay the Fund's note. The amount of such proceeds may be insufficient to pay the balance due to the Fund, while the note issuer may fail or refuse to make further payments on the damaged or condemned property, leaving the Fund with no feasible means to obtain payment of the balance due under its junior deed of trust. In addition, the note issuer may have a right to require the note buyer to allow the note issuer to use the proceeds of such insurance for restoration of the insured property.

#### **Environmental**

The Fund's security property may be subject to potential environmental risks. Of particular concern may be those security properties which are, or have been, the site of manufacturing, industrial or disposal activity. These environmental risks may give rise to a diminution in value of the security property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the real property or the principal balance of the related mortgage note. For this reason, the Fund may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

Under the laws of certain states, an owner's failure to perform remedial actions required under environmental laws may give rise to a lien on mortgaged property to ensure the reimbursement of remedial costs. In some states this lien has priority over the lien of an existing mortgage against the real property. Because the costs of remedial action could be substantial, the value of a mortgaged property as collateral for a mortgage note could be adversely affected by the existence of an environmental condition giving rise to a lien.

The state of law is currently unclear as to whether and under what circumstances clean-up costs, or the obligation to take remedial actions, can be imposed on a secured investor. If an investor does become liable for cleanup costs, it may bring an action for contribution against the current owners or operators, the owners or operators at the time of on-site disposal activity or any other party who contributed to the environmental hazard, but these persons or entities may be bankrupt or otherwise judgment-proof. Furthermore, an action against the note issuer may be adversely affected by the limitations on recourse in the loan documents.

#### **"Due-on-Sale" Clauses**



The notes and deeds of trust held by the Fund, like those of many investors, contain "due-on-sale" clauses permitting the Fund to accelerate the maturity of a note if the note issuer sells, conveys or transfers all or any portion of the property, but may or may not contain "due-on-encumbrance" clauses which would permit the same action if the issuer further encumbers the property (i.e., executes further deeds of trust). The enforceability of these types of clauses has been the subject of several major court decisions and legislation in recent years.

(1) **Due-on-Sale.** Federal law now provides that, notwithstanding any contrary pre-existing state law, due-on-sale clauses contained in mortgage note documents are enforceable in accordance with their terms after October 15, 1985. On the other hand, acquisition of a property by the Fund by foreclosure on one of its notes may also constitute a "sale" of the property, and would entitle a senior lienholder to accelerate against the Fund. This would be likely to occur if then prevailing interest rates were substantially higher than the rate provided for under the accelerated note. In that event, the Fund may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

(2) **Due-on-Encumbrance.** With respect to mortgage notes on residential property containing four or less units, federal law prohibits acceleration of the note merely by reason of the further encumbering of the property (e.g., execution of a junior deed of trust). This prohibition does not apply to mortgage notes on other types of property. Although many of the Fund's junior lien mortgage notes will be on properties that qualify for the protection afforded by federal law, some notes will be secured by small apartment buildings or commercial properties. Junior lien mortgage notes held by the Fund may trigger acceleration of senior obligations on properties if the senior obligations contain due-on-encumbrance clauses, although both the number of such instances and the actual likelihood of acceleration is anticipated to be minor. Failure of a note issuer to pay off the senior obligation would be an event of default and subject the Fund (as junior lienholder) to the risks attendant thereto. It will not be customary practice of the Fund to invest in notes secured by non-residential property where the senior encumbrance contains a due-on-encumbrance clause.

### **Prepayment Charges**

Some notes acquired by the Fund may provide for certain prepayment charges to be imposed on the note issuer in the event of certain early payments on the note. The Adviser reserves the right at its business judgment to waive collection of prepayment penalties. Typically, notes secured by mortgages or deeds of trust encumbering single family, owner-occupied, dwellings may be prepaid at any time, regardless of whether the note or deed of trust so provides, but prepayment made in any twelve (12) month period during the first five years of the term of the note which exceed twenty percent (20%) of the unpaid balance of the note may be subject to a prepayment charge. The law limits the prepayment charge on such notes to an amount equal to six months' advance interest on the amount prepaid in excess of the permitted twenty percent (20%), or interest to maturity, whichever is less.

### **Bankruptcy Laws**

If an issuer files for protection under the federal bankruptcy statutes, the Fund will be initially barred from taking any foreclosure action on its real property security by an "automatic stay order" that goes into effect upon the note issuer's filing of a bankruptcy petition. Thereafter, the Fund would be required to incur the time, delay and expense of filing a motion with the bankruptcy court for permission to foreclose on the real property security ("relief from the automatic stay order"). Such permission is granted only in limited circumstances. If permission is denied, the Fund will likely be unable to foreclose on its security for the duration of the bankruptcy, which could be a period of years. During such delay, the issuer may or may not be required to pay current interest on the note. The Fund would therefore lack the cash flow it anticipated from the note, and the total indebtedness secured by the security property would increase by the amount of the defaulted payments, perhaps reaching a total that would exceed the market value of the property.

In addition, bankruptcy courts have broad powers to permit a sale of the real property free of the Fund's lien, to compel the Fund to accept an amount less than the balance due under the note and to permit the issuer to repay over a term which may be substantially longer than the original term of the note.

### **Money Market Instruments**

The Fund may invest, for defensive purposes or otherwise, some or all of their assets in high quality fixed-income securities, money market instruments and money market mutual funds, or hold cash or cash equivalents in such amounts as the Adviser deems appropriate under the circumstances. In addition, the Fund may invest in these instruments pending allocation of its respective offering proceeds. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less and may include U.S. Government securities, commercial paper, certificates of deposit and bankers acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements.

### **When-Issued, Delayed Delivery and Forward Commitment Securities**

To reduce the risk of changes in securities prices and interest rates, the Fund may purchase securities on a forward commitment, when-issued or delayed delivery basis. This means that delivery and payment occur a number of days after the date of the commitment to purchase. The payment obligation and the interest rate receivable with respect to such purchases are determined when the Fund enters into the commitment, but the Fund does not make payment until it receives delivery from the counterparty. The Fund may, if it is deemed advisable, sell the securities after it commits to a purchase but before delivery and settlement takes place.

Securities purchased on a forward commitment, when-issued or delayed delivery basis are subject to changes in value based upon the public's perception of the creditworthiness of the issuer and changes (either real or anticipated) in the level of interest rates. Purchasing securities on a when-issued or delayed delivery basis can present the risk that the yield available in the market when the delivery takes place may be higher than that obtained in the transaction itself. Purchasing securities on a forward commitment, when-issued or delayed delivery basis when the Fund is fully, or almost fully invested, results in a form of leverage and may cause greater fluctuation in the value of the net assets of the Fund. In addition, there is a risk that securities purchased on a when-issued or delayed delivery basis may not be delivered, and that the purchaser of securities sold by the Fund on a forward basis will not honor its purchase obligation. In such cases, the Fund may incur a loss.

### **Repurchases and Transfers of Shares**

#### **Repurchase Offers**

The Board has adopted a resolution setting forth the Fund's fundamental policy that it will conduct quarterly repurchase offers (the "Repurchase Offer Policy"). The Repurchase Offer Policy sets the interval between each repurchase offer at one quarter and provides that the Fund shall conduct a repurchase offer each quarter (unless suspended or postponed in accordance with regulatory requirements). The Repurchase Offer Policy also provides that the repurchase pricing shall occur not later than the 14<sup>th</sup> day after the Repurchase Request Deadline (as defined below) or the next business day if the 14<sup>th</sup> day is not a business day. The Fund's Repurchase Offer Policy is fundamental and cannot be changed without shareholder approval. The Fund may, for the purpose of paying for repurchased shares, be required to liquidate portfolio holdings earlier than the Adviser would otherwise have liquidated these holdings. Such liquidations may result in losses, and may increase the Fund's portfolio turnover.

#### Repurchase Offer Policy Summary of Terms

1. The Fund will make repurchase offers at periodic intervals pursuant to Rule 23c-3 under the 1940 Act, as that rule may be amended from time to time.
2. The repurchase offers will be made in March, June, September and December of each year.
3. The Fund must receive repurchase requests submitted by shareholders in response to the Fund's repurchase offer within 30 days of the date the repurchase offer is made (or the preceding business day if the New York Stock Exchange is closed on that day) (the "Repurchase Request Deadline").
4. The maximum time between the Repurchase Request Deadline and the next date on which the Fund determines the net asset value applicable to the purchase of shares (the "Repurchase Pricing Date") is 14 calendar days (or the next business day if the fourteenth day is not a business day).

The Fund may not condition a repurchase offer upon the tender of any minimum amount of shares. The Fund may deduct from the repurchase proceeds only a repurchase fee that is paid to the Fund and that is reasonably intended to compensate the Fund for expenses directly related to the repurchase. The repurchase fee may not exceed 2% of the proceeds. However, the Fund does not currently charge a repurchase fee. Redemption fees are paid to the Fund directly and are designed to offset costs associated with fluctuations in Fund asset levels and cash flow caused by short-term shareholder trading. The Fund may rely on Rule 23c-3 only so long as the Board of Trustees satisfies the fund governance standards defined in Rule 0-1(a)(7) under the 1940 Act.

**Procedures:** All periodic repurchase offers must comply with the following procedures:

**Repurchase Offer Amount:** Each quarter, the Fund may offer to repurchase at least 5% and no more than 25% of the outstanding shares of the Fund on the Repurchase Request Deadline (the "Repurchase Offer Amount"). The Board of Trustees shall determine the quarterly Repurchase Offer Amount.

**Shareholder Notification:** Thirty days before each Repurchase Request Deadline, the Fund shall send to each shareholder of record and to each beneficial owner of the shares that are the subject of the repurchase offer a notification ("Shareholder Notification") providing the following information:

1. A statement that the Fund is offering to repurchase its shares from shareholders at net asset value;
2. Any fees applicable to such repurchase, if any;
3. The Repurchase Offer Amount;
4. The dates of the Repurchase Request Deadline, Repurchase Pricing Date, and the date by which the Fund must pay shareholders for any shares repurchased (which shall not be more than seven days after the Repurchase Pricing Date) (the "Repurchase Payment Deadline");
5. The risk of fluctuation in net asset value between the Repurchase Request Deadline and the Repurchase Pricing Date, and the possibility that the Fund may use an earlier Repurchase Pricing Date;
6. The procedures for shareholders to request repurchase of their shares and the right of shareholders to withdraw or modify their repurchase requests until the Repurchase Request Deadline;
7. The procedures under which the Fund may repurchase such shares on a pro rata basis if shareholders tender more than the Repurchase Offer Amount;
8. The circumstances in which the Fund may suspend or postpone a repurchase offer;
9. The net asset value of the shares computed no more than seven days before the date of the notification and the means by which shareholders may ascertain the net asset value thereafter; and
10. The market price, if any, of the shares on the date on which such net asset value was computed, and the means by which shareholders may ascertain the market price thereafter.

The Fund must file Form N-23c-3 ("Notification of Repurchase Offer") and three copies of the Shareholder Notification with the SEC within three business days after sending the notification to shareholders.

**Notification of Beneficial Owners:** Where the Fund knows that shares subject of a repurchase offer are held of record by a broker, dealer, voting trustee, bank, association or other entity that exercises fiduciary powers in nominee name or otherwise, the Fund must follow the procedures for transmitting materials to beneficial owners of securities that are set forth in Rule 14a-13 under the Securities Exchange Act of 1934.

**Repurchase Requests:** Repurchase requests must be submitted by shareholders by the Repurchase Request Deadline. The Fund shall permit repurchase requests to be withdrawn or modified at any time until the Repurchase Request Deadline, but shall not permit repurchase requests to be withdrawn or modified after the Repurchase Request Deadline.

**Repurchase Requests in Excess of the Repurchase Offer Amount:** If shareholders tender more than the Repurchase Offer Amount, the Fund may, but is not required to, repurchase an additional amount of shares not to exceed 2% of the outstanding shares of the Fund on the Repurchase Request Deadline. If the Fund determines not to repurchase more than the Repurchase Offer Amount, or if shareholders tender shares in an amount exceeding the Repurchase Offer Amount plus 2% of the outstanding shares on the Repurchase Request Deadline, the Fund shall repurchase the shares tendered on a pro rata basis. This policy, however, does not prohibit the Fund from:

1. Accepting all repurchase requests by persons who own, beneficially or of record, an aggregate of not more than 100 shares and who tender all of their stock for repurchase, before prorating shares tendered by others, or
2. Accepting by lot shares tendered by shareholders who request repurchase of all shares held by them and who, when tendering their shares, elect to have either (i) all or none or (ii) at least a minimum amount or none accepted, if the Fund first accepts all shares tendered by shareholders who do not make this election.

**Suspension or Postponement of Repurchase Offers:** The Fund shall not suspend or postpone a repurchase offer except pursuant to a vote of a majority of the Board of Trustees, including a majority of the Trustees who are not interested persons of the Fund, and only:

1. If the repurchase would cause the Fund to lose its status as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code");
2. If the repurchase would cause the shares that are the subject of the offer that are either listed on a national securities exchange or quoted in an inter-dealer quotation system of a national securities association to be neither listed on any national securities exchange nor quoted on any inter-dealer quotation system of a national securities association;
3. For any period during which the New York Stock Exchange or any other market in which the securities owned by the Fund are principally traded is closed, other than customary week-end and holiday closings, or during which trading in such market is restricted;
4. For any period during which an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable, or during which it is not reasonably practicable for the Fund fairly to determine the value of its net assets; or
5. For such other periods as the SEC may by order permit for the protection of shareholders of the Fund.

If a repurchase offer is suspended or postponed, the Fund shall provide notice to shareholders of such suspension or postponement. If the Fund renews the repurchase offer, the Fund shall send a new Shareholder Notification to shareholders.

**Computing Net Asset Value:** The Fund's current net asset value per share, NAV, shall be computed no less frequently than weekly, and daily on the five business days preceding a Repurchase Request Deadline, on such days and at such specific time or times during the day as set by the Board of Trustees. Currently, the Board has determined that the Fund's NAV shall be determined daily following the close of the New York Stock Exchange. The Fund's NAV need not be calculated on:

1. Days on which changes in the value of the Fund's portfolio securities will not materially affect the current NAV of the shares;
2. Days during which no order to purchase shares is received, other than days when the NAV would otherwise be computed; or
3. Customary national, local, and regional business holidays described or listed in the Prospectus.

**Liquidity Requirements:** From the time the Fund sends a Shareholder Notification to shareholders until the Repurchase Pricing Date, a percentage of the Fund's assets equal to at least 100% of the Repurchase Offer Amount (the "Liquidity Amount") shall consist of assets that individually can be sold or disposed of in the ordinary course of business, at approximately the price at which the Fund has valued the investment, within a period equal to the period between a Repurchase Request Deadline and the Repurchase Payment Deadline, or of assets that mature by the next Repurchase Payment Deadline. This requirement means that individual assets must be salable under these circumstances. It does not require that the entire Liquidity Amount must be salable. In the event that the Fund's assets fail to comply with this requirement, the Board of Trustees shall cause the Fund to take such action as it deems appropriate to ensure compliance.

**Liquidity Policy:** The Board of Trustees may delegate day-to-day responsibility for evaluating liquidity of specific assets to the Fund's investment adviser, but shall continue to be responsible for monitoring the investment adviser's performance of its duties and the composition of the portfolio. Accordingly, the Board of Trustees has approved this policy that is reasonably designed to ensure that the Fund's portfolio assets are sufficiently liquid so that the Fund can comply with its fundamental policy on repurchases and comply with the liquidity requirements in the preceding paragraph.

1. In evaluating liquidity, the following factors are relevant, but not necessarily determinative:
  - (a) The frequency of trades and quotes for the security.
  - (b) The number of dealers willing to purchase or sell the security and the number of potential purchasers.
  - (c) Dealer undertakings to make a market in the security.
  - (d) The nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offer and the mechanics of transfer).
  - (e) The size of the Fund's holdings of a given security in relation to the total amount of outstanding of such security or to the average trading volume for the security.
2. If market developments impair the liquidity of a security, the investment adviser should review the advisability of retaining the security in the portfolio. The investment adviser should report the basis for its determination to retain a security at the next Board of Trustees meeting.
3. The Board of Trustees shall review the overall composition and liquidity of the Fund's portfolio on a quarterly basis.
4. These procedures may be modified as the Board deems necessary.

**Registration Statement Disclosure:** The Fund's registration statement must disclose its intention to make or consider making such repurchase offers.

**Annual Report Disclosure:** The Fund shall include in its annual report to shareholders the following:

1. Disclosure of its fundamental policy regarding periodic repurchase offers.
2. Disclosure regarding repurchase offers by the Fund during the period covered by the annual report, which disclosure shall include:
  - a. the number of repurchase offers,
  - b. the repurchase offer amount and the amount tendered in each repurchase offer, and
  - c. the extent to which in any repurchase offer the Fund repurchased stock pursuant to the procedures in this section.

**Advertising:** The Fund, or any underwriter for the Fund, must comply, as if the Fund were an open end company, with the provisions of Section 24(b) of the 1940 Act and the rules thereunder and file, if necessary, with FINRA or the SEC any advertisement, pamphlet, circular, form letter, or other sales literature addressed to or intended for distribution to prospective investors.

#### **Involuntary Repurchases**

The Fund may, at any time, repurchase at net asset value shares held by a shareholder, or any person acquiring shares from or through a shareholder, if: the shares have been transferred or have vested in any person other than by operation of law as the result of the death, dissolution, bankruptcy or incompetency of a shareholder; ownership of the shares by the shareholder or other person will cause the Fund to be in violation of, or require registration of the shares, or subject the Fund to additional registration or regulation under, the securities, commodities or other laws of the United States or any other relevant jurisdiction; continued ownership of the shares may be harmful or injurious to the business or reputation of the Fund or may subject the Fund or any shareholders to an undue risk of adverse tax or other fiscal consequences; the shareholder owns shares having an aggregate net asset value less than an amount determined from time to time by the Trustees; or it would be in the interests of the Fund, as determined by the Board, for the Fund to repurchase the Shares. The Adviser may tender for repurchase in connection with any repurchase offer made by the Fund Shares that it holds in its capacity as a shareholder.

#### **Transfers of Shares**

No person may become a substituted shareholder without the written consent of the Board, which consent may be withheld for any reason in the Board's sole and absolute discretion. Shares may be transferred only (i) by operation of law pursuant to the death, bankruptcy, insolvency or dissolution of a shareholder or (ii) with the written consent of the Board, which may be withheld in its sole and absolute discretion. The Board may, in its discretion, delegate to the Adviser its authority to consent to transfers of shares. Each shareholder and transferee is required to pay all expenses, including attorneys and accountants fees, incurred by the Fund in connection with such transfer.

### **MANAGEMENT OF THE FUND**

The Board has overall responsibility to manage and control the business affairs of the Fund, including the complete and exclusive authority to oversee and to establish policies regarding the management, conduct and operation of the Fund's business. The Board exercises the same powers, authority and responsibilities on behalf of the Fund as are customarily exercised by the board of directors of a registered investment company organized as a corporation. The business of the Trust is managed under the direction of the Board in accordance with the Agreement and Declaration of Trust and the Trust's By-laws (the "Governing Documents"), each as amended from time to time, which have been filed with the Securities and Exchange Commission and are available upon request. The Board consists of six individuals, two of whom are "interested persons" (as defined under the 1940 Act) of the Trust, the Adviser, or the Trust's distributor. Four of the Trustees are not "interested persons" ("Independent Trustees"). Pursuant to the Governing Documents of the Trust, the Trustees shall elect officers including a President, a Secretary, a Treasurer, a Principal Executive Officer and a Principal Accounting Officer. The Board retains the power to conduct, operate and carry on the business of the Trust and has the power to incur and pay any expenses, which, in the opinion of the Board, are necessary or incidental to carry out any of the Trust's purposes. The Trustees, officers, employees and agents of the Trust, when acting in such capacities, shall not be subject to any personal liability except for his or her own bad faith, willful misfeasance, gross negligence or reckless disregard of his or her duties.

#### **Board Leadership Structure**

The Trust is led by Mr. A. Bayard Closser, who has served as the Chairman of the Board and President since the Trust was organized in 2011. Mr. Closser is an "interested person" as defined in the Investment Company Act of 1940, as amended, by virtue of his position as President of the Trust. The Board of Trustees is comprised of Mr. Closser and five other Trustees, four of whom are not an interested person of the Trust ("Independent Trustees"). The Independent Trustees have not selected a Lead Independent Trustee. Additionally, under certain 1940 Act governance guidelines that apply to the Trust, the Independent Trustees will meet in executive session, at least quarterly. Under the Trust's Agreement and Declaration of Trust and By-Laws, the Chairman of the Board/President is responsible for (a) presiding at board meetings, (b) calling special meetings on an as-needed basis, and, more generally, in-practice (c) execution and administration of Trust policies including (i) setting the agendas for Board meetings and (ii) providing information to Board members in advance of each Board meeting and between Board meetings. Generally, the Trust believes it best to have a single leader who is seen by shareholders, business partners and other stakeholders as providing strong leadership. The Trust believes that its Chairman/President together with the Audit Committee and the full Board of Trustees, provide effective leadership that is in the best interests of the Trust and Fund shareholders because of the Board's collective business acumen and understanding of the regulatory framework under which investment companies must operate.

#### **Board Risk Oversight**

The Board of Trustees is comprised of Mr. Closser, one other interested person Trustee and four Independent Trustees with a standing independent Audit Committee with a separate chair. The Audit Committee is composed of only Independent Trustees. The Board is responsible for overseeing risk management, and the full Board regularly engages in discussions of risk management and receives compliance reports that inform its oversight of risk management from its Chief Compliance Officer at quarterly meetings and on an ad hoc basis, when and if necessary. The Audit Committee considers financial and reporting risk within its area of responsibilities. Generally, the Board believes that its oversight of material risks is adequately maintained through the compliance-reporting chain where the Chief Compliance Officer is the primary recipient and communicator of such risk-related information.

#### Trustee Qualifications.

Generally, the Trust believes that each Trustee is competent to serve because of their individual overall merits including: (i) experience, (ii) qualifications, (iii) attributes and (iv) skills. Mr. Closser has over 20 years of business experience in the investment management and brokerage business and possesses a strong understanding of the regulatory framework under which investment companies must operate based on his years of experience in the investment management and brokerage business. Mr. Closser also holds a Bachelor of Science degree in Business Administration from the University of Nebraska. Robert J. Boulware has over 20 years of business experience in the financial services industry including executive positions with financial; research and consulting firms. Mr. Boulware also holds a Bachelor of Science degree in Business Administration from Northern Arizona University. Mr. Boulware serves as a member of another investment company board outside of the Fund Complex and possesses a strong understanding of the regulatory framework under which investment companies must operate based on his years of service to a multiple-fund mutual fund complex. T. Neil Bathon has over 20 years of business experience in the financial services industry including executive positions with financial; research and consulting firms. Mr. Bathon also holds a Master of Business Administration degree from DePaul University and a Bachelors of Business Administration degree from Marquette University. Mr. Bathon also served as a member of another investment company board outside of the Fund Complex and possesses a strong understanding of the regulatory framework under which investment companies must operate based on his years of service to a multiple-fund mutual fund complex. Mark J. Schlafly has over 20 years of business experience in the financial services industry with a focus on brokerage firms including A.G. Edwards and LPL Financial Corporation. Mr. Schlafly also holds a Bachelors of Science degree in Finance from Saint Louis University. Jeffrey F. O'Donnell has over 20 years of business experience in the medical services industry including executive positions with research and development firms. Mr. O'Donnell also holds a Bachelor of Science degree from the LaSalle University School of Business. He also served for over 10 years as a Director of a publicly-traded medical product firm specializing in treatments for aortic disorders. Mr. O'Donnell is well versed in the nature regulatory frameworks under which companies must operate based on his years of service to various companies subject to multiple levels of regulation. Christopher R. Chase has over 20 years of business experience in the brokerage, asset management and real estate fields. Since 1978, Mr. Chase has held executive positions in various firms specializing in all aspects of residential/commercial real estate financing and development, including American Liberty Financial Corp, Donnelly Chase Financial, Mason-McDuffie Financial Corporation, Lomas Financial, and Cushman & Wakefield. Mr. Chase also holds a Bachelor of Science Degree in Psychology with a minor in Real Estate Finance from the University of Southern California. The Trust does not believe any one factor is determinative in assessing a Trustee's qualifications, but that the collective experience of each Trustee makes them each highly qualified.

Following is a list of the Trustees and executive officers of the Trust and their principal occupation over the last five years. Unless otherwise noted, the address of each Trustee and Officer is 450 Wireless Boulevard, Hauppauge, NY 11788.

#### Independent Trustees

Name, Address and Age (Year of Birth)	Position/Term of Office*	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex** Overseen by Trustee	Other Directorships held by Trustee During Last Five Years
Robert J. Boulware 1956	Trustee Since August 2011	Managing Director, Pilgrim Funds, LLC (private equity fund), Sept. 2006 to present.	1	Trustee, Met Investors Series Trust (70 portfolios), March 2008 to present; Director, Gainsco Inc. (auto insurance) May 2005 to present
Mark J. Schlafly 1961	Trustee Since August 2011	President and Chief Executive Officer, FSC Securities Corporation, July 2008 to April 2011; Senior Vice President, LPL Financial Corporation, July 2006 to July 2008.	1	None
T. Neil Bathon 1961	Trustee Since August 2011	Managing Partner, FUSE Research Network, LLC, Aug. 2008 to present; Managing Director, PMR Associates LLC, July 2006 to Present; Financial Research Corp, Oct. 1987 to May 2006.	1	Financial Investors Variable Insurance Trust (5 portfolios), Jan. 2007 to Feb. 2010
Jeffrey F. O'Donnell 1960	Trustee Since August 2011	Executive Chairman of the Board, NB Therapeutics, April 2011 to present; Chairman of the Board and Chief Executive Officer, Embrella Cardiovascular, Inc., July 2009 to March 2011; President, Photomedex, Inc. Jan. 2000 to July 2009.	1	Director, Endologix, Inc.

#### Interested Trustees, Officers

Name, Address and Age	Position/Term of Office*	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships held by Trustee During Last Five Years
A. Bayard Closser *** 1960	Trustee, Chairman of Board of Trustees, President, each since August 2011	President, Vertical Capital Markets Group, LLC (broker-dealer holding company), Sept. 2010 to present; President, M & C Adventures (fitness and cycling), Feb. 2008 to present; Executive Vice President, ING Funds	1	None

		Distributor, LLC (and successor affiliated entities), Dec. 1998 to Feb. 2009.		
Christopher R. Chase *** 1953	Trustee Since August 2011	Managing Member, Vertical Capital Asset Management, LLC, July 2011 to present; Managing Member, Vertical Recovery Management, LLC (asset management), Oct. 2008 to present; Managing Member, Vertical Capital Markets Group, LLC (broker-dealer holding company), Oct. 2008 to present; President, Vertical Fund Group, Inc. (investment holding company), Aug. 2007 to present; President, Chase Pacific Capital Advisors (commercial real estate mortgage brokerage), 1996 to present.	1	None
Gustavo A. Altuzarra 1959	Treasurer Since August 2011	Managing Member, Vertical Capital Asset Management, LLC, July 2011 to present; Managing Member, Vertical Recovery Management, LLC (asset management), Oct. 2008 to present; Principal and Secondary Marketing Officer, Vertical Financial Group, Inc. (mortgage brokerage), July 2004 to present.	n/a	n/a
Harris Cohen 1981	Assistant Treasurer Since August 2011	Manager of Fund Administration, Gemini Fund Services, LLC, Nov. 2004 to present.	n/a	n/a
James Ash 1976	Secretary Since August 2011	Director of Legal Administration, Gemini Fund Services, LLC, Jan. 2010 to present; Assistant Vice President of Legal Administration, Gemini Fund Services, LLC, Jun 2008 to Dec. 2009. Law Clerk, Oct 2005 to May 2008.	n/a	n/a

\* The term of office for each Trustee and officer listed above will continue indefinitely.

\*\* The term "Fund Complex" refers to the Vertical Capital Income Fund.

\*\*\* Mr. Closser is an interested Trustee because he is also an officer (President) of the Fund. Mr. Chase is an interested Trustee because he owns a controlling (co-controlling 50%) interest in the Fund's investment adviser.

## **Board Committees**

### **Audit Committee**

The Board has an Audit Committee that consists of all the Independent Trustees, each of whom is not an "interested person" of the Trust within the meaning of the 1940 Act. The Audit Committee's responsibilities include: (i) recommending to the Board the selection, retention or termination of the Trust's independent auditors; (ii) reviewing with the independent auditors the scope, performance and anticipated cost of their audit; (iii) discussing with the independent auditors certain matters relating to the Trust's financial statements, including any adjustment to such financial statements recommended by such independent auditors, or any other results of any audit; (iv) reviewing on a periodic basis a formal written statement from the independent auditors with respect to their independence, discussing with the independent auditors any relationships or services disclosed in the statement that may impact the objectivity and independence of the Trust's independent auditors and recommending that the Board take appropriate action in response thereto to satisfy itself of the auditor's independence; and (v) considering the comments of the independent auditors and management's responses thereto with respect to the quality and adequacy of the Trust's accounting and financial reporting policies and practices and internal controls. The Audit Committee operates pursuant to an Audit Committee Charter. The Audit Committee is responsible for seeking and reviewing nominee candidates for consideration as Independent Trustees as is from time to time considered necessary or appropriate. The Audit Committee generally will consider shareholder nominees to the extent required pursuant to rules under the Securities Exchange Act of 1934. The Audit Committee is also responsible for reviewing and setting Independent Trustee compensation from time to time when considered necessary or appropriate. As of the date of this SAI, the Audit Committee held 1 meeting.

### **Trustee Ownership**

The following table indicates the dollar range of equity securities that any Trustee beneficially owned in the Fund as of the date of this SAI.

<b>Name of Trustee</b>	<b>Dollar Range of Equity Securities in the Fund</b>	<b>Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Family of Investment Companies</b>
Christopher R. Chase	\$10,001 to \$50,000	\$10,001 to \$50,000

### **Compensation**

Each Trustee who is not affiliated with the Trust or Adviser will receive a quarterly fee of \$ 2,500, as well as reimbursement for any reasonable expenses incurred attending the meetings. None of the executive officers receive compensation from the Trust.

The table below details the amount of compensation the Trustees are expected to receive from the Trust during the fiscal period ended December 31, 2011. The Trust does not have a bonus, profit sharing, pension or retirement plan.

<b>Name and Position</b>	<b>Aggregate Compensation From Trust</b>	<b>Pension or Retirement Benefits Accrued as Part of Fund Expenses</b>	<b>Estimated Annual Benefits Upon Retirement</b>	<b>Total Compensation From Trust Paid to Directors</b>
Robert J. Boulware	\$5,000	None	None	\$5,000
Mark J. Schlafly	\$5,000	None	None	\$5,000
T. Neil Bathon	\$5,000	None	None	\$5,000
Jeffrey F. O'Donnell	\$2,500	None	None	\$2,500
A. Bayard Closser	None	None	None	None
Christopher R. Chase	None	None	None	None

## **CODES OF ETHICS**

Each of the Fund, the Adviser and the Trust's distributor has adopted a code of ethics under Rule 17j-1 of the 1940 Act (collectively the "Ethics Codes"). Rule 17j-1 and the Ethics Codes are designed to prevent unlawful practices in connection with the purchase or sale of securities by covered personnel ("Access Persons"). The Ethics Codes permit Access Persons, subject to certain restrictions, to invest in securities, including securities that may be purchased or held by the Fund. Under the Ethics Codes, Access Persons may engage in personal securities transactions, but are required to report their personal securities transactions for monitoring purposes. In addition, certain Access Persons are required to obtain approval before investing in initial public offerings or private placements. The Ethics Codes can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-551-8090. The codes are available on the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov), and also may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, Washington, D.C. 20549.

## **PROXY VOTING POLICIES AND PROCEDURES**

The Board has adopted Proxy Voting Policies and Procedures ("Policies") on behalf of the Trust, which delegate the responsibility for voting proxies to the Adviser, subject to the Board's continuing oversight. The Policies require that the Adviser vote proxies received in a manner consistent with the best interests of the Fund and shareholders. The Policies also require the Adviser to present to the Board, at least annually, the Adviser's Proxy Policies and a record of each proxy voted by the Adviser on behalf of the Fund, including a report on the resolution of all proxies identified by the Adviser involving a conflict of interest.

Where a proxy proposal raises a material conflict between the interests of the Adviser, any affiliated person(s) of the Adviser, the Fund's principal underwriter (distributor) or any affiliated person of the principal underwriter (distributor), or any affiliated person of the Trust and the Fund's or its shareholder's interests, the Adviser will resolve the conflict by voting in accordance with the policy guidelines or at the Trust's directive using the recommendation of an independent third party. If the third party's recommendations are not received in a timely fashion, the Adviser will abstain from voting. A copy of the Adviser's proxy voting policies is attached hereto as Appendix A.

Information regarding how the Fund voted proxies relating to portfolio securities held by the Fund during the most recent 12-month period ending June 30 will be available (1) without charge, upon request, by calling the Fund toll-free at 1-866-277-VCIF ; and (2) on the U.S. Securities and Exchange Commission's website at <http://www.sec.gov>. In addition, a copy of the Fund's proxy voting policies and procedures are also available by calling toll-free at 1-866-277-VCIF and will be sent within three business days of receipt of a request.

## **CONTROL PERSONS AND PRINCIPAL HOLDERS**

A principal shareholder is any person who owns (either of record or beneficially) 5% or more of the outstanding shares of a fund. A control person is one who owns, either directly or indirectly more than 25% of the voting securities of a company or acknowledges the existence of control. A control person may be able to determine the outcome of a matter put to a shareholder vote. As of the date of this prospectus, the Fund could be deemed to be under the control of Christopher Chase, who had voting authority with respect to approximately 50% of the value of the outstanding interests in the Fund on such date, and Gus and Kelly Altuzarra who, jointing, had voting authority with respect to approximately 50% of the value of the outstanding interests in the Fund on such date. However, it is expected that once the Fund commences investment operations and its shares are sold to the public that control will be diluted until such time as the Fund is controlled by its unaffiliated shareholders. As of the date of this Statement of Additional Information, other than the shareholders identified above, no shareholders of record owned 5% or more of the outstanding shares of the Fund. As of the date of this SAI, the Trustees and officers owned 100% of the shares of the Fund.

## **INVESTMENT ADVISORY AND OTHER SERVICES**

### **The Adviser**

Vertical Capital Asset Management, LLC, located at 7700 Irvine Center Drive, Suite 150, Irvine, California 92618, serves as the Fund's investment adviser. The Adviser is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended. The Adviser is a California limited

liability company formed in 2011 for the purpose of advising funds. The Adviser is jointly controlled by Gus Altuzarra and Christopher Chase, each of whom own 50% of the Adviser's interests.

Under the general supervision of the Fund's Board of Trustees, the Adviser will carry out the investment and reinvestment of the net assets of the Fund, will furnish continuously an investment program with respect to the Fund, will determine which securities should be purchased, sold or exchanged. In addition, the Adviser will supervise and provide oversight of the Fund's service providers. The Adviser will furnish to the Fund office facilities, equipment and personnel for servicing the management of the Fund. The Adviser will compensate all Adviser personnel who provide services to the Fund. In return for these services, facilities and payments, the Fund has agreed to pay the Adviser as compensation under the Investment Management Agreement a monthly management fee computed at the annual rate of 1.25% of the daily net assets. The Adviser may employ research services and service providers to assist in the Adviser's market analysis and investment selection.

The Adviser and the Fund have entered into an expense limitation and reimbursement agreement (the "Expense Limitation Agreement") under which the Adviser has agreed contractually to waive its fees and to pay or absorb the ordinary operating expenses of the Fund (including all organization and offering expenses, but excluding interest, brokerage commissions, extraordinary expenses and acquired fund fees and expenses) to the extent that they exceed 1.85% per annum of the Fund's average daily net assets (the "Expense Limitation"). In consideration of the Adviser's agreement to limit the Fund's expenses, the Fund has agreed to repay the Adviser in the amount of any fees waived and Fund expenses paid or absorbed, subject to the limitations that: (1) the reimbursement will be made only for fees and expenses incurred not more than three years from the end of the fiscal year in which they were incurred; and (2) the reimbursement may not be made if it would cause the Expense Limitation to be exceeded. The Expense Limitation Agreement will remain in effect, at least until October [ ], 2012, unless and until the Board approves its modification or termination. This agreement may be terminated only by the Fund's Board of Trustees on 60 days written notice to the Adviser. After October [ ], 2012, the Expense Limitation Agreement may be renewed at the Adviser's and Board's discretion.

### **Conflicts of Interest**

The Adviser may provide investment advisory and other services, directly and through affiliates, to various entities and accounts other than the Fund ("Adviser Accounts"). The Fund has no interest in these activities. The Adviser and the investment professionals, who on behalf of the Adviser, provide investment advisory services to the Fund, are engaged in substantial activities other than on behalf of the Fund, may have differing economic interests in respect of such activities, and may have conflicts of interest in allocating their time and activity between the Fund and the Adviser Accounts. Such persons devote only so much time to the affairs of the Fund as in their judgment is necessary and appropriate. Set out below are practices that the Adviser follows.

### **Participation in Investment Opportunities**

Directors, principals, officers, employees and affiliates of the Adviser may buy and sell securities or other investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made on behalf of the Fund. As a result of differing trading and investment strategies or constraints, positions may be taken by directors, principals, officers, employees and affiliates of the Adviser, or by the Adviser for the Adviser Accounts, if any, that are the same as, different from or made at a different time than, positions taken for the Fund.

### **PORTFOLIO MANAGER S**

Mr. Altuzarra, Managing Partner of the Adviser, and Mr. Chase, Managing Partner of the Adviser, are the Fund's co-portfolio managers. Each share primary responsibility for management of the Fund's investment portfolio and have served the Fund in this capacity since it commenced operations in 2011. Mr. Altuzarra and Mr. Chase are each compensated through their share of the profits, if any, of the Adviser. Because the portfolio managers may manage assets for other pooled investment vehicles and/or other accounts (including institutional clients, pension plans and certain high net worth individuals) (collectively "Client Accounts"), or may be affiliated with such Client Accounts, there may be an incentive to favor one Client Account over another, resulting in conflicts of interest. For example, the Adviser may, directly or indirectly, receive fees from Client Accounts that are higher than the fee it receives from the Fund, or it may, directly or indirectly, receive a performance-based fee on a Client Account. In those instances, a portfolio manager may have an incentive to not favor the Fund over the Client Accounts. The Adviser has adopted trade allocation and other policies and procedures that it believes are reasonably designed to address these and other conflicts of interest. As of the date of this SAI, Mr. Altuzarra and Mr. Chase each owned \$1 to \$50,000 of Fund shares.

As of September 27, 2011, Mr. Altuzarra was responsible for the management of the following types of accounts in addition to the Fund:

Other Accounts By Type	Total Number of Accounts by Account Type	Total Assets By Account Type	Number of Accounts by Type Subject to a Performance Fee	Total Assets By Account Type Subject to a Performance Fee
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	3	\$61,617,793	2	\$48,958,399
Other Accounts	0	\$0	0	\$0

As of September 27, 2011, Mr. Chase was responsible for the management of the following types of accounts in addition to the Fund:

Other Accounts By Type	Total Number of Accounts by Account Type	Total Assets By Account Type	Number of Accounts by Type Subject to a Performance Fee	Total Assets By Account Type Subject to a Performance Fee
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	3	\$61,617,793	2	\$48,958,399
Other Accounts	0	\$0	0	\$0

### **Distributor**

Northern Lights Distributors, LLC (the "Distributor"), located at 4020 South 147<sup>th</sup> Street, Omaha, NE 68137, is serving as the Fund's principal underwriter and acts as the distributor of the Fund's shares on a best efforts basis, subject to various conditions.

### **ALLOCATION OF BROKERAGE**

Specific decisions to purchase or sell securities for the Fund are made by the portfolio manager who is an employee of the Adviser. The Adviser is authorized by the Trustees to allocate the orders placed on behalf of the Fund to brokers or dealers who may, but need not, provide research or statistical material or other services to the Fund or the Adviser for the Fund's use. Such allocation is to be in such amounts and proportions as the Adviser may determine.

In selecting a broker or dealer to execute each particular transaction, the Adviser will take the following into consideration:

the best net price available;

- the reliability, integrity and financial condition of the broker or dealer;
- the size of and difficulty in executing the order; and
- the value of the expected contribution of the broker or dealer to the investment performance of the Fund on a continuing basis.

Brokers or dealers executing a portfolio transaction on behalf of the Fund may receive a commission in excess of the amount of commission another broker or dealer would have charged for executing the transaction if the Adviser determines in good faith that such commission is reasonable in relation to the value of brokerage and research services provided to the Fund. In allocating portfolio brokerage, the Adviser may select brokers or dealers who also provide brokerage, research and other services to other accounts over which the Adviser exercises investment discretion. Some of the services received as the result of Fund transactions may primarily benefit accounts other than the Fund, while services received as the result of portfolio transactions effected on behalf of those other accounts may primarily benefit the Fund.

### **Affiliated Party Brokerage**

The Adviser and its affiliates will not purchase securities or other property from, or sell securities or other property to, the Fund, except that the Fund may in accordance with rules under the 1940 Act engage in transactions with accounts that are affiliated with the Fund as a result of common officers, directors, advisers, members, managing general partners or common control. These transactions would be effected in circumstances in which the Adviser determined that it would be appropriate for the Fund to purchase and another client to sell, or the Fund to sell and another client to purchase, the same security or instrument each on the same day.

The Adviser places its trades under a policy adopted by the Trustees pursuant to Section 17(e) and Rule 17(e)(1) under the 1940 Act which places limitations on the securities transactions effected through the Distributor. The policy of the Fund with respect to brokerage is reviewed by the Trustees from time to time. Because of the possibility of further regulatory developments affecting the securities exchanges and brokerage practices generally, the foregoing practices may be modified.

## TAX STATUS

The following discussion is general in nature and should not be regarded as an exhaustive presentation of all possible tax ramifications. All shareholders should consult a qualified tax adviser regarding their investment in the Fund.

The Fund intends to qualify as regulated investment company under Subchapter M of the Code, which requires compliance with certain requirements concerning the sources of its income, diversification of its assets, and the amount and timing of its distributions to shareholders. Such qualification does not involve supervision of management or investment practices or policies by any government agency or bureau. By so qualifying, the Fund should not be subject to federal income or excise tax on its net investment income or net capital gain, which are distributed to shareholders in accordance with the applicable timing requirements. Net investment income and net capital gain of the Fund will be computed in accordance with Section 852 of the Code. Net investment income is made up of dividends and interest less expenses. Net capital gain for a fiscal year is computed by taking into account any capital loss carryforward of the Fund.

The Fund intends to distribute all of its net investment income, any excess of net short-term capital gains over net long-term capital losses, and any excess of net long-term capital gains over net short-term capital losses in accordance with the timing requirements imposed by the Code and therefore should not be required to pay any federal income or excise taxes. Distributions of net investment income will be made quarterly and net capital gain will be made after the end of each fiscal year, and no later than December 31 of each year. Both types of distributions will be in shares of the Fund unless a shareholder elects to receive cash.

To be treated as a regulated investment company under Subchapter M of the Code, the Fund must also (a) derive at least 90% of its gross income from dividends, interest, payments with respect to securities loans, net income from certain publicly traded partnerships and gains from the sale or other disposition of securities or foreign currencies, or other income (including, but not limited to, gains from options, futures or forward contracts) derived with respect to the business of investing in such securities or currencies, and (b) diversify its holdings so that, at the end of each fiscal quarter, (i) at least 50% of the market value of the Fund's assets is represented by cash, U.S. government securities and securities of other regulated investment companies, and other securities (for purposes of this calculation, generally limited in respect of any one issuer, to an amount not greater than 5% of the market value of the Fund's assets and 10% of the outstanding voting securities of such issuer) and (ii) not more than 25% of the value of its assets is invested in the securities of (other than U.S. government securities or the securities of other regulated investment companies) any one issuer, two or more issuers which the Fund controls and which are determined to be engaged in the same or similar trades or businesses, or the securities of certain publicly traded partnerships.

If the Fund fails to qualify as a regulated investment company under Subchapter M of the Code in any fiscal year, it will be treated as a corporation for federal income tax purposes. As such, the Fund would be required to pay income taxes on its net investment income and net realized capital gains, if any, at the rates generally applicable to corporations. Shareholders of the Fund generally would not be liable for income tax on the Fund's net investment income or net realized capital gains in their individual capacities. Distributions to shareholders, whether from the Fund's net investment income or net realized capital gains, would be treated as taxable dividends to the extent of current or accumulated earnings and profits of the Fund.

The Fund is subject to a 4% nondeductible excise tax on certain undistributed amounts of ordinary income and capital gain under a prescribed formula contained in Section 4982 of the Code. The formula requires payment to shareholders during a calendar year of distributions representing at least 98% of the Fund's ordinary income for the calendar year and at least 98.2% of its capital gain net income (i.e., the excess of its capital gains over capital losses) realized during the one-year period ending October 31 during such year plus 100% of any income that was neither distributed nor taxed to the Fund during the preceding calendar year. Under ordinary circumstances, the Fund expects to time its distributions so as to avoid liability for this tax.

The following discussion of tax consequences is for the general information of shareholders that are subject to tax. Shareholders that are IRAs or other qualified retirement plans are exempt from income taxation under the Code.

Distributions of taxable net investment income and the excess of net short-term capital gain over net long-term capital loss are taxable to shareholders as ordinary income.

Distributions of net capital gain ("capital gain dividends") generally are taxable to shareholders as long-term capital gain, regardless of the length of time the shares of the Fund have been held by such shareholders.

A redemption of Fund shares by a shareholder will result in the recognition of taxable gain or loss in an amount equal to the difference between the amount realized and the shareholder's tax basis in his or her Fund shares. Such gain or loss is treated as a capital gain or loss if the shares are held as capital assets. However, any loss realized upon the redemption of shares within six months from the date of their purchase will be treated as a long-term capital loss to the extent of any amounts treated as capital gain dividends during such six-month period. All or a portion of any loss realized upon the redemption of shares may be disallowed to the extent shares are purchased (including shares acquired by means of reinvested dividends) within 30 days before or after such redemption.

Distributions of taxable net investment income and net capital gain will be taxable as described above, whether received in additional cash or shares. Shareholders electing to receive distributions in the form of additional shares will have a cost basis for federal income tax purposes in each share so received equal to the net asset value of a share on the reinvestment date.

All distributions of taxable net investment income and net capital gain, whether received in shares or in cash, must be reported by each taxable shareholder on his or her federal income tax return. Dividends or distributions declared in October, November or December as of a record date in such a month, if any, will be deemed to have been received by shareholders on December 31, if paid during January of the following year. Redemptions of shares may result in tax consequences (gain or loss) to the shareholder and are also subject to these reporting requirements.

Under the Code, the Fund will be required to report to the Internal Revenue Service all distributions of taxable income and capital gains as well as gross proceeds from the redemption or exchange of Fund shares, except in the case of certain exempt shareholders. Under the backup withholding provisions of Section 3406 of the Code, distributions of taxable net investment income and net capital gain and proceeds from the redemption or exchange of the shares of a regulated investment company may be subject to withholding of federal income tax in the case of non-exempt shareholders who fail to furnish the investment company with their taxpayer identification numbers and with required certifications regarding their status under the federal income tax law, or if the Fund is notified by the IRS or a broker that withholding is required due to an incorrect TIN or a previous failure to report taxable interest or dividends. If the withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in additional shares, will be reduced by the amounts required to be withheld.

### Original Issue Discount and Pay-In-Kind Securities

Current federal tax law requires the holder of a U.S. Treasury or other fixed-income zero coupon security to accrue as income each year a portion of the discount at which the security was purchased, even though the holder receives no interest payment in cash on the security during the year. In addition, pay-in-kind securities will give rise to income which is required to be distributed and is taxable even though the Fund holding the security receives no interest payment in cash on the security during the year.

Some of the debt securities (with a fixed maturity date of more than one year from the date of issuance) that may be acquired by the Fund may be treated as debt securities that are issued originally at a discount. Generally, the amount of the original issue discount ("OID") is treated as interest income and is included in income over the term of the debt security, even though payment of that amount is not received until a later time, usually when the debt security matures. A portion of the OID includable in income with respect to certain high-yield corporate debt securities (including certain pay-in-kind securities) may be treated as a dividend for U.S. federal income tax purposes.

Some of the debt securities (with a fixed maturity date of more than one year from the date of issuance) that may be acquired by the Fund in the secondary market may be treated as having market discount. Generally, any gain recognized on the disposition of, and any partial payment of principal on, a debt security having market discount is treated as ordinary income to the extent the gain, or principal payment, does not exceed the "accrued market discount" on such debt



security. Market discount generally accrues in equal daily installments. The Fund may make one or more of the elections applicable to debt securities having market discount, which could affect the character and timing of recognition of income.

Some debt securities (with a fixed maturity date of one year or less from the date of issuance) that may be acquired by the Fund may be treated as having acquisition discount, or OID in the case of certain types of debt securities. Generally, the Fund will be required to include the acquisition discount, or OID, in income over the term of the debt security, even though payment of that amount is not received until a later time, usually when the debt security matures. The Fund may make one or more of the elections applicable to debt securities having acquisition discount, or OID, which could affect the character and timing of recognition of income.

A fund that holds the foregoing kinds of securities may be required to pay out as an income distribution each year an amount, which is greater than the total amount of cash interest the Fund actually received. Such distributions may be made from the cash assets of the Fund or by liquidation of portfolio securities, if necessary (including when it is not advantageous to do so). The Fund may realize gains or losses from such liquidations. In the event the Fund realizes net capital gains from such transactions, its shareholders may receive a larger capital gain distribution, if any, than they would in the absence of such transactions.

Shareholders of the Fund may be subject to state and local taxes on distributions received from the Fund and on redemptions of the Fund's shares.

A brief explanation of the form and character of the distribution accompany each distribution. In January of each year the Fund issues to each shareholder a statement of the federal income tax status of all distributions.

Shareholders should consult their tax advisers about the application of federal, state and local and foreign tax law in light of their particular situation.

#### **OTHER INFORMATION**

Each share represents a proportional interest in the assets of the Fund. Each share has one vote at shareholder meetings, with fractional shares voting proportionally, on matters submitted to the vote of shareholders. There are no cumulative voting rights. Shares do not have pre-emptive or conversion or redemption provisions. In the event of a liquidation of the Fund, shareholders are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders after all expenses and debts have been paid.

#### **Compliance Service Provider**

Northern Lights Compliance Services, LLC ("NLCS"), located at 450 Wireless Boulevard, Hauppauge, NY 11788 provides a Chief Compliance Officer to the Fund as well as related compliance services pursuant to a consulting agreement between NLCS and the Fund.

#### **Administrator**

Gemini Fund Services, LLC ("GFS"), located at 450 Wireless Boulevard, Hauppauge, NY 11788 serves as the Fund's administrator, fund accountant and transfer agent pursuant to a fund services agreement between GFS and the Fund.

#### **Legal Counsel**

Thompson Hine LLP, 312 Walnut Street, 14th floor, Cincinnati, Ohio 45202, acts as legal counsel to the Fund.

#### **Custodian**

Union Bank, N.A. (the "Custodian") serves as the primary custodian of the Fund's assets, and may maintain custody of the Fund's assets with domestic and foreign subcustodians (which may be banks, trust companies, securities depositories and clearing agencies) approved by the Trustees. Assets of the Fund are not held by the Adviser or commingled with the assets of other accounts other than to the extent that securities are held in the name of a custodian in a securities depository, clearing agency or omnibus customer account of such custodian. The Custodian's principal business address is 350 California Street, 6th Floor San Francisco, California 94104.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

BBD, LLP is the independent registered public accounting firm for the Fund and will audit the Fund's financial statements. BBD, LLP is located at 1835 Market Street, 26th Floor, Philadelphia, PA 19103.

**FINANCIAL STATEMENTS**  
**VERTICAL CAPITAL INCOME FUND**

**FINANCIAL STATEMENTS**

SEPTEMBER 28, 2011

**VERTICAL CAPITAL INCOME FUND**

*STATEMENT OF ASSETS AND LIABILITIES*

**September 28, 2011**

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<b>ASSETS</b>		
Cash	\$100,000	
Deferred Offering Costs	<u>58,563</u>	
Total Assets		<u>158,563</u>
<b>LIABILITIES</b>		
Payable for Offering Costs	<u>58,563</u>	
Total Liabilities		<u>58,563</u>

**NET ASSETS** \$100,000

At September 28, 2011 the components of net assets were as follows:

Paid in Capital	<u>\$100,000</u>
Shares of beneficial interest outstanding, 10,000,000 shares authorized without par value	<u>10,000</u>
Net asset value per share	<u>\$10.00</u>
Maximum offering price per share (\$10.00/.955)	<u>\$10.47</u>

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*Sees notes to financial statements.*

**VERTICAL CAPITAL INCOME FUND**

*STATEMENT OF OPERATIONS*

**September 28, 2011**

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<b>EXPENSES</b>	
Organizational expenses	\$26,472
Less: Reimbursement from advisor	<u>(26,472)</u>
<b>NET EXPENSES</b>	<u>\$ -</u>

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*Sees notes to financial statements.*

**VERTICAL CAPITAL INCOME FUND**

*NOTES TO FINANCIAL STATEMENTS*

**September 28, 2011**

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**(1) ORGANIZATION**

Vertical Capital Income Fund (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "**1940 Act**"), as a diversified closed-end management investment company. The Fund engages in a continuous offering of shares and operates as an interval fund that will offer to make quarterly repurchases of shares at net asset value. The Fund's Investment Advisor is Vertical Recovery Management, LLC (the "Advisor").

The investment objective of the Fund is to seek income. The Fund pursues its investment objective by investing primarily in interest income-producing debt securities secured by residential real estate.

The Trust was formed as a statutory trust on April 8, 2011 under the laws of the State of Delaware. The Fund had no operations from that date to September 28, 2011, other than those relating to organizational matters and the registration of its shares under applicable securities laws. The President of the Advisor purchased the initial shares at \$10.00 per share on September 28, 2011.

The Fund shares are offered subject to a maximum sales charge of 4.50% of the offering price.

## (2) SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The following is a summary of significant accounting policies used in preparing the financial statements.

### **Organizational and Offering Costs**

All costs incurred by the Fund in connection with its organization and offering have been paid by the Advisor and will be subject to recoupment as described in Note 3. Organizational costs were charged to expenses as incurred. Offering costs incurred by the Fund are treated as deferred charges until operations commence and thereafter will be amortized over a 12 month period using the straight line method.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

## **VERTICAL CAPITAL INCOME FUND**

### **NOTES TO FINANCIAL STATEMENTS (continued) September 28, 2011**

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### **Federal Income Taxes**

The Fund intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, and, if so qualified, will not be liable for federal income taxes to the extent earnings are distributed to shareholders on a timely basis.

### **Indemnification**

The Trust indemnifies its officers and trustees for certain liabilities that may arise from the performance of their duties to the Trust. Additionally, in the normal course of business, a Fund enters into contracts that contain a variety of representations and warranties which provide general indemnities. A Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss due to these warranties and indemnities to be remote.

## (3) INVESTMENT ADVISORY

As compensation for its services, the Fund pays to the Advisor a monthly advisory fee at an annual rate of 1.25% of its average daily net assets.

The Advisor, pursuant to an Expense Limitation Agreement (the "Agreement") has contractually agreed to reduce its fees and/or absorb expenses of the Fund, at least until June 30, 2012 to ensure that Net Annual Operating Expenses (exclusive of any front-end or contingent deferred loads, taxes, leverage interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, dividend expense on securities sold short, expenses of investing in Underlying Funds or extraordinary expenses such as litigation) will not exceed 1.85% of the Fund's average daily net assets. The Agreement will allow the Advisor to recover amounts previously reimbursed for operating expenses to the Fund to the extent that the Fund's expense ratios fall below the above indicated expense limitations. The amounts that can be recovered will be limited to the difference between the actual expense ratio and the amount of the expense limitation. Under such agreement, the Advisor can only recover such amounts for a period of up to three years.

## (4) DISTRIBUTION AGREEMENT

The Fund has adopted a "Shareholder Services Plan" under which the Fund pays a servicing fee to the Distributor and to other selected securities dealers and other financial industry professionals for providing ongoing broker-dealer services in respect of clients with whom they have distributed shares of the Fund. Under the Shareholder Services Plan, the Fund may incur expenses on an annual basis equal to 0.25% of its average net assets.

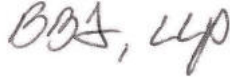
**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Trustees and the Shareholder of Vertical Capital Income Fund**

We have audited the accompanying statement of assets and liabilities and the related statement of operations of the Vertical Capital Income Fund ("the Fund"), as of September 28, 2011. The financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and operations of the Fund as of September 28, 2011, in conformity with accounting principles generally accepted in the United States of America.



**BBD, LLP**

**Philadelphia, Pennsylvania  
September 29, 2011**







## APPENDIX A

### Vertical Capital Asset Management, LLC PROXY VOTING POLICIES AND PROCEDURES

#### Summary of Proxy Policies and Procedures

Pursuant to the adoption by the Securities and Exchange Commission (the "Commission") of Rule 206(4)-6 (17 CFR 275.206(4)-6) and amendments to Rule 204-2 (17 CFR 275.204-2) under the Investment Adviser Act of 1940 (the "Act"), it is a fraudulent, deceptive, or manipulative act, practice or course of business, within the meaning of Section 206(4) of the Act, for an investment adviser to exercise voting authority with respect to client securities, unless (i) the adviser has adopted and implemented written policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the best interests of its clients, (ii) the adviser describes its proxy voting procedures to its clients and provides copies on request, and (iii) the adviser discloses to clients how they may obtain information on how the adviser voted their proxies.

In order to fulfill its responsibilities under the Act, Vertical Capital Asset Management, LLC (hereinafter, "we" or "our") has adopted the following policies and procedures for proxy voting with regard to direct investments in companies held in investment portfolios of our clients.

#### **KEY OBJECTIVES**

The key objectives of these policies and procedures recognize that a company's management is entrusted with the day-to-day operations and longer term strategic planning of the company, subject to the oversight of the company's board of directors. While "ordinary business matters" are primarily the responsibility of management and should be approved solely by the corporation's board of directors, these objectives also recognize that the company's shareholders must have final say over how management and directors are performing, and how shareholders' rights and ownership interests are handled, especially when matters could have substantial economic implications to the shareholders.

Therefore, we will pay particular attention to the following matters in exercising our proxy voting responsibilities as a fiduciary for our clients:

*Accountability.* Each company should have effective means in place to hold those entrusted with running a company's business accountable for their actions. Management of a company should be accountable to its board of directors and the board should be accountable to shareholders.

*Alignment of Management and Shareholder Interests.* Each company should endeavor to align the interests of management and the board of directors with the interests of the company's shareholders. For example, we generally believe that compensation should be designed to reward management for doing a good job of creating value for the shareholders of the company.

*Transparency.* Promotion of timely disclosure of important information about a company's business operations and financial performance enables investors to evaluate the performance of a company and to make informed decisions about the purchase and sale of a company's securities.

#### **DECISION METHODS**

We generally believe that portfolio managers that invest in and track particular companies have a unique perspective to make decisions with regard to proxy votes. Therefore, we rely on that perspective to make the final decisions on how to cast proxy votes.

No set of proxy voting guidelines can anticipate all situations that may arise. In special cases, we may seek insight and expertise from outside sources as to how a particular proxy proposal will impact the financial prospects of a company, and vote accordingly.

In some instances, a proxy vote may present a conflict between the interests of a client, on the one hand, and our interests or the interests of a person affiliated with us, on the other. In such a case, we will abstain from making a voting decision and will forward all of the necessary proxy voting materials to the client to enable the client to cast the votes.

#### **SUMMARY OF PROXY VOTING GUIDELINES**

##### **Election of the Board of Directors**

We believe that good corporate governance generally starts with a board composed primarily of independent directors, unfettered by significant ties to management, all of whose members are elected annually. We also believe that some measure of turnover in board composition typically promotes more independent board action and fresh perspectives on governance. Of greater importance is the skill set of the proposed board member. We will also look at the backgrounds of the directors to gauge their business acumen and any special talent or experience that may add value to their participation on the board.

The election of a company's board of directors is one of the most fundamental rights held by shareholders. Because a classified board structure prevents shareholders from electing a full slate of directors annually, we will pay special attention to efforts to declassify boards or other measures that permit shareholders to remove a majority of directors at any time.

##### **Approval of Independent Auditors**

We believe that the relationship between a company and its auditors should be limited primarily to the audit engagement, although it may include certain closely related activities that do not raise an appearance of impaired independence.

We will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with a company to determine whether we believe independence has been, or could be, compromised.

## VERTICAL CAPITAL INCOME FUND

### PART C - OTHER INFORMATION

#### **Item 25. Financial Statements and Exhibits**

##### 1. Financial Statements

Part A: None.

Part B: Report of Independent Registered Public Accounting Firm

Statement of Assets and Liabilities, Statement of Operations, and Notes to Financial Statements.

##### 2. Exhibits

a. (1) Agreement and Declaration of Trust \*

a. (2) Certificate of Trust \*

b. By-Laws ( Filed herewith)

c. Voting Trust Agreements: None

d. Instruments Defining Rights of Security Holders. See Article III, "Shares" and Article V "Shareholders' Voting Powers and Meetings" of the Registrant's Agreement and Declaration of Trust. See also, Article 12, "Meetings" of shareholders of the Registrant's By-Laws.



- e. Dividend reinvestment plan: None.
- f. Rights of subsidiaries long-term debt holders: Not applicable.
- g. Investment Advisory Agreement ( Filed herewith)
- h. (1) Underwriting Agreement ( Filed herewith)  
(2) Shareholder Servicing Plan and Agreement ( Filed herewith)  
(3) Selling Agreement Form ( Filed herewith)
- i. Bonus, profit sharing, pension and similar arrangements for Fund Trustees and Officers: None.
- j. Custodian Agreement ( Filed herewith)
- k. (1) Fund Services Agreement (Administration, Accounting and Transfer Agency) ( Filed herewith)  
(2) Compliance Consulting Agreement ( Filed herewith)  
(3) Expense Limitation Agreement ( Filed herewith)  
(4) Security Services Agreement (Filed herewith)
- l. Opinion and Consent of Counsel ( Filed herewith)
- m. Non-resident Trustee Consent to Service of Process: Not applicable
- n. Consent of Independent Registered Public Accounting Firm ( Filed herewith)
- o. Omitted Financial Statements: None
- p. (1) Initial Capital Agreement ( Filed herewith)
- q. Model Retirement Plan: None
- r. (1) Code of Ethics-Fund ( Filed herewith)  
(2) Code of Ethics-Adviser ( Filed herewith)  
(3) Code of Ethics-Principal Underwriter/Distributor ( Filed herewith)
- s. Powers of Attorney ( Filed herewith)

\* Previously filed on May 3, 2011, as an exhibit to the Registrant's Registration Statement on Form N-2, and hereby incorporated by reference.

Item 26. Marketing Arrangements

Not Applicable.

Item 27. Other Expenses of Issuance and Distribution (estimated).

SEC Registration fees	\$11,610
FINRA fees	\$ 0
Legal fees	\$35,000
Blue Sky fees	\$14,625
Miscellaneous fees	\$ 700
Printing	\$2,000
Total	\$63,935

Item 28. Persons Controlled by or Under Common Control with Registrant

None, except that as of the date of the Fund's prospectus and SAI, the Fund and Adviser are under the indirect common control of Gus Altuzarra and Christopher Chase, each of whom own 50% of the Adviser's interests and 50% of the Fund's shares (Mr. Altuzarra owns Fund shares jointly with Kelly Altuzarra through the Gustavo and Kelly Altuzarra Trust).

Item 29. Number of Holders of Securities as of September 27, 2011:

<u>Title of Class</u>	<u>Number of Record Holders</u>
Shares of Beneficial Ownership.	2

Item 30. Indemnification

Reference is made to Article VIII Section 2 of the Registrant's Agreement and Declaration of Trust (the "Declaration of Trust"), filed as Exhibit (a)(2) hereto, and to [Section 8 of the Registrant's Underwriting Agreement], to be filed as Exhibit (h)(1) hereto. The Registrant hereby undertakes that it will apply the indemnification provisions of the Declaration of Trust and Underwriting Agreement in a manner consistent with Release 40-11330 of the Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"), so long as the interpretation therein of Sections 17(h) and 17(i) of the 1940 Act remains in effect. The Registrant maintains insurance on behalf of any person who is or was an independent trustee, officer, employee, or agent of the Registrant against certain liability asserted against and incurred by, or arising out of, his or her position. However, in no event will the Registrant pay that portion of the premium, if any, for insurance to indemnify any such person for any act for which the Registrant itself is not permitted to indemnify.

Insofar as indemnification for liability arising under the Securities Act of 1933 (the "1933 Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, trustee, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, trustee, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

Item 31. Business and Other Connections of Investment Adviser

A description of any other business, profession, vocation, or employment of a substantial nature in which the investment adviser of the Registrant, and each member, director, executive officer, or partner of any such investment adviser, is or has been, at any time during the past two fiscal years, engaged in for his or her own account or in the capacity of member, trustee, officer, employee, partner or director, is set forth in the Registrant's prospectus in the section entitled "Management of the Fund." Information as to the members and officers of the Adviser is included in its Form ADV as filed with the SEC (File No. 801- 72681) , and is incorporated herein by reference.

Item 32. Location of Accounts and Records

Gemini Fund Services, LLC, the Fund's administrator, maintains certain required accounting related and financial books and records of the Registrant at 450 Wireless Boulevard, Hauppauge, New York 11788. The other required books and records are maintained by the Adviser at 7700 Irvine Center Drive, Suite 150, Irvine, California 92618.

Item 33. Management Services

Not Applicable.

Item 34. Undertakings

1. The Registrant undertakes to suspend the offering of shares until the prospectus is amended if (1) subsequent to the effective date of its registration statement, the net asset value of the Fund declines more than ten percent from its net asset value as of the effective date of the registration statement or (2) the net asset

value of the Fund increases to an amount greater than its net proceeds as stated in the prospectus.

2. The Registrant undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement: (a) (i) to include any prospectus required by Section 10(a)(3) of the 1933 Act; (ii) to reflect in the prospectus any facts or events after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement. (b) For the purpose of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. (c) The Registrant undertakes to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering. (d) The Registrant undertakes that, for the purpose of determining liability under the 1933 Act, if the Registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the 1933 Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the 1933 Act, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; *provided however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use. (e) The Registrant undertakes that, for the purpose of determining liability under the 1933 Act, in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser: (i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the 1933 Act; (ii) the portion of any advertisement pursuant to Rule 482 under the 1933 Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and (iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

3. For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant under Rule 497(h) under the 1933 Act shall be deemed to be part of this registration statement as of the time it was declared effective. The Registrant undertakes that, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof.

4. The Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery within two business days of receipt of a written or oral request, the Registrant's statement of additional information.

#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant has duly caused this amendment to its registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Columbus, State of Ohio, on the 29th day of September 2011.

#### VERTICAL CAPITAL INCOME FUND

By: /s/ JoAnn M. Strasser  
 Name: JoAnn M. Starsser  
 Title: Attorney-in-Fact\*  
 \*Pursuant to Powers of Attorney, filed herewith

Pursuant to the requirements of the Securities Act of 1933, this amendment to the registration statement has been signed below by the following persons in the capacities and on the dates.

Name	Title	Date
/s/ Robert J. Boulware**	Trustee	September 29, 2011
/s/ Mark J. Schlafly**	Trustee	September 29, 2011
/s/ T. Neil Bathon**	Trustee	September 29, 2011
/s/ Jeffrey F. O'Donnell**	Trustee	September 29, 2011
/s/ Christopher R. Chase**	Trustee	September 29, 2011
/s/ A. Bayard Closser**	Trustee, President and Principal Executive Officer	September 29, 2011
/s/ Gustavo A. Altuzarra**	Treasurer and Principal Financial Officer	September 29, 2011

\*\*By: /s/ JoAnn M. Strasser September 29, 2011  
 JoAnn M. Strasser  
 \*\*Attorney-in-Fact – Pursuant to Powers of Attorney, filed herewith.

#### EXHIBIT INDEX

DescriptionExhibit  
 Number

By-Laws 99( b)

Investment Advisory Agreement 99( g)

Underwriting Agreement	99(h)(1)
Shareholder Servicing Plan and Agreement	99(h)(2)
Selling Agreement Form	99(h)(3)
Custodian Agreement	99(j)
Fund Services Agreement	99(k)(1)
Compliance Consulting Agreement	99(k)(2)
Expense Limitation Agreement	99(k)(3)
Security Services Agreement	99(k)(4)
Opinion and Consent of Counsel	99(l)
Consent of Independent Registered Public Accounting Firm	99(n)
Initial Capital Agreements	99(p)
Code of Ethics-Fund	99(r)(1)
Code of Ethics-Adviser	99(r)(2)
Code of Ethics-Principal Underwriter/Distributor	99(r)(3)



**By-Laws  
of  
VERTICAL CAPITAL INCOME FUND**

**ARTICLE 1**

Agreement and Declaration of Trust and Offices

1.1 Agreement and Declaration of Trust. These By-Laws shall be subject to the Agreement and Declaration of Trust, as from time to time in effect (the "Declaration of Trust"), of Vertical Capital Income Fund, the Delaware statutory trust established by the Declaration of Trust (the "Trust").

1.2 Offices. The Trust may maintain one or more other offices, including its principal office, in or outside of Delaware, in such cities as the Trustees may determine from time to time. Unless the Trustees otherwise determine, the principal office of the Trust shall be located in Hauppauge, NY.

**ARTICLE 2**

Meetings of Trustees

2.1 Regular Meetings. Regular meetings of the Trustees may be held without call or notice at such places and at such times as the Trustees may from time to time determine, provided that notice of the first regular meeting following any such determination shall be given to absent Trustees. A regular meeting of the Trustees may be held without call or notice immediately after and at the same place as any meeting of the shareholders.

2.2 Special Meetings. Special meetings of the Trustees may be held at any time and at any place designated in the call of the meeting when called by the President or the Treasurer or by two or more Trustees, sufficient notice thereof being given to each Trustee by the Secretary or an Assistant Secretary or by the officer or the Trustees calling the meeting.

2.3 Notice. It shall be sufficient notice to a Trustee of a special meeting to send notice by mail at least forty-eight hours before the meeting addressed to the Trustee at his or her usual or last known business or residence address or to give notice to him or her in person or by telephone or facsimile at least twenty-four hours before the meeting. Notice of a meeting need not be given to any Trustee if a written waiver of notice, executed by him or her before or after the meeting, is filed with the records of the meeting, or to any Trustee who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him or her. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

2.4 Quorum. At any meeting of the Trustees a majority of the Trustees then in office shall constitute a quorum. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

2.5 Participation by Telephone. One or more of the Trustees or of any committee of the Trust may participate in a meeting thereof by means of a conference telephone or similar Communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting except as otherwise provided by the Investment Company Act of 1940.

2.6 Action by Consent. Any action required or permitted to be taken at any meeting of the Trustees or any committee thereof may be taken without a meeting, if a written consent of such action is signed by a majority of the Trustees then in office or a majority of the members of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Trustees or such committee.

**ARTICLE 3**

Officers

3.1 Enumeration and Qualification. The officers of the Trust shall be a President, a Chief Compliance Officer, a Treasurer, a Secretary and such other officers, including Vice Presidents, if any, as the Trustees from time to time may in their discretion elect. The Trust also may have such agents as the Trustees from time to time may in their discretion appoint. Any officer may be, but need not be, a Trustee or shareholder. The same person may hold any two or more offices.

3.2 Election. The President, the Treasurer and the Secretary shall be elected annually by the Trustees. The Chief Compliance Officer must be appointed by the Trustees, including a majority of the independent Trustees, as defined in the Investment Company Act of 1940 (the "Independent Trustees"). Other officers, if any, may be elected or appointed by the Trustees at any time. Vacancies in any office may be filled at any time, provided, however, that filling a vacancy in the office of Chief Compliance Officer must be approved by the Trustees, including a majority of the Independent Trustees.

3.3 Tenure. The officers shall hold office for one year and until their respective successors are chosen and qualified, or in each case until he or she sooner dies, resigns, is removed or becomes disqualified. Each officer shall hold office and each agent shall retain authority at the pleasure of the Trustees.

3.4 Powers. Subject to the other provisions of these By-Laws, each officer shall have, in addition to the duties and powers herein and in the Declaration of Trust set forth, such duties and powers as are commonly incident to the office occupied by him or her as if the Trust were organized as a Delaware business corporation and such other duties and powers as the Trustees may from time to time designate.

3.5 President. Unless the Trustees otherwise provide, the President, or in the absence of the President, any Trustee chosen by the Trustees, shall preside at all meetings of the shareholders and of the Trustees. The President shall be the chief executive officer.

3.6 Chief Compliance Officer. The Chief Compliance Officer of the Trust will be responsible for administering its compliance policies and procedures, shall have sufficient authority and independence within the organization to compel others to adhere to the compliance policies and procedures, shall report directly to the Board of Trustees, shall annually furnish a written report on the operation of the compliance policies and procedures to the Board of Trustees and shall perform such other duties as prescribed by the Board of Trustees.

3.7 Treasurer. The Treasurer shall be the chief financial and accounting officer of the Trust, and shall, subject to the provisions of the Declaration of Trust and to any arrangement made by the Trustees with a custodian, investment adviser or manager, or transfer, shareholder servicing or similar agent, be in charge of the valuable papers, books of account and accounting records of the Trust, and shall have such other duties and powers as may be designated from time to time by the Trustees or by the President.

3.8 Secretary. The Secretary shall record all proceedings of the shareholders and the Trustees in books to be kept therefor, which books or a copy thereof shall be kept at the principal office of the Trust. In the absence of the Secretary from any meeting of the shareholders or Trustees, an assistant secretary, or if there be none or if he or she is absent, a temporary secretary chosen at such meeting shall record the proceedings thereof in the aforesaid books.

3.9 Resignations and Removals. Any Trustee or officer may resign at any time by written instrument signed by him or her and delivered to the President or the Secretary and to a meeting of the Trustees. Such resignation shall be effective upon receipt unless specified to be effective at some other time. The Trustees may remove any officer elected by them with or without cause, provided, however, that removal of the Chief Compliance Officer will require approval of the Trustees, including a majority of the Independent Trustees. Except to the extent expressly provided in a written agreement with the Trust, no Trustee or officer resigning and no officer removed shall have any right to any compensation for any period following his or her resignation or removal, or any right to damages on account of such removal.

**ARTICLE 4**

Committees

4.1 General. The Trustees, by vote of a majority of the Trustees then in office, may elect from their number an Executive Committee or other committees and may delegate thereto some or all of their powers except those which by law, by the Declaration of Trust, or by these By-Laws may not be delegated. Except as the Trustees may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Trustees or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these By-Laws for the Trustees themselves. All members of such committees shall hold such offices at the pleasure of the Trustees. The Trustees may abolish any such committee at any time. Any committee to which the Trustees delegate any of their powers or duties shall keep

records of its meetings and shall report its action to the Trustees. The Trustees shall have power to rescind any action of any committee, but no such rescission shall have retroactive effect.

**ARTICLE 5**  
Reports

5.1 General. The Trustees and officers shall render reports at the time and in the manner required by the Declaration of Trust or any applicable law. Officers and Committees shall render such additional reports as they may deem desirable or as may from time to time be required by the Trustees.

**ARTICLE 6**  
Fiscal Year

6.1 General. The fiscal year of the Trust shall be fixed by, and shall be subject to change by, the Trustees.

**ARTICLE 7**  
Seal

7.1 General. If required by applicable law, the seal of the Trust shall consist of a flat-faced die with the word "Delaware", together with the name of the Trust and the year of its organization cut or engraved thereon, but, unless otherwise required by the Trustees, the seal shall not be necessary to be placed on, and its absence shall not impair the validity of, any document, instrument or other paper executed and delivered by or on behalf of the Trust.

**ARTICLE 8**  
Execution of Papers

8.1 General. Except as the Trustees may generally or in particular cases authorize the execution thereof in some other manner, all deeds, leases, contracts, notes and other obligations made by the Trustees shall be signed by the President, any Vice President, the Secretary or by the Treasurer and need not bear the seal of the Trust.

**ARTICLE 9**  
Issuance of Share Certificates

9.1 Share Certificates. In lieu of issuing certificates for shares, the Trustees or the transfer agent may either issue receipts therefor or may keep accounts upon the books of the Trust for the record holders of such shares, who shall in either case be deemed, for all purposes hereunder, to be the holders of certificates for such shares as if they had accepted such certificates and shall be held to have expressly assented and agreed to the terms hereof.

The Trustees may at any time authorize the issuance of share certificates. In that event, each shareholder shall be entitled to a certificate stating the number of shares owned by him, in such form as shall be prescribed from time to time by the Trustees. Such certificate shall be signed by the President or a Vice-President and by the Treasurer or Assistant Treasurer. Such signatures may be facsimiles if the certificate is signed by a transfer agent, or by a registrar, other than a Trustee, officer or employee of the Trust. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall cease to be such officer before such certificate is issued, it may be issued by the Trust with the same effect as if he were such officer at the time of its issue.

9.2 Loss of Certificates. In case of the alleged loss or destruction or the mutilation of a share certificate, a duplicate certificate may be issued in place thereof, upon such terms as the Trustees shall prescribe.

9.3 Issuance of New Certificate to Pledgee. In the event certificates have been issued, a pledgee of shares transferred as collateral security shall be entitled to a new certificate if the instrument of transfer substantially describes the debt or duty that is intended to be secured thereby. Such new certificate shall express on its face that it is held as collateral security, and the name of the pledgor shall be stated thereon, who alone shall be liable as a shareholder, and entitled to vote thereon.

9.4 Discontinuance of Issuance of Certificates. The Trustees may at any time discontinue the issuance of share certificates and may, by written notice to each shareholder, require the surrender of share certificates to the Trust for cancellation. Such surrender and cancellation shall not affect the ownership of shares in the Trust.

**ARTICLE 10**  
Custodian

10.1 General. The Trust shall at all times employ a bank or trust company having a capital, surplus and undivided profits of at least Five Hundred Thousand (\$500,000) Dollars as Custodian of the capital assets of the Trust. The Custodian shall be compensated for its services by the Trust and upon such basis as shall be agreed upon from time to time between the Trust and the Custodian.

**ARTICLE 11**  
Dealings with Trustees and Officers

11.1 General. Any Trustee, officer or other agent of the Trust may acquire, own and dispose of shares of the Trust to the same extent as if he were not a Trustee, officer or agent; and the Trustees may accept subscriptions to shares or repurchase shares from any firm or company in which he is interested.

**ARTICLE 12**  
Shareholders

12.1 Meetings. A meeting of the shareholders of the Trust shall be held whenever called by the Trustees, whenever election of a Trustee or Trustees by shareholders is required by the provisions of Section 16(a) of the Investment Company Act of 1940 for that purpose or whenever otherwise required pursuant to the Declaration of Trust. Any meeting shall be held on such day and at such time as the President or the Trustees may fix in the notice of the meeting.

12.2 Record Dates. For the purpose of determining the shareholders who are entitled to vote or act at any meeting or any adjournment thereof, or who are entitled to receive payment of any dividend or of any other distribution, the Trustees may from time to time fix a time, which shall be not more than 120 days before the date of any meeting of shareholders or the date for the payment of any dividend or of any other distribution, as the record date for determining the shareholders having the right to notice of and to vote at such meeting and any adjournment thereof or the right to receive such dividend or distribution, and in such case only shareholders of record on such record date shall have such right, notwithstanding any transfer of shares on the books of the Trust after the record date; or without fixing such record date the Trustees may for any such purposes close the register or transfer books for all or any part of such period.

**ARTICLE 13**  
Amendments to the By-Laws

13.1 General. These By-Laws may be amended or repealed, in whole or in part, by a majority of the Trustees then in office at any meeting of the Trustees, or by one or more writings signed by such a majority.

INVESTMENT ADVISORY AGREEMENT  
between  
VERTICAL CAPITAL INCOME FUND  
and  
VERTICAL CAPITAL ASSET MANAGEMENT, LLC

AGREEMENT, made as of August 2, 2011, between VERTICAL CAPITAL INCOME FUND, a Delaware statutory trust (the "Trust"), and VERTICAL CAPITAL ASSET MANAGEMENT, LLC (the "Adviser") located at 7700 Irvine Center Drive, Suite 150, Irvine, California 92618.

RECITALS:

WHEREAS, the Trust is an closed-end management investment company and is registered as such under the Investment Company Act of 1940, as amended (the "Act");

WHEREAS, the Trust is authorized to issue shares of beneficial interest in separate series, each having its own investment objective or objectives, policies and limitations;

WHEREAS, the Trust offers shares in the series named on Appendix A hereto and made subject to this Agreement in accordance with Section 1.3, (being herein referred to as the "Fund");

WHEREAS, the Adviser is registered as an investment adviser under the Investment Advisers Act of 1940; and

WHEREAS, the Trust desires to retain the Adviser to render investment advisory services to the Trust with respect to the Fund in the manner and on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto agree as follows:

1. Services of the Adviser.

1.1 Investment Advisory Services. The Adviser shall act as the investment adviser to each Fund and, as such, shall (i) obtain and evaluate such information relating to the economy, industries, business, securities markets and securities as it may deem necessary or useful in discharging its responsibilities hereunder, (ii) formulate a continuing program for the investment of the assets of the Fund in a manner consistent with its investment objective(s), policies and restrictions, and (iii) determine from time to time securities to be purchased, sold, retained or lent by the Fund, and implement those decisions, including the selection of entities with or through which such purchases, sales or loans are to be effected; provided, that the Adviser will place orders pursuant to its investment determinations either directly with the issuer or with a broker or dealer, and if with a broker or dealer, (a) will attempt to obtain the best price and execution of its orders, and (b) may nevertheless in its discretion purchase and sell portfolio securities from and to brokers who provide the Adviser with research, analysis, advice and similar services and pay such brokers in return a higher commission than may be charged by other brokers.

The Trust hereby authorizes any entity or person associated with the Adviser or any sub-adviser retained by the Adviser pursuant to Section 9 of this Agreement, which is a member of a national securities exchange, to effect any transaction on the exchange for the account of the Trust which is permitted by Section 11(a) of the Securities Exchange Act of 1934 and Rule 11a2-2(T) thereunder, and the Trust hereby consents to the retention of compensation for such transactions in accordance with Rule 11a2-2(T)(a)(2)(iv).

The Adviser shall carry out its duties with respect to each Fund's investments in accordance with applicable law and the investment objectives, policies and restrictions set forth in each Fund's then-current Prospectus and Statement of Additional Information, and subject to such further limitations as the Trust may from time to time impose by written notice to the Adviser.

1.2 Administrative Services. The Trust has engaged the services of an administrator. The Adviser shall provide such additional administrative services as reasonably requested by the Board of Trustees or officers of the Trust; provided, that the Adviser shall not have any obligation to provide under this Agreement any direct or indirect services to Trust shareholders, any services related to the distribution of Trust shares, or any other services which are the subject of a separate agreement or arrangement between the Trust and the Adviser. Subject to the foregoing, in providing administrative services hereunder, the Adviser shall:

1.2.1 Office Space, Equipment and Facilities. Provide such office space, office equipment and office facilities as are adequate to fulfill the Adviser's obligations hereunder.

1.2.2 Personnel. Provide, without remuneration from or other cost to the Trust, the services of individuals competent to perform the administrative functions which are not performed by employees or other agents engaged by the Trust or by the Adviser acting in some other capacity pursuant to a separate agreement or arrangement with the Trust.

1.2.3 Agents. Assist the Trust in selecting and coordinating the activities of the other agents engaged by the Trust, including the Trust's shareholder servicing agent, custodian, administrator, independent auditors and legal counsel.

1.2.4 Trustees and Officers. Authorize and permit the Adviser's directors, officers and employees who may be elected or appointed as Trustees or officers of the Trust to serve in such capacities, without remuneration from or other cost to the Trust.

1.2.5 Books and Records. Assure that all financial, accounting and other records required to be maintained and preserved by the Adviser on behalf of the Trust are maintained and preserved by it in accordance with applicable laws and regulations.

1.2.6 Reports and Filings. Assist in the preparation of (but not pay for) all periodic reports by the Fund to its shareholders and all reports and filings required to maintain the registration and qualification of the Funds and Fund shares, or to meet other regulatory or tax requirements applicable to the Fund, under federal and state securities and tax laws.

1.3 Additional Series. In the event that the Trust establishes one or more series after the effectiveness of this Agreement ("Additional Series"), Appendix A to this Agreement may be amended to make such Additional Series subject to this Agreement upon the approval of the Board of Trustees of the Trust and the shareholder(s) of the Additional Series, in accordance with the provisions of the Act. The Trust or the Adviser may elect not to make any such series subject to this Agreement.

2. Expenses of the Funds.

2.1 Expenses to be Paid by Adviser. The Adviser shall pay all salaries, expenses and fees of the officers, Trustees and employees of the Trust who are officers, directors, members or employees of the Adviser.

In the event that the Adviser pays or assumes any expenses of the Trust not required to be paid or assumed by the Adviser under this Agreement, the Adviser shall not be obligated hereby to pay or assume the same or any similar expense in the future; provided, that nothing herein contained shall be deemed to relieve the Adviser of any obligation to the Funds under any separate agreement or arrangement between the parties.

2.2 Expenses to be Paid by the Fund. The Fund shall bear all expenses of its operations, except those specifically allocated to the Adviser under this Agreement or under any separate agreement between the Trust and the Adviser. Subject to any separate agreement or arrangement between the Trust and the Adviser, the expenses hereby allocated to the Fund, and not to the Adviser, include but are not limited to:

2.2.1 Custody. All charges of depositories, custodians, and other agents for the transfer, receipt, safekeeping, and servicing of the Fund's cash, securities, and other property.

2.2.2 Shareholder Servicing. All expenses of maintaining and servicing shareholder accounts, including but not limited to the charges of any shareholder servicing agent, dividend disbursing agent, transfer agent or other agent engaged by the Trust to service shareholder accounts.

2.2.3 Shareholder Reports. All expenses of preparing, setting in type, printing and distributing reports and other communications to shareholders.

2.2.4 Prospectuses. All expenses of preparing, converting to EDGAR format, filing with the Securities and Exchange Commission or other appropriate regulatory body, setting in type, printing and mailing annual or more frequent revisions of the Fund's Prospectus and Statement of Additional Information and any supplements thereto and of supplying them to shareholders.

2.2.5 Pricing and Portfolio Valuation. All expenses of computing the Fund's net asset value per share, including any equipment or services obtained for the purpose of pricing shares or valuing the Fund's investment portfolio.

2.2.6 Communications. All charges for equipment or services used for communications between the Adviser or the Trust and any custodian, shareholder servicing agent, portfolio accounting services agent, or other agent engaged by the Trust.

2.2.7 Legal and Accounting Fees. All charges for services and expenses of the Trust's legal counsel and independent accountants.

2.2.8 Trustees' Fees and Expenses. All compensation of Trustees other than those affiliated with the Adviser, all expenses incurred in connection with such unaffiliated Trustees' services as Trustees, and all other expenses of meetings of the Trustees and committees of the Trustees.

2.2.9 Shareholder Meetings. All expenses incidental to holding meetings of shareholders, including the printing of notices and proxy materials, and proxy solicitations therefor.

2.2.10 Federal Registration Fees. All fees and expenses of registering and maintaining the registration of the Fund under the Act and the registration of the Fund's shares under the Securities Act of 1933 (the "1933 Act"), including all fees and expenses incurred in connection with the preparation, converting to EDGAR format, setting in type, printing, and filing of any Registration Statement, Prospectus and Statement of Additional Information under the 1933 Act or the Act, and any amendments or supplements that may be made from time to time.

2.2.11 State Registration Fees. All fees and expenses of taking required action to permit the offer and sale of the Fund's shares under securities laws of various states or jurisdictions, and of registration and qualification of the Fund under all other laws applicable to the Trust or its business activities (including registering the Trust as a broker-dealer, or any officer of the Trust or any person as agent or salesperson of the Trust in any state).

2.2.12 Confirmations. All expenses incurred in connection with the issue and transfer of Fund shares, including the expenses of confirming all share transactions.

2.2.13 Bonding and Insurance. All expenses of bond, liability, and other insurance coverage required by law or regulation or deemed advisable by the Trustees of the Trust, including, without limitation, such bond, liability and other insurance expenses that may from time to time be allocated to the Fund in a manner approved by its Trustees.

2.2.14 Brokerage Commissions. All brokers' commissions and other charges incident to the purchase, sale or lending of the Fund's portfolio securities.

2.2.15 Taxes. All taxes or governmental fees payable by or with respect to the Fund to federal, state or other governmental agencies, domestic or foreign, including stamp or other transfer taxes.

2.2.16 Trade Association Fees. All fees, dues and other expenses incurred in connection with the Trust's membership in any trade association or other investment organization.

2.2.18 Compliance Fees. All charges for services and expenses of the Trust's Chief Compliance Officer.

2.2.19 Nonrecurring and Extraordinary Expenses. Such nonrecurring and extraordinary expenses as may arise including the costs of actions, suits, or proceedings to which the Trust is a party and the expenses the Trust may incur as a result of its legal obligation to provide indemnification to its officers, Trustees and agents.

### 3. Advisory Fee.

As compensation for all services rendered, facilities provided and expenses paid or assumed by the Adviser under this Agreement, each Fund shall pay the Adviser on the last day of each month, or as promptly as possible thereafter, a fee calculated by applying a monthly rate, based on an annual percentage rate, to the Fund's average daily net assets for the month. The annual percentage rate applicable to each Fund is set forth in Appendix A to this Agreement, as it may be amended from time to time in accordance with Section 1.3 of this Agreement. If this Agreement shall be effective for only a portion of a month with respect to a Fund, the aforesaid fee shall be prorated for the portion of such month during which this Agreement is in effect for the Fund.

### 4. Proxy Voting.

The Adviser will vote, or make arrangements to have voted, all proxies solicited by or with respect to the issuers of securities in which assets of a Fund may be invested from time to time. Such proxies will be voted in a manner that you deem, in good faith, to be in the best interest of the Fund and in accordance with your proxy voting policy. You agree to provide a copy of your proxy voting policy to the Trust prior to the execution of this Agreement, and any amendments thereto promptly.

### 5. Records.

5.1 Tax Treatment. Both the Adviser and the Trust shall maintain, or arrange for others to maintain, the books and records of the Trust in such a manner that treats each Fund as a separate entity for federal income tax purposes.

5.2 Ownership. All records required to be maintained and preserved by the Trust pursuant to the provisions or rules or regulations of the Securities and Exchange Commission under Section 31(a) of the Act and maintained and preserved by the Adviser on behalf of the Trust are the property of the Trust and shall be surrendered by the Adviser promptly on request by the Trust; provided, that the Adviser may at its own expense make and retain copies of any such records.

### 6. Reports to Adviser.

The Trust shall furnish or otherwise make available to the Adviser such copies of each Fund's Prospectus, Statement of Additional Information, financial statements, proxy statements, reports and other information relating to its business and affairs as the Adviser may, at any time or from time to time, reasonably require in order to discharge its obligations under this Agreement.

### 7. Reports to the Trust.

The Adviser shall prepare and furnish to the Trust such reports, statistical data and other information in such form and at such intervals as the Trust may reasonably request.

### 8. Code of Ethics.

The Adviser has adopted a written code of ethics complying with the requirements of Rule 17j-1 under the Act and will provide the Trust with a copy of the code and evidence of its adoption. Within 45 days of the last calendar quarter of each year while this Agreement is in effect, the Adviser will provide to the Board of Trustees of the Trust a written report that describes any issues arising under the code of ethics since the last report to the Board of Trustees, including, but not limited to, information about material violations of the code and sanctions imposed in response to the material violations; and which certifies that the Adviser has adopted procedures reasonably necessary to prevent "access persons" (as that term is defined in Rule 17j-1) from violating the code.

### 9. Retention of Sub-Adviser.

Subject to the Trust's obtaining the initial and periodic approvals required under Section 15 of the Act, the Adviser may retain one or more sub-advisers, at the Adviser's own cost and expense, for the purpose of managing the investments of the assets of one or more Funds of the Trust. Retention of one or more sub-advisers shall in no way reduce the responsibilities or obligations of the Adviser under this Agreement and the Adviser shall, subject to Section 11 of this Agreement, be responsible to the Trust for all acts or omissions of any sub-adviser in connection with the performance of the Adviser's duties hereunder.

### 10. Services to Other Clients.

Nothing herein contained shall limit the freedom of the Adviser or any affiliated person of the Adviser to render investment management and administrative services to other investment companies, to act as investment adviser or investment counselor to other persons, firms or corporations, or to engage in other business activities.

### 11. Limitation of Liability of Adviser and its Personnel.

Neither the Adviser nor any director, manager, officer or employee of the Adviser performing services for the Trust at the direction or request of the Adviser in connection with the Adviser's discharge of its obligations hereunder shall be liable for any error of judgment or mistake of law or for any loss suffered by the Trust in connection with any matter to which this Agreement relates, and the Adviser shall not be responsible for any action of the Trustees of the Trust in following or declining to follow any advice or recommendation of the Adviser or any sub-adviser

retained by the Adviser pursuant to Section 9 of this Agreement; PROVIDED, that nothing herein contained shall be construed (i) to protect the Adviser against any liability to the Trust or its shareholders to which the Adviser would otherwise be subject by reason of willful misfeasance, bad faith, or gross negligence in the performance of the Adviser's duties, or by reason of the Adviser's reckless disregard of its obligations and duties under this Agreement, or (ii) to protect any director, manager, officer or employee of the Adviser who is or was a Trustee or officer of the Trust against any liability of the Trust or its shareholders to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office with the Trust.

#### 12. Effect of Agreement.

Nothing herein contained shall be deemed to require to the Trust to take any action contrary to its Declaration of Trust or its By-Laws or any applicable law, regulation or order to which it is subject or by which it is bound, or to relieve or deprive the Trustees of the Trust of their responsibility for and control of the conduct of the business and affairs of the Trust.

#### 13. Term of Agreement.

The term of this Agreement shall begin as of the date and year upon which a Fund listed on Appendix A commences investment operations, and unless sooner terminated as hereinafter provided, this Agreement shall remain in effect for a period of two years. Thereafter, this Agreement shall continue in effect with respect to each Fund from year to year, subject to the termination provisions and all other terms and conditions hereof; PROVIDED, such continuance with respect to a Fund is approved at least annually by vote of the holders of a majority of the outstanding voting securities of the Fund or by the Trustees of the Trust; PROVIDED, that in either event such continuance is also approved annually by the vote, cast in person at a meeting called for the purpose of voting on such approval, of a majority of the Trustees of the Trust who are not parties to this Agreement or interested persons of either party hereto. The Adviser shall furnish to the Trust, promptly upon its request, such information as may reasonably be necessary to evaluate the terms of this Agreement or any extension, renewal or amendment thereof.

#### 14. Amendment or Assignment of Agreement.

Any amendment to this Agreement shall be in writing signed by the parties hereto; PROVIDED, that no such amendment shall be effective unless authorized (i) by resolution of the Trustees of the Trust, including the vote or written consent of a majority of the Trustees of the Trust who are not parties to this Agreement or interested persons of either party hereto, and (ii) by vote of a majority of the outstanding voting securities of the Fund affected by such amendment as required by applicable law. This Agreement shall terminate automatically and immediately in the event of its assignment.

#### 15. Termination of Agreement.

This Agreement may be terminated as to any Fund at any time by either party hereto, without the payment of any penalty, upon sixty (60) days' prior written notice to the other party; PROVIDED, that in the case of termination by any Fund, such action shall have been authorized (i) by resolution of the Trust's Board of Trustees, including the vote or written consent of Trustees of the Trust who are not parties to this Agreement or interested persons of either party hereto, or (ii) by vote of majority of the outstanding voting securities of the Fund.

#### 16. Use of Name.

The Trust is named the Vertical Capital Income Fund and the Fund may be identified, in part, by the name "Vertical."

#### 17. Declaration of Trust.

The Adviser is hereby expressly put on notice of the limitation of shareholder liability as set forth in the Trust's Declaration of Trust and agrees that the obligations assumed by the Trust or a Fund, as the case may be, pursuant to this Agreement shall be limited in all cases to the Trust or a Fund, as the case may be, and its assets, and the Adviser shall not seek satisfaction of any such obligation from the shareholders or any shareholder of the Trust. In addition, the Adviser shall not seek satisfaction of any such obligations from the Trustees or any individual Trustee. The Adviser understands that the rights and obligations of any Fund under the Declaration of Trust are separate and distinct from those of any and all other Funds. The Adviser further understands and agrees that no Fund of the Trust shall be liable for any claims against any other Fund of the Trust and that the Adviser must look solely to the assets of the pertinent Fund of the Trust for the enforcement or satisfaction of any claims against the Trust with respect to that Fund.

#### 18. Confidentiality.

The Adviser agrees to treat all records and other information relating to the Trust and the securities holdings of the Fund as confidential and shall not disclose any such records or information to any other person unless (i) the Board of Trustees of the Trust has approved the disclosure or (ii) such disclosure is compelled by law. In addition, the Adviser and the Adviser's officers, directors and employees are prohibited from receiving compensation or other consideration, for themselves or on behalf of the Fund, as a result of disclosing the Fund's portfolio holdings. The Adviser agrees that, consistent with the Adviser's Code of Ethics, neither the Adviser nor the Adviser's officers, directors, members or employees may engage in personal securities transactions based on nonpublic information about a Fund's portfolio holdings.

#### 19. This Agreement shall be governed and construed in accordance with the laws of the State of New York.

#### 20. Interpretation and Definition of Terms.

Any question of interpretation of any term or provision of this Agreement having a counterpart in or otherwise derived from a term or provision of the Act shall be resolved by reference to such term or provision of the Act and to interpretation thereof, if any, by the United States courts, or, in the absence of any controlling decision of any such court, by rules, regulations or orders of the Securities and Exchange Commission validly issued pursuant to the Act. Specifically, the terms "vote of a majority of the outstanding voting securities," "interested persons," "assignment" and "affiliated person," as used in this Agreement shall have the meanings assigned to them by Section 2(a) of the Act. In addition, when the effect of a requirement of the Act reflected in any provision of this Agreement is modified, interpreted or relaxed by a rule, regulation or order of the Securities and Exchange Commission, whether of special or of general application, such provision shall be deemed to incorporate the effect of such rule, regulation or order.

#### 21. Captions.

The captions in this Agreement are included for convenience of reference only and in no way define or delineate any of the provisions hereof or otherwise affect their construction or effect.

#### 22. Execution in Counterparts.

This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

[ Signature Page Follows ]



IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date and year first above written.

VERTICAL  
CAPITAL  
INCOME  
FUND

By: /s/A.  
Bayard Closser

Name: A. Bayard  
Closser

Title:  
President

Date: 8/2/11

VERTICAL CAPITAL ASSET MANAGEMENT, LLC

By: /s/Christopher R. Chase

Name: Christopher R. Chase

Title: President

Date: 8/2/11

VERTICAL CAPITAL INCOME FUND  
INVESTMENT ADVISORY AGREEMENT

**APPENDIX A**

<b>NAME OF FUND</b>	<b>ANNUAL ADVISORY FEE AS A % OF AVERAGE NET ASSETS OF THE FUND</b>
Vertical Capital Income Fund	1.25%

**UNDERWRITING AGREEMENT**

**Between**

**VERTICAL CAPITAL INCOME FUND**

**and**

**NORTHERN LIGHTS DISTRIBUTORS, LLC**

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**ATTACHED SCHEDULES**

- SCHEDULE A  
SCHEDULE B

# UNDERWRITING AGREEMENT

**THIS UNDERWRITING AGREEMENT** made the 2nd day of August 2011 by and between VERTICAL CAPITAL INCOME FUND, a Delaware statutory trust, having its principal office and place of business at 450 Wireless Boulevard, Hauppauge, NY 11788 (the "Trust"), and NORTHERN LIGHTS DISTRIBUTORS, LLC, a Nebraska limited liability company having its principal office and place of business at 4020 South 147<sup>th</sup> Street, Omaha, Nebraska 68137 ("NLD").

**WHEREAS**, the Trust is offering shares of beneficial interest (the "Shares") in separate investment portfolios as set forth on **Schedule A**, as may be amended from time to time (each a "Fund"), and each a series of the Trust; and

**WHEREAS**, the Trust is a closed-end management investment company registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940, as amended (the "1940 Act"); and

**WHEREAS**, NLD is registered under the Securities Exchange Act of 1934, as amended ("1934 Act"), as a broker-dealer and is engaged in the business of selling shares of registered investment companies either directly to purchasers or through other financial intermediaries; and

**WHEREAS**, the Trust desires that NLD offer, as principal underwriter, the Shares of the Funds to the public and NLD is willing to provide those services on the terms and conditions set forth in this Agreement in order to promote the growth of the Funds and facilitate the distribution of the Shares;

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements contained herein, the Trust and NLD hereby agree as follows:

## 1. APPOINTMENT OF NLD AND DELIVERY OF DOCUMENTS

(a) The Trust hereby appoints NLD, and NLD hereby agrees, to act as principal underwriter and distributor of the Shares of the Funds for the period and on the terms set forth in this Agreement. In connection therewith, the Funds have delivered to NLD current copies of:

- (i) the Trust's Agreement and Declaration of Trust and By-laws (the "Organizational Documents");
- (ii) the Trust's current Registration Statement;
- (iii) the Trust's notification of registration under the 1940 Act on Form N-8A as filed with the SEC;
- (iv) the Trust's current Prospectus and Statement of Additional Information (as currently in effect and as amended or supplemented, the "Prospectus");
- (v) any current plan of distribution or similar document adopted by the Funds under Rule 12b-1 under the 1940 Act ("Plan") and each current shareholder service plan or similar document adopted by the Trust ("Service Plan").

(a) The Trust shall promptly furnish NLD with:

- (i) all amendments of or supplements to the foregoing; and
- (ii) a copy of the resolution of the Board appointing NLD and authorizing the execution and delivery of this Agreement.

## 2. NATURE OF DUTIES

(a) NLD shall act as distributor of the Funds except that the rights given under this Agreement to NLD shall not apply to: (i) Shares issued in connection with the merger, consolidation or reorganization of any other investment company or series or class thereof with a Fund or class thereof; (ii) the Trust's acquisition by purchase or otherwise of all or substantially all of the assets or stock of any other investment company or series or class thereof; (iii) the reinvestment in Shares by the Funds' shareholders of dividends or other distributions; or (iv) any other offering by the Funds of securities to its shareholders (collectively "exempt transactions").

(b) Notwithstanding the foregoing, NLD is and may in the future distribute shares of other investment companies including investment companies having investment objectives similar to those of the Funds. The Funds further understand that existing and future investors in the Funds may invest in shares of such other investment companies. The Funds agree that the services that NLD provides to such other investment companies shall not be deemed in conflict with its duties to the Funds under this Agreement.

## 3. OFFERING OF SHARES

(a) NLD shall have the right to buy from the Funds the Shares needed to fill unconditional orders for Shares of the Funds placed with NLD by investors or selected dealers or selected agents (each as defined in Section 12 hereof) acting as agent for their customers' or on their own behalf. Alternatively, NLD may act as the Funds' agent, to offer, and to solicit offers to subscribe to, Shares of the Funds.

(b) The price that NLD shall pay for Shares purchased from the Funds shall be the NAV used in determining the Public Offering Price on which the orders are based. Shares purchased by NLD are to be resold by NLD to investors at the respective Public Offering Price(s), or to selected dealers or selected agents acting in accordance with the terms of selected dealer or selected agent agreements described in Section 12 of this Agreement. The Funds will advise NLD of the NAV(s) each time that it is determined by the Funds, or its designated agent, and at such other times as NLD may reasonably request.

(c) NLD will promptly forward all orders and subscriptions to the Funds or its designated agent. All orders and all subscriptions shall be directed to the Funds for acceptance and shall not be binding until accepted by the Funds. Any order or subscription may be rejected by the Funds; provided, however, that the Funds will not arbitrarily or without reasonable cause refuse to accept or confirm orders or subscriptions for the purchase of Shares. The Funds or its designated agent will confirm orders and subscriptions upon their receipt, will make appropriate book entries and, upon receipt by the Funds or its designated agent of payment therefore, will issue such Shares in uncertificated form pursuant to the instructions of NLD. NLD agrees to cause such payment and such instructions to be delivered promptly to the Funds or its designated agent.

(d) The Funds reserve the right to suspend the offering of Shares of the Funds at any time in the absolute discretion of the Board, and upon notice of such suspension NLD shall cease to offer Shares of the Funds specified in the notice.

(e) No Shares shall be offered by either NLD or the Funds under any of the provisions of this Agreement and no orders for the purchase or sale of Shares hereunder shall be accepted by the Funds if and so long as the effectiveness of the Registration Statement then in effect or any necessary amendments thereto shall be suspended under any of the provisions of the Securities Act, or if and so long as a current Prospectus, as required by Section 10(b) of the Securities Act, as amended, is not on file with the SEC; provided, however, that nothing contained in this paragraph shall in any way limit the Funds' obligation to repurchase Shares from any shareholder in accordance with the provisions of the Fund's Organizational Documents or the Prospectus applicable to the Shares.

## 4. LICENSED REPRESENTATIVES OF THE FUNDS.

At the request of the Trust, a Fund, a Fund's sponsor, adviser or affiliate, NLD may license certain designated employees as a "registered representative" and maintain their licensed status in accordance with FINRA rules and regulations including the following:

- (a) Filing Form U-4's and fingerprint submission and processing renewals and terminations
- (b) On-going compliance up-dates and training
- (c) Preparation of materials and training for compliance with FINRA continuing education requirements

- (d) Supervision of registered representatives

NLD reserves the right in its sole discretion of refuse to register or maintain the registration for any individual and otherwise impose any requirements, fees or limitations on licensed persons.

## 5. REPURCHASE OR REDEMPTION OF SHARES BY THE TRUST

(a) Any of the outstanding Shares of the Funds may be tendered for redemption at any time, and the Funds agree to redeem or repurchase the Shares so tendered in accordance with its obligations as set forth in the Organizational Documents and the Prospectus relating to the Shares.

(b) The Funds or its designated agent shall pay:

(i) the total amount of the redemption price consisting of the NAV less any applicable redemption fee to the redeeming shareholder or its agent, and

(ii) except as may be otherwise required by FINRA Rules, any applicable deferred sales charges to NLD in accordance with NLD's instructions on or before the fifth business day (or such other earlier business day as is customary in the investment company industry) subsequent to the Trust or its agent having received the notice of redemption in proper form.

(a) Redemption of Shares or payment therefore may be suspended at times when the New York Stock Exchange is closed for any reason other than its customary weekend or holiday closings, when trading thereon is restricted, when an emergency exists as a result of which disposal by the Funds of securities owned by the Funds is not reasonably practicable or it is not reasonably practicable for the Funds fairly to determine the value of the Funds' net assets, or during any other period when the SEC so requires or permits.

## 6. DUTIES AND REPRESENTATIONS OF NLD

(a) NLD shall use reasonable efforts to facilitate the sale of Shares of the Funds upon the terms and conditions contained herein and in the then current Prospectus. NLD shall devote reasonable time and effort to facilitate the distribution of Fund shares but shall not be obligated to sell any specific number of Shares. The services of NLD to the Funds hereunder are not to be deemed exclusive, and nothing herein contained shall prevent NLD from entering into like arrangements with other investment companies so long as the performance of its obligations hereunder is not impaired thereby.

(b) NLD will execute and deliver agreements with broker/dealers, financial institutions and other industry professionals based on forms of agreement approved from time to time by the Board with respect to shares of the Funds, including but not limited to forms of sales support agreements and shareholder servicing agreements approved in connection with any distribution and/or servicing plan approved in accordance with Rule 12b-1 under the 1940 Act.

(a) NLD shall be responsible for reviewing and providing advice and counsel on, and filing with the FINRA, all sales literature (e.g., advertisements, brochures and shareholder communications, including the Fund's website) with respect to the Funds. All costs associated with advertising filings shall be paid by the Funds. NLD will forward all FINRA comments on marketing materials to the Trust for incorporation into such materials and the sole responsibility for incorporation of such comments shall remain with the Trust; provided, however, that the Trust shall provide all factual content, opinion, and other content for such materials and NLD shall not be responsible for the accuracy of the content of such materials, when used thereafter by the Trust or any person authorized by the Trust to use such material; nor shall NLD be responsible for the filing or content of any such materials used by third parties without the authorization of NLD; and provided further that NLD shall not be responsible for filing any materials that fall within the definition of advertising and sales literature if such materials are not provided to NLD in a form suitable for filing in a timely manner. In addition, NLD will provide one or more persons, during normal business hours, to respond to telephone questions with respect to the Funds.

(b) NLD will forward all sales related complaints concerning the Funds to the Trust.

(c) NLD will provide assistance in the preparation of quarterly board materials with regard to sales and other distribution related data reasonably requested by the Board of the Funds.

(d) All activities by NLD and its agents and employees as distributor of Shares shall comply with all applicable laws, rules and regulations, including, without limitation, the 1940 Act, the Securities Act, the Securities Exchange Act, and the FINRA Rules, all rules and regulations made or adopted pursuant to the 1940 Act by the SEC or any securities association registered under the Securities Exchange Act.

(e) In selling Shares of the Funds, NLD shall use its best efforts in all material respects duly to conform with the requirements of all federal and state laws relating to the sale of the Shares. Neither NLD, any selected dealer, any selected agent nor any other person is authorized by the Funds to give any information or to make any representations other than as is contained in a Funds' Prospectus or any advertising materials or sales literature specifically approved in writing by the Funds or their agents.

(f) NLD shall adopt and follow procedures for the confirmation of sales to investors and selected dealers or selected agents, the collection of amounts payable by investors and selected dealers or selected agents on such sales, and the cancellation of unsettled transactions, as may be necessary to comply with the requirements of the FINRA.

(g) NLD represents and warrants to the Trust that:

(i) It is a limited liability company duly organized and existing and in good standing under the laws of the State of Nebraska and it is duly qualified to carry on its business in the State of Nebraska;

(ii) It is empowered under applicable laws and by its Articles of Organization to enter into and perform this Agreement;

(iii) All requisite actions have been taken to authorize it to enter into and perform this Agreement;

(iv) It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement;

(v) This Agreement, when executed and delivered, will constitute a legal, valid and binding obligation of NLD, enforceable against NLD in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors and secured parties; and

(vi) It is registered under the Securities Exchange Act with the SEC as a broker-dealer, it is a member in good standing of the FINRA, it will abide by the FINRA Rules, and it will notify the Funds if its membership in the FINRA is terminated or suspended.

(vii) Its selling agreements will require that selling agents comply with applicable anti-money laundering laws, regulations, rules and government guidance, including the reporting, record keeping and compliance requirements of the Bank Secrecy Act ("BSA"), as amended by The International Money Laundering Abatement and Financial Anti-Terrorism Act of 2002, Title III of the USA PATRIOT Act (the "PATRIOT Act"), its implementing regulations, and related SEC and SRO rules.

(a) Notwithstanding anything in this Agreement, including the Schedules, to the contrary, NLD makes no warranty or representation as to the number of selected dealers or selected agents with which it has entered into agreements in accordance with Section 12 hereof, as to the availability of any Shares to be sold through any selected dealer, selected agent or other intermediary or as to any other matter not specifically set forth herein.

## 7. DUTIES AND REPRESENTATIONS OF THE TRUST

(a) The Trust shall furnish to NLD copies of all financial statements and other documents to be delivered to shareholders or investors at least two (2) Fund Business Days prior to such delivery and shall furnish NLD copies of all other financial statements, documents and other papers or information which NLD may reasonably request for use in connection with the distribution of Shares. The Trust shall make available to NLD the number of copies of the Funds' Prospectuses as NLD shall reasonably request.

(b) The Trust shall take, from time to time, subject to the approval of the Board and any required approval of the shareholders of the Funds, all actions necessary to fix the number of authorized Shares (if such number is not unlimited) and to register the Shares under the Securities Act, to the end that there will be available for sale the number of Shares as reasonably may be expected to be sold pursuant to this Agreement.

(c) The Trust will execute any and all documents, furnish any and all information and otherwise take all actions that may be reasonably necessary to register or qualify Shares for sale in such states as NLD may designate to the Funds and the Funds may approve, and the Funds shall pay all fees and other expenses incurred in connection with such registration or qualification;

provided that NLD shall not be required to register as a broker-dealer or file a consent to service of process in any State and the Funds shall not be required to qualify as a foreign corporation, Fund or association in any State. Any registration or qualification may be withheld, terminated or withdrawn by the Funds at any time in its discretion. NLD shall furnish such information and other material relating to its affairs and activities as the Funds require in connection with such registration or qualification.

(d) The Trust represents and warrants to NLD that:

(i) It is a business trust duly organized and existing and in good standing under the laws of the state of Delaware;

(ii) It is empowered under applicable laws and by its Organizational Documents to enter into and perform this Agreement;

(iii) All proceedings required by the Organizational Documents have been taken to authorize it to enter into and perform its duties under this Agreement;

(iv) It is a closed-end management investment company registered with the SEC under the 1940 Act;

(v) All Shares, when issued, shall be validly issued, fully paid and non-assessable;

(vi) This Agreement, when executed and delivered, will constitute a legal, valid and binding obligation of the Trust, enforceable against the Trust in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors and secured parties;

(vii) The performance by the Trust of its obligations hereunder does not and will not contravene any provision of the Trust's Agreement and Declaration of Trust.

(viii) The Registration Statement is currently effective and will remain effective with respect to all Shares of the Funds being offered for sale;

(ix) The Registration Statement and Prospectus have been or will be, as the case may be, carefully prepared in conformity with the requirements of the Securities Act and the rules and regulations thereunder;

(x) The Registration Statement and Prospectus contain or will contain all statements required to be stated therein in accordance with the Securities Act and the rules and regulations thereunder; all statements of fact contained or to be contained in the Registration Statement or Prospectus are or will be true and correct at the time indicated or on the effective date as the case may be; and neither the Registration Statement nor any Prospectus, when they shall become effective or be authorized for use, will include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading to a purchaser of Shares;

(xi) It will from time to time file such amendment or amendments to the Registration Statement and Prospectus as, in the light of then-current and then-prospective developments, shall, in the opinion of its counsel, be necessary in order to have the Registration Statement and Prospectus at all times contain all material facts required to be stated therein or necessary to make any statements therein not misleading to a purchaser of Shares ("Required Amendments");

(xii) It shall not file any amendment to the Registration Statement or Prospectus without giving NLD reasonable advance notice thereof; provided, however, that nothing contained in this Agreement shall in any way limit the Funds' right to file at any time such amendments to the Registration Statement or Prospectus, of whatever character, as the Funds may deem advisable, such right being in all respects absolute and unconditional; and

(xiii) All Shares of the Fund are properly registered in the states as required by applicable state laws; and

(xiv) Any amendment to the Registration Statement or Prospectus hereafter filed will, when it becomes effective, contain all statements required to be stated therein in accordance with the 1940 Act and the rules and regulations thereunder; all statements of fact contained in the Registration Statement or Prospectus will, when it becomes effective, be true and correct at the time indicated or on the effective date as the case may be; and no such amendment, when it becomes effective, will include an untrue statement of a material fact or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading to a purchaser of the Shares.

(xv) In connection with any registered representatives maintained under this Agreement, the Trust agrees to cooperate with NLD and provide reports as necessary to maintain appropriate licensing and qualifications and report to NLD any complaints, arbitrations, litigation or any other material matter that may affect a registered representative's registration status.

(xvi) It has adopted necessary procedures to comply with the Bank Secrecy Act ("BSA"), as amended by The International Money Laundering Abatement and Financial Anti-Terrorism Act of 2002, Title III of the USA PATRIOT Act (the "PATRIOT Act"), its implementing regulations, and related SEC and SRO rules. Consistent with this requirement, the Trust shall ensure that the account opening forms utilized by the Funds contain the necessary customer information such as name, address, taxpayer identification and other information to verify the identity of such customers as well as provide proper notification to customers of such anti-money laundering program adopted by the Trust and/or its service providers.

(xvii) NLD may rely on and will be held harmless from relying on oral or written instructions it receives from an officer, agent, or legal counsel to the Trust.

## 8. INDEMNIFICATION OF NLD BY THE TRUST

(a) The Trust authorizes NLD and any dealers with whom NLD has entered into dealer agreements to use the latest Prospectus in the form furnished by the Trust in connection with the sale of Shares. The Trust agrees to indemnify, defend and hold NLD, its several officers and managers, and any person who controls NLD within the meaning of Section 15 of the Securities Act free and harmless from and against any and all claims, demands, liabilities and expenses (including the reasonable cost of investigating or defending such claims, demands or liabilities and any reasonable counsel fees incurred in connection therewith) which NLD, its officers and managers, or any such controlling persons, may incur under the Securities Act, the 1940 Act, or common law or otherwise, arising out of or based upon:

(i) any untrue statement, or alleged untrue statement, of a material fact required to be stated in either any Registration Statement or any Prospectus,

(ii) the breach of any representations, warranties or obligations set forth herein,

(iii) any omission, or alleged omission, to state a material fact required to be stated in any Registration Statement or any Prospectus or necessary to make the statements in any of them not misleading,

(iv) the Trust's failure to maintain an effective Registration statement and Prospectus with respect to Shares of the Funds that are the subject of the claim or demand,

(v) the Trust's failure to provide NLD with advertising or sales materials to be filed with the FINRA on a timely basis,

(vi) the Trust's failure to properly register Fund Shares under applicable state laws, or

(vii) actions taken by NLD resulting from NLD's reliance on instructions received from an officer, agent or legal counsel of the Trust.

(b) The Trust's agreement to indemnify NLD, its officers or managers, and any such controlling person will not be deemed to cover any such claim, demand, liability or expense to the extent that it arises out of or is based upon:

(i) any such untrue statement, alleged untrue statement, omission or alleged omission made in any Registration Statement or any Prospectus in reliance upon information furnished by NLD, its officers, managers or any such controlling person to the Fund or its representatives for use in the preparation thereof, or

(ii) willful misfeasance, bad faith or gross negligence in the performance of NLD's duties, or by reason of NLD's reckless disregard of its obligations and duties under this Agreement ("Disqualifying Conduct").

(c) The Trust's agreement to indemnify NLD, its officers and managers, and any such controlling person, as aforesaid, is expressly conditioned upon the Trust's being notified of any action brought against NLD, its officers or managers, or any such controlling person, such notification to be given by letter, by facsimile or by telegram addressed to the Funds at the address set forth above within a reasonable period of time after the summons or other first legal process shall have been served; provided, however, that the failure to notify the Trust of any such action shall not relieve the Trust from any liability which the Trust may have to the person against whom such action is brought by reason of any such untrue, or alleged untrue, statement or omission, or alleged omission, otherwise than on account of the Funds' indemnity agreement contained in this Section.

(d) The Trust will be entitled to assume the defense of any suit brought to enforce any such claim, demand or liability, but, in such case, such defense shall be conducted by counsel of good standing chosen by the Trust and approved by NLD, which approval shall not be unreasonably withheld. If the Trust elects to assume the defense of any such suit and retain counsel of good standing approved by NLD, the defendant or defendants in such suit shall bear the fees and expenses of any additional counsel retained by any of them; but in case the Trust does not elect to assume the defense of any such suit, the Trust will reimburse NLD, its officers and managers, or the controlling person or persons named as defendant or defendants in such suit, for the reasonable fees and expenses of any counsel retained by them.

(e) The Trust's indemnification agreement contained in this Section and the Funds' representations and warranties in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of NLD, its officers and managers, or any controlling person, and shall survive the delivery of any Shares. This agreement of indemnity will inure exclusively to NLD's benefit, to the benefit of its several officers and managers, and their respective estates, and to the benefit of any controlling persons and their successors. The Trust agrees promptly to notify NLD of the commencement of any litigation or proceedings against the Trust or any of its officers or Board members in connection with the issue and sale of Shares.

## 9. INDEMNIFICATION OF THE TRUST BY NLD

(a) NLD agrees to indemnify, defend and hold the Trust, its several officers and Board members, and any person who controls the Trust within the meaning of Section 15 of the Securities Act, free and harmless from and against any and all claims, demands, liabilities and expenses (including the reasonable cost of investigating or defending such claims, demands or liabilities and any reasonable counsel fees incurred in connection therewith) which the Trust, its officers or Board members, or any such controlling person, may incur under the Securities Act, the 1940 Act, or under common law or otherwise, but only to the extent that such liability or expense incurred by the Trust, its officers or Board members, or such controlling person results from such claims or demands:

(i) arising out of or based upon statements or representations made by NLD which are unauthorized by the Trust or its agents in any sales literature or advertisements or any Disqualifying Conduct by NLD in connection with the offering and sale of any Shares, or

(ii) arising out of or based upon any untrue, or alleged untrue, statement of a material fact contained in information furnished in writing by NLD to the Fund specifically for use in the Trust's Registration Statement and used in the answers to any of the items of the Registration Statement or in the corresponding statements made in the Prospectus, or shall arise out of or be based upon any omission, or alleged omission, to state a material fact in connection with such information furnished in writing by NLD to the Trust and required to be stated in such answers or necessary to make such information not misleading.

(b) NLD's agreement to indemnify the Trust, its officers and Trustees, and any such controlling person, as aforesaid, is expressly conditioned upon NLD's being notified of any action brought against the Trust, its officers or Trustees, or any such controlling person, such notification to be given by letter, by facsimile or by telegram addressed to NLD at its address set forth above within a reasonable period of time after the summons or other first legal process shall have been served.

(c) The failure to notify NLD of any such action shall not relieve NLD from any liability which it may have to the person against whom such action is brought by reason of any such untrue, or alleged untrue, statement or omission, or alleged omission, otherwise than on account of NLD's indemnity agreement contained in this Section.

(d) NLD will be entitled to assume the defense of any suit brought to enforce any such claim, demand or liability, but, in such case, such defense shall be conducted by counsel of good standing chosen by NLD and approved by the Trust, which approval shall not be unreasonably withheld. If NLD elects to assume the defense of any such suit and retain counsel of good standing approved by the Trust the defendant or defendants in such suit shall bear the fees and expenses of any additional counsel retained by any of them; but in the case NLD does not elect to assume the defense of any such suit, NLD will reimburse the Trust, the Trust's officers and directors, or the controlling person or persons named as defendant or defendants in such suit, for the reasonable fees and expenses of any counsel retained by the Trust or them.

NLD's indemnification agreement contained in this Section and NLD's representations and warranties in this Agreement shall remain operative and in full force and effect regardless of any investigation made by NLD or on behalf of NLD, its officers and managers, or any controlling person, and shall survive the delivery of any Shares. This agreement of indemnity will inure exclusively to the Funds' benefit, to the benefit of the Funds' officers and Trustees, and their respective estates, and to the benefit of any controlling persons and their successors. NLD agrees promptly to notify the Funds of the commencement of any litigation or proceedings against NLD or any of its officers or managers in connection with the issue and sale of Shares.

## 10. NOTIFICATION BY THE TRUST

(a) The Trust agrees to advise NLD as soon as reasonably practical:

(i) of any request by the SEC for amendments to the Registration Statement or any Prospectus then in effect;

(ii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or any Prospectus then in effect or of the initiation of any proceeding for that purpose;

(iii) of the happening of any event that makes untrue any statement of a material fact made in the Registration Statement or any Prospectus then in effect or which requires the making of a change in such Registration Statement or Prospectus in order to make the statements therein not misleading;

(iv) of all actions of the SEC with respect to any amendment to any Registration Statement or any Prospectus which may from time to time be filed with the SEC;

(v) if a current Prospectus is not on file with the SEC; and

(vi) of all advertising, sales materials and other communications with the public required to be filed with the FINRA. This obligation shall extend to all revisions of such communications.

For purposes of this section, informal requests by or acts of the Staff of the SEC shall not be deemed actions of or requests by the SEC.

## 11. COMPENSATION AND EXPENSES

(a) In consideration of NLD's services hereunder, the Fund agrees to pay, or cause the Fund's adviser to pay to NLD the fees set forth in **Schedule B**, attached hereto. The monthly Service Fee set forth on **Schedule B** may be offset by any fees and charges collected and retained by NLD, for the applicable month, as set forth below:

(i) any applicable sales charge assessed upon investors in connection with the purchase of Shares;

(ii) from the Fund, any applicable contingent deferred sales charge ("CDSC") assessed upon investors in connection with the redemption of Shares;

(iii) from the Fund, the distribution service fees with respect to the Shares of those classes as designated in **Schedule A** for which a Plan is effective (the "Distribution Fee"); and

(iv) from the Fund, the shareholder service fees with respect to the Shares of those Classes as designated in **Schedule A** for which a Service Plan is effective (the "Shareholder Service Fee").

(b) The Distribution Fee and Shareholder Service Fee, if any, shall be accrued daily by the Trust or class thereof and shall be paid monthly as promptly as possible after the last day of each calendar month, at the rate or in the amounts set forth in the Plan(s). The Trust grants and transfers to NLD a general lien and security interest in any and all securities and other assets of the Trust now or hereafter maintained in an account at the Trust's custodian on behalf of the Trust to secure any Distribution Fees, Shareholder Service Fees, or other fees owed NLD by the Trust under this Agreement. All fees set forth herein shall be due and payable upon receipt of invoice and shall be considered late if payment is not received by NLD within fifteen (15) days of the Fund's receipt of the invoice. Payments not received with fifteen (15) days may be assessed interest at the maximum amount permitted by law.

(c) The Trust shall be responsible and assumes the obligation for payment of all the expenses of the Trust, including fees and disbursements of its counsel and auditors, in connection with the preparation and filing of the Registration Statement and Prospectus (including but not limited to the expense of setting in type the Registration Statement and Prospectus and printing sufficient quantities for internal compliance, regulatory purposes and for distribution to current shareholders).

The Trust shall bear the cost and expenses (i) of the registration of the Shares for sale under the Securities Act; (ii) of the registration or qualification of the Shares for sale under the securities laws of the various States; (iii) if necessary or advisable in connection therewith, of qualifying the Funds, (but not NLD) as an issuer or as a broker or dealer, in such States as shall be selected by the Trust and NLD pursuant to Section 7(c) hereof; (iv) payable to each State for continuing registration or qualification therein until the Funds decide to discontinue registration or qualification



pursuant to Section 7(c) hereof; and (v) payable for standard transmission costs, including costs imposed by the National Securities Clearing Corporation. NLD shall pay all expenses relating to NLD's broker-dealer qualification.

## 12. SELECTED DEALER AND SELECTED AGENT AGREEMENTS

NLD shall have the right to enter into selected dealer agreements with securities dealers of its choice ("selected dealers") and selected agent agreements with depository institutions and other financial intermediaries of its choice ("selected agents") for the sale of Shares and to fix therein the portion of the sales charge, if any, that may be allocated to the selected dealers or selected agents; provided, that the Trust shall approve the forms of agreements with selected dealers or selected agents and shall review the compensation set forth therein. A form selling agreement for the Funds is attached hereto. Selected dealers and selected agents shall resell Shares of the Funds at the public offering price(s) set forth in the Prospectus relating to the Shares. Within the United States, NLD shall offer and sell Shares of the Funds only to selected dealers that are members in good standing of the FINRA.

## 13. CONFIDENTIALITY

NLD agrees to treat all records and other information related to the Trust as proprietary information of the Trust and, on behalf of itself and its employees, to keep confidential all such information, except that NLD may:

- (a) Prepare or assist in the preparation of periodic reports to shareholders and regulatory bodies such as the SEC;
- (b) provide information typically supplied in the investment company industry to companies that track or report price, performance or other information regarding investment companies; and
- (c) release such other information as approved in writing by the Fund, which approval shall not be unreasonably withheld;

NLD may release any information regarding the Trust without the consent of the Trust if NLD reasonably believes that it may be exposed to civil or criminal legal proceedings for failure to comply, when requested to release any information by duly constituted authorities or when so requested by the Trust. Each party agrees to comply with Regulation S-P under the Gramm-Leach-Bliley Act.

## 14. EFFECTIVENESS AND DURATION

(a) This Agreement shall become effective as of the date hereof and will continue for an initial two-year term and will continue thereafter so long as such continuance is specifically approved at least annually (i) by the Trust's Board or (ii) by a vote of a majority of the Shares of the Trust, provided that in either event its continuance also is approved by a majority of the Board members who are not "interested persons" of any party to this Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval.

(b) This Agreement is terminable, without penalty, on not less than sixty (60) days' notice, by the Board, by vote of a majority of the outstanding voting securities of such Trust, or by NLD.

(c) This Agreement will automatically and immediately terminate in the event of its "assignment."

(d) NLD agrees to notify the Trust immediately upon the event of NLD's expulsion or suspension by the FINRA. This Agreement will automatically and immediately terminate in the event of NLD's expulsion or suspension by the FINRA.

## 15. DISASTER RECOVERY

NLD shall maintain disaster recovery procedures in effect making reasonable provisions for the storage and retrieval of information maintained in NLD's possession.

## 16. DEFINITIONS

As used in this Agreement, the following terms shall have the meaning set forth below:

- (a) The "Board" means the Board of Trustees of the Trust.
- (b) "Fund Business Day" means any day on which the NAV of Shares of each Fund is determined as stated in the then current Prospectus.
- (c) "FINRA Rules" means the Constitution, By-Laws, and Rules of Fair Practice of the Financial Industry Regulatory Authority, Inc. ("FINRA") and any interpretations thereof.
- (d) "NAV" means the net asset value per Share of each Fund as determined by the Fund, or its designated agent, in accordance with and at the times indicated in the applicable Prospectus of the Fund on each Fund Business Day in accordance with the method set forth in the Prospectus and guidelines established by the Board.
- (e) "Public Offering Price" means the price per Share of the Fund at which NLD or selected dealers or selected agents may sell Shares to the public or to those persons eligible to invest in Shares as described in the Prospectus of the Funds, determined in accordance with such Prospectus under the Securities Act relating to such Shares.
- (f) "Prospectus" means the current prospectus and statement of additional information of the Fund, as currently in effect and as amended or supplemented.
- (g) "Registration Statement" means the Fund's Registration Statement on Form N-2 and all amendments thereto filed with the SEC.
- (h) "SEC" means the U.S. Securities and Exchange Commission.
- (i) "Securities Act" means the Securities Act of 1933, as amended.
- (j) "Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (k) "1940 Act" means the Investment Company Act of 1940, as amended.
- (l) The terms "majority of the outstanding voting securities," "interested person" and "assignment" shall have the same meanings as such terms have in the 1940 Act.

## 17. MISCELLANEOUS

(a) No provision of this Agreement may be amended or modified in any manner except by a written agreement properly authorized and executed by both parties.

(b) This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of Nebraska.

(c) This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject matter hereof whether oral or written.

(d) The parties may execute this Agreement or any number of counterparts, and all of the counterparts taken together shall be deemed to constitute one and the same instrument.

(e) If any part, term or provision of this Agreement is held to be illegal, in conflict with any law or otherwise invalid, the remaining portion or portions shall be considered severable and not be affected by such determination, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular part, term or provision held to be illegal or invalid.

(f) In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or damage reasonably beyond its control, or other causes reasonably beyond its control, such party shall not be liable for damages to the other party resulting from such failure to perform or otherwise from such causes.

(g) NLD shall not be liable for any consequential, incidental, exemplary, punitive, special or indirect damages, whether or not the likelihood of such damages was known by NLD or its affiliates.

(h) Any controversy or claim arising out of, or related to, this Agreement, its termination or the breach thereof, shall be settled by binding arbitration by three arbitrators (or by fewer arbitrator(s), if the parties subsequently agree to fewer) in the State of Nebraska, in accordance with the rules then obtaining of FINRA, and the arbitrators' decision shall be binding and final, and judgment upon the award rendered may be entered in any court having jurisdiction thereof.

(i) Section and paragraph headings in this Agreement are included for convenience only and are not to be used to construe or interpret this Agreement.

(j) All notices and other communications hereunder shall be in writing, shall be deemed to have been given when received, and shall be given to the following addresses (or such other addresses as to which notice is given):

**To the Trust:**

Vertical Capital Income Fund  
Attn: President  
450 Wireless Boulevard  
Hauppauge, NY 11788

**To NLD:**

Northern Lights Distributors, LLC  
Attn: President  
4020 South 147<sup>th</sup> Street  
Omaha, NE 68137

(k) Notwithstanding any other provision of this Agreement, the parties agree that the assets and liabilities of each Fund of the Trust are separate and distinct from the assets and liabilities of each other Fund and that no Fund shall be liable or shall be charged for any debt, obligation or liability of any other Fund, whether arising under this Agreement or otherwise.

(l) Each of the undersigned expressly warrants and represents that they have full power and authority to sign this Agreement on behalf of the party indicated and that their signature will bind the party indicated to the terms hereof.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed in their names and on their behalf by and through their duly authorized persons, as of the day and year first above written.

**VERTICAL CAPITAL INCOME FUND**

By: /s/A. Bayard Closser

Name: A. Bayard Closser

Title: President

**NORTHERN  
LIGHTS  
DISTRIBUTORS,  
LLC**

By: /s/Brian  
Nielsen

Brian Nielsen

President

UNDERWRITING AGREEMENT

Schedule A

<u>Fund Name</u>	<u>Adviser</u>	<u>Sub-Adviser</u>	<u>Approval Date</u>
Vertical Capital Income Fund	Vertical Capital Asset Management, LLC	N/A	8/2/2011

**UNDERWRITING AGREEMENT**  
**Schedule B**  
**Vertical Capital Income Fund**  
Fee Schedule  
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This Fee Schedule is part of the Underwriting Agreement dated August 2, 2011 by and between the Vertical Capital Income Fund and Northern Lights Distributors, LLC.

**Service Fees:**

Annual fee of **\$15,000 for the first Fund and \$5,000 for each additional Fund**

**PLUS:**

- **1 basis point or 0.01% per annum** of each Fund's average daily net assets up to \$250 million, and;
- **¾ basis point or 0.0075% per annum** of each Fund's average daily net assets between \$250 million and \$500 million, and;
- **½ basis point or 0.0050% per annum** of each Fund's average daily net assets between \$500 million and \$1 billion, and;
- **¼ basis point or 0.0025% per annum** of each Fund's average daily net assets over 1 billion.

The Fund shall also pay an additional fee to NLD calculated as 25% of any FINRA costs incurred (for example, if FINRA charged \$100 to perform advertising review, NLD would charge the Fund an additional \$25).

All service fees outlined above are payable monthly in arrears.

**Registered Representative Licensing:**

Annual fee of \$5,500 per Registered Representative plus all out-of-pocket costs such as registration expenses and travel expenses to conduct required training.

**Out-of-Pocket Expenses**

The Fund(s) shall pay all reasonable out-of-pocket expenses incurred by NLD in connection with activities performed for the Fund(s) hereunder including, without limitation:

- typesetting, printing and distribution of prospectuses and shareholder reports
- production, printing, distribution and placement of advertising and sales literature and materials
- engagement of designers, free-lance writers and public relations firms
- long-distance telephone lines, services and charges
- postage

**UNDERWRITING AGREEMENT**  
**Schedule B**  
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- overnight delivery charges
- FINRA and registration fees
- marketing expenses
- record retention fees
- travel, lodging and meals
- NSCC charges
- Fund platform fees and service fees
- website monitoring fees

In the event the fees authorized by the Fund for payment to NLD are insufficient to cover the fees due to NLD for its services provided hereunder, Vertical Capital Asset Management, LLC, the investment adviser to the Fund agrees to pay NLD the remaining balance of any fees due and payable to NLD according to this fee schedule within 15 days of request.

**IN WITNESS WHEREOF**, the parties hereto have executed this Schedule to the Underwriting Agreement effective as of August 2, 2011.

**VERTICAL CAPITAL INCOME FUND**

**NORTHERN LIGHTS DISTRIBUTORS, LLC**

By: By:

Name: Name:

Title: Title:

**The undersigned investment adviser hereby acknowledges and agrees to the terms of this Underwriting Agreement.**

**VERTICAL CAPITAL ASSET MANAGEMENT, LLC**

7700 Irvine Center Drive, Suite 150  
Irvine, CA 92618

By:

Name:

Title:

**SHAREHOLDER SERVICING PLAN  
UNDER THE INVESTMENT COMPANY ACT OF 1940**

This SHAREHOLDER SERVICING PLAN (the "Plan") is made as of August 2, 2011 by and between Vertical Capital Income Fund (the "Fund,"), and the distributor for the Fund, Northern Lights Distributors, LLC (the "DISTRIBUTOR").

WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a closed-end interval fund which offers for public sale a series of shares of beneficial interest (the "Shares"); and

WHEREAS, the Fund has entered into an Underwriting Agreement (the "Underwriting Agreement") with DISTRIBUTOR pursuant to which DISTRIBUTOR has agreed to serve as the distributor of the Shares of the Fund; and

WHEREAS, the Fund desires to adopt the Plan pursuant to which the Fund will pay a shareholder servicing fee to DISTRIBUTOR in connection with the servicing of the Shares of the Fund; and

WHEREAS, DISTRIBUTOR desires to serve as distributor of the Shares and to provide, or arrange for the provision of shareholder services pursuant to the Plan;

NOW THEREFORE, the parties agree as follows:

1. A. The Fund is authorized to pay to DISTRIBUTOR, as compensation for shareholder services and other services under this Plan, a shareholder servicing fee at the rate of 0.25% on an annualized basis of the average net assets attributable to the Fund. Such fees are to be paid by the Fund monthly, or at such other intervals as the Board of Trustees of the Fund (the "Board") shall determine. Such fees shall be based upon the applicable Fund's average daily net assets during the preceding month, and shall be calculated and accrued daily.

B. The Fund may pay fees to DISTRIBUTOR at a lesser rate than the fees specified in Section 1.A. of this Plan as agreed upon by the Board and DISTRIBUTOR and as approved in the manner specified in subsections (a) and (b) of Paragraph 3 of this Plan.

2. A. The Fund hereby authorizes DISTRIBUTOR to enter into Sub-Agreements with certain securities dealers or brokers, administrators and others ("Recipients") to provide compensation to such Recipients based on the net asset value of shares of the Fund held by clients or customers of that Recipient, for activities and services of the type referred to in Paragraph (B) of this Paragraph 2. DISTRIBUTOR may also make payments to the investment adviser of the Fund for reimbursement of marketing related expenses and/or compensation for administrative assistance.

B. DISTRIBUTOR shall provide, or arrange for Recipients with which DISTRIBUTOR has entered into Sub-Agreements to provide, shareholder services. The shareholder services shall include assistance in the offering and sale of shares of the Fund and in other aspects of the marketing of the shares to clients or prospective clients of the respective Recipients.

3. This Plan shall not take effect with respect to any Fund unless it has been approved, together with any related agreements, by a majority vote, cast in person at a meeting (or meetings) called for the purpose of voting on such approval, of: (a) the Board; and (b) those Trustees of the Fund who are not an "interested person" of the Fund and have no direct or indirect financial interest in the operation of this Plan or any agreements related thereto (the "Independent Trustees").

4. This Plan may continue in full force and effect with respect to a Fund for so long as such continuance is specifically approved at least annually in the manner provided for approval of this Plan in subsections (a) and (b) of paragraph 3.

5. DISTRIBUTOR shall provide to the Board and the Board shall review, at least quarterly, a written report of the amounts expended with respect to each Fund by DISTRIBUTOR under this Plan and the purposes for which such expenditures were made.

6. The Fund may terminate this Plan at any time, without the payment of any penalty, by vote of the Board, by vote of a majority of the Independent Trustees, or by vote of a majority of the outstanding voting securities of the affected Fund. DISTRIBUTOR may terminate this Plan with respect to any Fund, without payment of penalty, upon sixty (60) days' written notice to the affected Fund. Notwithstanding the foregoing, this Plan shall terminate automatically in the event of its assignment.

7. This Plan may not be amended to increase materially the amount of fees to be paid by the Fund unless such amendment is approved by a vote of a majority of the shares of the affected Fund, and no material amendment to the other provisions of this Plan shall be made unless approved in the manner provided for approval and annual renewal in subsections (a) and (b) of Paragraph 3 hereof.

8. The amount of shareholder servicing fees payable by the Fund to DISTRIBUTOR under this Plan and the amounts received by DISTRIBUTOR under the Underwriting Agreement may be greater or lesser than the expenses actually incurred by DISTRIBUTOR on behalf of the Fund in serving as Distributor of the Shares. The shareholder services fees with respect to the Fund will be payable by the Fund to DISTRIBUTOR until either this Plan or the Underwriting Agreement is terminated or not renewed with respect to the Shares of the Fund.

9. While this Plan is in effect, the selection and nomination of the Independent Trustees shall be made solely at the discretion of the Independent Trustees.

10. As used in this Plan, the terms "majority of the outstanding voting securities," "assignment" and "interested person" shall have the same meanings as those terms have in the 1940 Act.

11. The Fund shall preserve copies of this Plan (including any amendments thereto) and any related agreements and all reports made pursuant to Paragraph 5 hereof for a period of not less than six years from the date thereof, the first two years in an easily accessible place.

12. The Board and the shareholders of the Fund shall not be liable for any obligations of the Fund under this Plan, and DISTRIBUTOR or any other person, in asserting any rights or claims under this Plan, shall look only to the assets and property of the Fund in settlement of any such right or claim, and not to the Board or the shareholders.

IN WITNESS WHEREOF, the Fund and DISTRIBUTOR have executed this Shareholder Servicing Plan as of the date first set forth above.

**VERTICAL CAPITAL INCOME FUND**

Attest: \_\_\_\_\_ By:  
/s/A. Bayard Closser A.  
Bayard Closser  
President

**NORTHERN LIGHTS DISTRIBUTORS, LLC  
As Distributor**

Attest: \_\_\_\_\_ By:  
/s/Brian Nielsen Brian  
Nielsen  
President

## Northern Lights Distributors, LLC

4020 South 147<sup>th</sup> Street  
Omaha, Nebraska 68137

### Dealer's Agreement

Northern Lights Distributors, LLC ("Underwriter") invites you, as a selected dealer, to participate as principal in the distribution of shares (the "Shares") of Vertical Capital Income Fund (the "Fund"), of which it is the exclusive underwriter. Underwriter agrees to sell to you, subject to any limitations imposed by the Fund, Shares issued by the Fund and to promptly confirm each sale to you. All sales will be made according to the following terms:

1. All offerings and sales of any of the Shares by you must be made at the public offering price and on the conditions of offering set forth in the then current Prospectus of the Fund and to the terms and conditions herein set forth, and you agree to comply with all requirements applicable to you of all applicable laws, including federal and state securities laws, the rules and regulations of the Securities and Exchange Commission, and the Conduct Rules of the Financial Industry Regulatory Authority ("FINRA"). You will not offer the Shares for sale in any state or other jurisdiction where they are not qualified for sale under the Blue Sky Laws and regulations of such state or jurisdiction where you are not qualified to act as a dealer. Upon application to Underwriter, Underwriter will inform you as to the states or other jurisdictions in which Underwriter believes the Shares may legally be sold.
2. Sales of Shares by you to the public shall earn a commission amounting to a percentage of the applicable public offering price and which varies with the size and nature of each such purchase. The terms and conditions affecting the applicable public offering prices, including features such as rights of accumulation, letters of intention and net asset value purchases, are described in the current Prospectus. The schedule of commissions generally payable with respect to sales of Shares is stated below. Commission checks for less than \$10 will not be issued.  
  
The Underwriter may, from time to time, offer additional commissions or bonuses on sales of Shares made by you or your representatives without otherwise revising this Agreement. Any such additional commissions or bonuses shall take effect in accordance with the terms and conditions contained in written notification to you. If for any reason a purchase transaction is reversed, you shall not be entitled to receive or retain any part of any commission or bonus on such purchase and shall pay to Underwriter on demand in full the amount of such commission or bonus received by you in connection with such purchase. Underwriter may withhold and retain from the amount of any commission or bonus due you a sum sufficient to discharge any amount due and payable by you to Underwriter.
3. With Respect to all Class A share accounts for which you are designated as Dealer of Record, you will receive a service fee, payable quarterly, at the annual rate of .25% of the average balance of all such accounts during such quarter. You hereby authorize Underwriter to act as your agent in connection with all transactions in open accounts in which you are designated as Dealer of Record. All designations as Dealer of Record, and all authorizations of Underwriter to act as your Agent pursuant thereto, shall cease upon the termination of this Agreement or upon the investor's instructions to transfer his open account to another Dealer of Record.
4. Service fees will be paid to you at the address of your principal office, as indicated below in your acceptance of this Agreement.
5. Underwriter reserves the right to cancel this Agreement at any time without notice if any Shares shall be offered for sale by you at less than the then current public offering price determined by, or for, the Fund.
6. All orders are subject to acceptance or rejection by Underwriter in its sole discretion. The Underwriter reserves the right, in its discretion, without notice, to suspend sales or withdraw the offering of Shares entirely.
7. Payment of the amount due for Shares sold by you shall be made to the Fund and shall be received by its Transfer Agent within three (3) business days after the acceptance of your order or such shorter time as may be required by law. With respect to all Shares ordered by you for which payment has not been received, you hereby assign and pledge to Underwriter all of your right, title and interest in such Shares to secure payment therefor. You appoint Underwriter as your agent to execute and deliver all documents necessary to effectuate any of the transactions described in this paragraph. If such payment is not received within the required time period, Underwriter reserves the right, without notice, and at its option, forthwith (a) to cancel the sale, (b) to sell the Shares ordered by you back to the Fund, or (c) to assign your payment obligation, accompanied by all pledged Shares, to any person. You agree that Underwriter may hold you responsible for any loss, including loss of profit, suffered by the Fund, its Transfer Agent or Underwriter, resulting from your failure to make payment within the required time period.
8. As Dealer of Record, you are responsible for assessing breakpoint availability and disclosing any availability to your customers.
9. No person is authorized to make any representations concerning shares of the Fund except those contained in the current applicable Prospectus and Statement of Additional Information and in sales literature issued and furnished by Underwriter and in supplements to such Prospectus. Underwriter will furnish additional copies of the current Prospectus and Statement of Additional Information and such sales literature and other releases and information issued by Underwriter in reasonable quantities upon request.
10. Under this Agreement, you act as principal and are not employed by Underwriter as broker, agent or employee. You are not authorized to act for Underwriter or to make any representation on its behalf; and in purchasing or selling shares hereunder, you rely only upon the current Prospectus and Statement of Additional Information furnished to you by Underwriter from time to time and upon such written representations as may hereafter be made by Underwriter to you over its signature.
11. You appoint the transfer agent for the Fund as your agent to execute the purchase transactions of Shares in accordance with the terms and provisions of any account, program, plan or service established or used by your customers and to confirm such purchase to your customers on your behalf, and you guarantee the legal capacity of your customers purchasing such Shares and any co-owners of such Shares.
12. You will (a) maintain all records required by law relating to transactions in the Shares, and upon the request of Underwriter, or the request of the Fund, promptly make such records available to Underwriter or to the Fund as are requested, and (b) promptly notify Underwriter if you experience any difficulty in maintaining the records required in the foregoing clause in an accurate and complete manner. In addition, you will establish appropriate procedures and reporting forms and schedules, approved by Underwriter and by the Fund, to enable the parties hereto and the Fund to identify all accounts opened and maintained by your customers.
13. Each party hereto represents that it is presently, and, at all times during the term of this Agreement, will be, a member in good standing with FINRA and agrees to abide by all its Conduct Rules including, but not limited to, the following provisions:
  - (a) You shall not withhold placing customers' orders for any Shares so as to profit yourself as a result of such withholding. You shall not purchase any Shares from Underwriter other than for investment, except for the purpose of covering purchase orders already received.
  - (b) All conditional orders received by Underwriter must be at a specified definite price.
  - (c) Neither Underwriter, as exclusive underwriter for the Fund, nor you as principal, shall purchase any Shares from a record holder at a price lower than the public offering price based on the net asset value then quoted by, or for, the Fund. Nothing in this sub-paragraph shall prevent you from selling Shares for the account of a record holder to Underwriter or the Fund at the net asset value currently quoted by, or for, the Fund and charging the investor a fair commission for handling the transaction.
  - (d) You warrant on behalf of yourself and your registered representatives and employees that any purchase of Shares pursuant to the terms of the Prospectus of the Fund is for investment purposes only and not for purposes of resale. Shares so purchased may be resold only to the Fund.
14. Each party (as the "Indemnifying Party") shall indemnify, defend and hold harmless the other (including such party's parents, subsidiaries and affiliates and their respective directors, officers, employees, agents, stockholders, successors, assigns, subcontractors and sub-licensees, collectively the "Indemnified Party" from and against all claims, actions, demands, suits, judgments, losses, expenses, damages, and costs, including reasonable attorney's fees and settlement expenses that may arise in connection with or related to the Indemnifying Party's breach of this Agreement (including breach of any of its representations and warranties hereunder). Indemnification is contingent upon the Indemnifying Party (i) being notified promptly of such claim, suit or proceeding in writing by the Indemnified Party and (ii) having the right to control the defense or settlement of any such claim. The Indemnified Party shall have the right to participate in the defense at its own expense.
15. This Agreement will automatically terminate in the event of its assignment. Either party hereto may cancel this Agreement without penalty upon ten days' written notice. This Agreement may also be terminated at any time without penalty by the vote of a majority of the members of the Board of Directors of the Fund who are not "interested persons" (as such term is defined in the Investment Company Act of 1940) and who have no direct or indirect financial interest in the Fund's Distribution Expense Plan pursuant to Rule 12b-1 under the Investment Company Act of 1940 or any agreement relating to such Plan, including this Agreement, or by a vote of a majority of the outstanding voting securities of the Fund on ten days' written notice.
- 16.

All communications to Underwriter should be sent to Ladenburg Thalmann & Co. Inc., 520 Madison Avenue, 9<sup>th</sup> Floor, New York, NY 10022 Attn: Ladenburg Thalmann Asset Management or at such other address as Underwriter may designate in writing. Any notice to you shall be duly given if mailed or telegraphed to you at the address of your principal office, as indicated below in your acceptance of this agreement.

17. This Agreement supersedes any other agreement with you relating to the offer and sale of the shares, and relating to any other matter discussed herein.
18. This Agreement shall be binding (i) upon placing your first order with Underwriter for the purchase of Shares, or (ii) upon receipt by Underwriter in Lisle, Illinois of a counterpart of this Agreement duly accepted and signed by you, whichever shall occur first. This Agreement shall be construed in accordance with the substantive laws of the State of New York without regard to its conflict of law provisions. Any dispute arising out of this Agreement shall be settled by binding arbitration administered by FINRA Dispute Resolution in accordance with the rules of said organization. A judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

**19. Anti-Money Laundering Compliance Provision**

The parties acknowledge that they are financial institutions subject to the USA Patriot Act of 2001 and the Bank Secrecy Act (collectively, the "AML Acts"), which require among other things, that financial institutions adopt compliance programs to guard against money laundering. The parties further acknowledge that they are in compliance and will continue to comply with the AML Acts and applicable anti-money laundering rules of self regulatory organizations, including Rule 3011 of the NASD, in all relevant respects.

**20. GLB Privacy Provision:**

The purpose and intent of this provision is to comply with Regulation S-P as adopted and codified at 17 CFR pt. 248 ("Regulation S-P") as it applies to the business relationship between the parties.

The parties understand that they may have provided, and may in the future provide, to each other information about customers including, but not limited to, nonpublic information ("Customer Information") for the purpose of carrying out their business relationship.

Pursuant to Regulation S-P, the parties shall not disclose Customer Information to any other person or entity or use any Customer Information other than to carry out the purpose for which the Customer Information was provided, including any used under an exception set forth in section 248.14 and/or 248.15 of Regulation S-P, in the ordinary course of business.

The parties specifically agree to:

- (a) Limit access to Customer Information which is provided pursuant to the parties' business relationship to those employees who have a need to know such Customer Information in order to carry out the purpose of the parties' business relationship, except as allowed under an exception to Regulation S-P;
- (b) Safeguard and maintain the confidentiality and security of Customer Information, which is provided pursuant to the parties' business relationship; and
- (c) Use Customer Information obtained pursuant to the parties' business relationship only to carry out the purposes for which the Customer Information was provided, except as allowed under an exception to Regulation S-P.

21. The undersigned, executing this Agreement on behalf of Dealer, hereby warrants and represents that he is duly authorized to so execute this Agreement on behalf of Dealer.

If the foregoing is in accordance with your understanding of our agreement, please sign and return all copies of this Agreement to the Underwriter.

**ACCEPTED BY DEALER**

By: \_\_\_\_\_  
 Authorized Signature

**Northern Lights Distributors, LLC**

By: \_\_\_\_\_

Type or Print Name, Position

Date \_\_\_\_\_

\_\_\_\_\_  
 Dealer Name

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 Phone

\_\_\_\_\_  
 Date

**September 2011**

**A shares**

	Sales Load		Dealer
	Public Offering Price	Net amount invested	Reallowance as % of Public Offering Price
<u>Amount of Investment</u>	6.00%	6.38%	5.75%
Less than \$50,000	5.00%	5.26%	4.75%
\$50,000 but less than \$100,000	4.00%	4.17%	3.75%
\$100,000 but less than \$250,000	3.00%	3.09%	2.75%
\$250,000 but less than \$500,000	2.00%	1.01%	0.75%
\$500,000 but less than \$1,000,000	None	None	None



# CUSTODIAN AGREEMENT

## (FOREIGN AND DOMESTIC SECURITIES)

This Custodian Agreement is made by and between **VERTICAL CAPITAL INCOME FUND**, on behalf of each series listed on Schedule I, which may be amended from time to time ("Principal"), and **UNION BANK, N.A.** ("Custodian"). Principal desires that Custodian hold and administer on behalf of Principal certain Securities (as herein defined). Custodian is willing to do so on the terms and conditions set forth in this Agreement. Accordingly, Principal and Custodian agree as follows:

### **1. Definitions.** Certain terms used in this Agreement are defined as follows:

1.1 "Account" means, collectively, each account maintained by Custodian pursuant to Paragraph 3 of this Agreement.

1.2 "Act" means the Investment Company Act of 1940, and the rules and regulations thereunder, all as amended from time to time by the U.S. Securities and Exchange Commission ("SEC").

1.3 "Board" means the Board of Trustees or the Board of Directors of Principal.

1.4 "Eligible Foreign Custodian" ("Sub-Custodian", or collectively "Sub-Custodians") means an entity that is incorporated or organized under the laws of a country other than the United States and that is a Qualified Foreign Bank, as defined in §270.17f-5(a)(5) of the Rule, or a majority-owned direct or indirect subsidiary of a U.S. Bank or bank-holding company.

1.5 "Eligible Securities Depository", ("Depository", or collectively "Depositories") means a system for the central handling of securities as defined in §270.17f-7(b)(1) of the Act.

1.6 "Emerging Market" means each market so identified on Appendix A attached hereto.

1.7 "Foreign Market" means each market so identified on Appendix A attached hereto.

1.8 "Investment Manager" means an investment advisor or manager identified by Principal in a written notice to Custodian as having the authority to direct Custodian regarding the management, acquisition, or disposition of Securities.

1.9 "Monitoring System" means the policies and procedures established by Custodian to fulfill its duties to monitor the custody risks associated with maintaining securities with a Sub-Custodian or Depository on a continuing basis, pursuant to this Agreement.

1.10 "Rule" means collectively §270.17(f)-5 and §270.17(f)-7 of the Act, as amended from time to time.

1.11 "Securities" means domestic or foreign securities or both within the meaning of §2(a)(36) of the Act and regulations issued by the SEC under §270.17(f) of the Act, as amended, which are held by Custodian in the Account, and shall include cash of any currency or other property of Principal and all income and proceeds of sale of such securities or other property of Principal.

### **2. Representations**

2.1 Principal represents that with respect to any Account established by Principal to hold Securities, Principal is authorized to enter into this Agreement and to retain Custodian on the terms and conditions and for the purposes described herein.

2.2 Custodian represents that it (i) is organized under the laws of the United States and has its principal place of business in the United States; (ii) is a bank within the meaning of §202(a)(2) of the Investment Advisers Act of 1940 and §2(a)(5) of the Act, as amended; and (iii) has equity capital in excess of \$1 million.

**3. Establishment of Accounts.** Principal hereby establishes with Custodian, and may in the future establish, one or more Accounts in Principal's name. The Account shall consist of Securities delivered to and receipted for by Custodian or by any Sub-Custodian. Custodian, in its sole discretion, may reasonably refuse to accept any property now or hereafter delivered to it for inclusion in the Account. Principal shall be notified promptly of such refusal and any such property shall be immediately returned to Principal.

**4. Custody.** Subject to the terms of this Agreement, Custodian shall be responsible for the safekeeping and custody of the Securities. Custodian may (i) retain possession of all or any portion of the Securities, including possession in a foreign branch or other office of Custodian; or (ii) retain, in accordance with Paragraph 5 of this Agreement, one or more Sub-Custodians to hold all or any portion of the Securities. Custodian and any Sub-Custodian may, in accordance with Paragraph 5 of this Agreement, deposit definitive or book-entry Securities with one or more Depositories.

4.1 If Custodian retains possession of Securities, Custodian shall ensure the Securities are at all times properly identified as being held for the appropriate Account. Custodian shall segregate physically the Securities from other securities owned by Custodian. Custodian shall not be required to segregate physically the Securities from other securities or property held by Custodian for third parties as Custodian, but Custodian shall maintain adequate records showing the true ownership of the Securities.

4.2 If Custodian deposits Securities with a Sub-Custodian, Custodian shall maintain adequate records showing the identity and location of the Sub-Custodian, the Securities held by the Sub-Custodian, and each Account to which such Securities belong.

4.3 If Custodian or any Sub-Custodian deposits Securities with a Depository, Custodian shall maintain, or shall cause the Sub-Custodian to maintain, adequate records showing the identity and location of the Depository, the Securities held by the Depository, and each Account to which such Securities belong.

4.4 If Principal directs Custodian to deliver certificates or other physical evidence of ownership of Securities to any broker or other party, other than a Sub-Custodian or Depository employed by Custodian for purposes of maintaining the Account, Custodian's sole responsibility shall be to exercise care and diligence in effecting the delivery as instructed by Principal. Upon completion of the delivery, Custodian shall be discharged completely of any further liability or responsibility with respect to the safekeeping and custody of such Securities.

4.5 Custodian shall ensure that (i) the Securities will not be subject to any right, charge, security interest, lien, or claim of any kind in favor of Custodian or any Sub-Custodian except for Custodian's expenses relating to the Securities' safe custody or administration or, in the case of cash deposits, liens or rights in favor of the creditors of the Sub-Custodian arising under bankruptcy, insolvency, or similar laws, and (ii) the beneficial ownership of the Securities will be freely transferable without the payment of money or value other than for safe custody or administration.

4.6 Principal or its designee, shall have reasonable access upon reasonable notice during regular business hours to the books and records, or shall be given confirmation of the contents of the books and records, maintained by Custodian or any Sub-Custodian holding Securities hereunder to verify the accuracy of such books and records. Custodian shall notify Principal promptly of any applicable law or regulation in any country where Securities are held that would restrict such access or confirmation.

**5. Sub-Custodians and Depositories; Selection and Monitoring.** With Principal's advance approval, as provided in Subparagraph 5.5 of this Agreement, Custodian may from time to time select one or more Sub-Custodians and, subject to the provisions of Subparagraph 5.7, one or more Depositories, to hold Securities hereunder.

5.1 Custodian shall establish a relationship with each Sub-Custodian governed by a written contract providing for the reasonable care of Securities based on the standards specified in section §270.17(f)-5(c)(1) of the Rule, and including the provisions set forth in sections §270.17(f)-5(c)(2)(i)(A) through (F) of the Rule, or provisions which Custodian determines provide the same or greater protection of Principal's Securities.

5.2 In making its selection of each Sub-Custodian, Custodian shall consider whether the Securities will be subject to reasonable care, based on the standards applicable to custodians in the relevant market, including (i) the Sub-Custodian's practices, procedures, and internal controls, including, but not limited to, the physical protections available for certificated securities (if applicable), the method of keeping custodial records, and the security and data protection practices; (ii) the Sub-Custodian's financial strength, general reputation and standing in the country in which it is located, its ability to provide efficiently the

custodial services required, and the relative cost of such services; and, (iii) whether the Sub-Custodian has branch offices in the United States, or consents to service of process in the United States, in order to facilitate jurisdiction over and enforcement of judgments against it.

5.3 In making its selection of each Depository, Custodian shall exercise reasonable care, prudence, and diligence in evaluating the custody risks associated with maintaining Securities with each Depository under Custodian's custody arrangements with each Sub-Custodian or Depository.

5.4 Custodian shall give written notice to Principal of its intention to deposit Securities with a Sub-Custodian or, directly or through a Sub-Custodian, with a Depository. The notice shall identify the proposed Sub-Custodian or Depository and shall include reasonably available information relied on by Custodian in making the selection.

5.5 Within 30 days of its receipt of a notice from Custodian pursuant to Subparagraph 5.4 of this Agreement regarding Custodian's proposed selection of one or more Sub-Custodians or Depositories, Principal shall give written notice to Custodian of Principal's approval or disapproval of the proposed selection. If Principal has not responded within 30 days of receipt of Custodian's request for approval of a Sub-Custodian or Depository, Principal will be deemed to have approved the proposed selection. Principal hereby approves Custodian's selection and use of those Sub-Custodians and Depositories which are identified in Appendix A of this Agreement.

5.6 Custodian shall monitor under its Monitoring System the appropriateness of the continued custody or maintaining of Principal's Securities with each Sub-Custodian or Depository.

5.6.1 Custodian shall evaluate and determine at least annually the continued eligibility of each Sub-Custodian and Depository approved by Principal to act as such hereunder. In discharging this responsibility, Custodian shall (i) monitor on a continuing basis the day to day services and reports provided by each Sub-Custodian or Depository; (ii) at least annually, obtain and review the annual financial report published by each Sub-Custodian, and to the extent such reports are publicly available, each Depository, and other reports on each Sub-Custodian or Depository which Custodian may obtain from a reputable independent analyst; and, (iii) periodically as deemed appropriate, physically inspect the operations of each Sub-Custodian or Depository.

5.6.2 Custodian shall provide to the Board annually and at such other times as the Board may reasonably request based on the circumstances of the Principal's foreign custody arrangements, written reports notifying the Board of the placement of Securities of the Principal with a particular foreign Sub-Custodian within a Foreign Market or an Emerging Market and of any material change in the arrangements (including any material changes in any contracts governing such arrangements or any material changes in the established practices or procedures of Depositories) with respect to Securities of the Principal held by any Sub-Custodian.

#### 5.6.3

If Custodian determines that (i) any Sub-Custodian or Depository no longer satisfies the applicable requirements described in Subparagraph 1.4 (in the case of a Sub-Custodian) or Subparagraph 1.5 (in the case of a Depository) of this Agreement; or, (ii) any Sub-Custodian or Depository is otherwise no longer capable or qualified to perform the functions contemplated herein; or, (iii) any change in a contract with a Sub-Custodian or any change in established Depository or market practices or procedures shall cause a custody arrangement to no longer meet the requirements of the Rule, Custodian shall promptly give written notice thereof to Principal. The notice shall, in addition, either indicate Custodian's intention to transfer Securities held by the removed Sub-Custodian or Depository to another Sub-Custodian or Depository previously approved by Principal, or include a notice pursuant to Subparagraph 5.4 of this Agreement of Custodian's intention to deposit Securities with a new Sub-Custodian or Depository, in either instance such transfer of Securities to be effected as soon as reasonably practical.

5.7 Notwithstanding the foregoing sub-sections of this Paragraph 5, Custodian shall have no responsibility for the selection or monitoring of any Depository or Depository's agent ("Compulsory Depository") (i) the use of which is mandated by law or regulation; (ii) because securities cannot be withdrawn from a depository; or (iii) because maintaining securities outside the securities depository is not consistent with prevailing market practices in the relevant market, provided however, that Custodian shall notify Principal if Principal has directed a trade in a market containing a Compulsory Depository, so Principal and Advisor shall have an opportunity to determine the appropriateness of investing in such market.

5.8 Principal and Custodian agree that, for purposes of this Paragraph, Custodian's determination of appropriateness shall only include custody risk, and shall not include any evaluation of "country risk" or systemic risk associated with the investment or holding of assets in a particular country or market, including, but not limited to (i) the use of Compulsory Depositories, (ii) the country's or market's financial infrastructure, (iii) the country's or market's prevailing custody and settlement practices, (iv) risk of nationalization, expropriation or other governmental actions, (v) regulation of the banking or securities industries, (vi) currency controls, restrictions, devaluation or fluctuation, and (vii) country or market conditions which may affect the orderly execution of securities transactions or affect the value of the transactions. Principal and Custodian further agree that the evaluation of any such country and systemic risks shall be solely the responsibility of Principal and the Adviser.

**6. Registration.** Subject to any specific instructions from Principal, Custodian shall hold or cause to be held all Securities in the name of (i) Principal, or (ii) Custodian, or any Sub-Custodian or Depository approved by Principal pursuant to Paragraph 5 of this Agreement, or in the name of a nominee of any of them, as Custodian shall determine to be appropriate under the circumstances.

**7. Transactions.** Principal or any Investment Manager from time to time may instruct Custodian (which in turn shall be responsible for giving appropriate instructions to any Sub-Custodian or Depository) regarding the purchase or sale of Securities in accordance with this Paragraph 7:

7.1 Custodian shall effect and account for each Securities and currency sale on the date such transaction actually settles; provided, however, that Principal may in its sole discretion direct Custodian, in such manner as shall be acceptable to Custodian, to account for Securities and currency purchases and sales on contractual settlement date, regardless of whether settlement of such transactions actually occurs on contractual settlement date. Principal may, from time to time, direct Custodian to change the accounting method employed by Custodian in a written notice delivered to Custodian at least thirty (30) days prior to the date a change in accounting method shall become effective.

7.2 Custodian shall effect purchases by charging the Account with the amount necessary to make the purchase and effecting payment to the seller or broker for the securities or other property purchased. Custodian shall have no liability of any kind to any person, including Principal, except in the case of negligent or intentional tortious acts, or willful misconduct, if the Custodian effects payment on behalf of Principal, and the seller or broker fails to deliver the securities or other property purchased. Custodian shall exercise such ordinary care and diligence as would be employed by a reasonably prudent custodian and due diligence in examining and verifying the certificates or other indicia of ownership of the property purchased before accepting them.

7.3 Custodian shall effect sales by delivering certificates or other indicia of ownership of the Property, and, as instructed, shall receive cash for such sales. Custodian shall have no liability of any kind to any person, including Principal, if Custodian exercises due diligence and delivers such certificates or indicia of ownership and the purchaser or broker fails to effect payment.

7.4 If a purchase or sale is effected through a Depository, Custodian shall exercise such ordinary care and diligence as would be employed by a reasonably prudent custodian and due diligence in verifying proper consummation of the transaction by the Depository.

7.5 Principal or, where applicable, Investment Manager, is responsible for ensuring that Custodian receives timely instructions and/or funds to enable Custodian to effect settlement of any purchase or sale of Securities or Currency Transactions. If Custodian does not receive such timely instructions or funds, Custodian shall have no liability of any kind to any person, including Principal, for failing to effect settlement. However, Custodian shall use reasonable efforts to effect settlement as soon as possible after receipt of appropriate instructions. Principal shall be liable for interest compensation and/or principal amounts to Custodian and/or its counterparty for failure to deliver instructions or funds in a timely manner to effect settlements of foreign exchange funds movement.

7.6 At the direction of Principal or the Investment Manager, as the case may be, Custodian shall convert currency in the Account to other currencies through customary channels including, without limitation, Custodian or any of its affiliates, as shall be necessary to effect any transaction directed by Principal or the Investment Manager. Principal or the Investment Manager, as the case may be, acknowledges that (i) the foreign currency exchange department is a part of Custodian or one of its affiliates or subsidiaries; (ii) the Account is not obligated to effect foreign currency exchange with Custodian; (iii) Custodian will receive benefits for such foreign currency transactions which are in addition to the compensation which Custodian receives for administering the Account; and (iv) Custodian will make available the relevant data so that Principal or the Investment Manager, as the case may be, can determine that the foreign currency exchange transactions are as favorable to the Account as terms generally available in arm's length transactions between unrelated parties. Foreign currency exchange transactions will be performed in accordance with the Union Bank Foreign Exchange Agreement in the form of Exhibit "C" hereto and incorporated herein by reference and Principal hereby agrees and acknowledges all of the terms and conditions thereof. If the Principal or Investment Manager elects to give standing instructions to Custodian to execute foreign currency exchange transactions on their behalf, or in the event a foreign currency exchange transaction is initiated in the absence of the specific Foreign Exchange Agreement, such transaction will be performed at the Bank's prevailing rate, in accordance with the usual commercial terms of the custodian.

7.7 Custodian shall have no responsibility to manage or recommend investments of the Account or to initiate any purchase, sale, or other investment transaction in the absence of instructions from Principal or, where applicable, an Investment Manager.

**8. Market Transactions; Settlement Dates.** Custodian has identified certain Foreign Markets and certain Emerging Markets in Appendix A of this Agreement, which Custodian may amend in writing to Principal from time to time.

8.1 Principal agrees that all settlements of Securities transactions shall be transacted in accordance with the local laws, customs, market practices and procedures to which Sub-Custodians and Depositories are subject in each Foreign and Emerging Market.

8.2 Notwithstanding the foregoing Paragraph 7., Principal understands and agrees that settlement of Securities transactions is available only on an actual settlement date basis in certain Emerging Markets, which are identified in Appendix A, and as may be amended by Custodian in writing to Principal from time to time.

8.2.1 For Emerging Markets with actual settlement dates, cash of any currency deposited or delivered to the Account shall be available for use by Principal or Investment Manager only on the actual business day on which funds of good value are available to Sub-Custodian in the Account.

8.2.2 For Emerging Markets with actual settlement dates, Securities deposited or delivered to the Account shall be available for use by Principal or Investment Manager only on the actual business day on which such Securities are held in the nominee name or are otherwise subject to the control of, and in a form for good delivery by, the Sub-Custodian.

## **9. Overdraft and Indebtedness**

9.1 Advance Funds. If Custodian advances funds to or for the benefit of Account in connection with the settlement of securities or currency transactions or other activity in the Account including overdrafts incurred in connection with the settlement of securities transactions, maturity or income payments or funds transfers, Principal agrees to reimburse Custodian on demand the amount of the advance or overdraft and, provided such advances or overdrafts are not related to Custodian errors or omissions, all related fees as established in Custodian's published fee schedule, Principal will bear the risk from any currency valuation differences associated with Principals reimbursement obligations to Custodian.

9.2 Repayment. To the extent permissible by applicable law, in order to secure repayment of Account's obligations to Custodian hereunder, Principal hereby pledges and grants to Custodian a continuing lien and security interest in, and right of set-off against, all of Principal's right, title and interest in and to (a) all Accounts in Principal's name and the Securities, money and other property now or hereafter held in such Accounts (including proceeds thereof); (b) each Accounting in respect of which or for whose benefit the advance or overdraft relates and the Securities, money and other property now or hereafter held in such Accounts, including proceeds thereof. In this regard, Custodian shall be entitled to all the rights and remedies of a pledgee and secured creditor under applicable laws, rules or regulations as then in effect.

## **10. Capital Changes; Income.**

10.1 Custodian may, without further instructions from Principal or any Investment Manager, exchange temporary certificates and may surrender and exchange Securities for other securities in connection with any reorganization, recapitalization, or similar transaction in which the owner of the Securities is not given an option. Custodian has no responsibility to effect any such exchange unless it has received actual notice of the event permitting or requiring such exchange at its office designated in Paragraph 16 of this Agreement or at the office of its designated agents.

10.2 Custodian, or its designated agents, are authorized, as Principal's agent, to surrender against payment maturing obligations and obligations called for redemption, and to collect and receive payments of interest and principal, dividends, warrants, and other things of value in connection with Securities. Except as otherwise provided in Subparagraph 17.4 of this Agreement, Custodian or its designated agents shall not be obligated to enforce collection of any item by legal process or other means.

10.3 Custodian or its designated agents are authorized to sign for Principal all declarations, affidavits, certificates, or other documents that may be required to collect or receive payments or distributions with respect to Securities. Custodian or its designated agents are authorized to disclose, without further consent of Principal, Principal's identity to issuers of Securities, or the agents of such issuers, who may request such disclosure.

**11. Notices re Account Securities.** Custodian shall notify Principal or, where applicable, the Investment Manager, of any reorganization, recapitalization, or similar transaction not covered by Paragraph 9, and any subscription rights, proxies, and other shareholder information pertaining to the Securities actual notice of which is received by Custodian at its office designated in Paragraph 16 of this Agreement or at the offices of its designated agents. Custodian's sole responsibility in this regard shall be to give such notices to Principal or the Investment Manager, as the case may be, within a reasonable time after Custodian receives them, and Custodian shall not otherwise be responsible for the timeliness of such notices. Custodian has no responsibility to respond or otherwise act with respect to any such notice unless and until Custodian has received appropriate instructions from Principal or the Investment Manager.

**12. Taxes.** Custodian shall pay or cause to be paid from the Account all taxes and levies in the nature of taxes imposed on the Account or the Securities thereof by any country. Custodian will use its best efforts to give the Investment Manager advance written notice of the imposition of such taxes. However, Custodian shall use reasonable efforts to obtain refunds of taxes withheld on Securities or the income thereof that are available under applicable tax laws, treaties, and regulations.

**13. Cash.** Principal may from time to time, direct Custodian to hold Account cash in The HighMark<sup>SM</sup> Group of mutual funds or in any investment company for which Custodian or its affiliates or subsidiaries, acts as investment advisor or custodian, or provides other services. Principal shall designate the particular HighMark fund or such other above-mentioned fund that Principal deems appropriate for the Account. Principal or an Investment Manager, where applicable, acknowledges that Custodian will receive fees for such services which will be in addition to those fees charged by Custodian as agent for the Account.

**14. Reports.** Custodian shall give written reports to Principal showing (i) each transaction involving Securities effected by or reported to Custodian; (ii) the identity and location of Securities held by Custodian as of the date of the report; (iii) any transfer of location of Securities not otherwise reported; and (iv) such other information as shall be agreed upon by Principal and Custodian. Unless otherwise agreed upon by Principal and Custodian, Custodian shall provide the reports described in this Paragraph 14 on a monthly basis.

## **15. Instructions from Principal.**

15.1 Principal shall certify or cause to be certified to Custodian in writing the names and specimen signatures of all persons authorized to give instructions, notices, or other communications on behalf of Principal or any Investment Manager. Such certification shall remain effective until Custodian receives notice to the contrary.

15.2 Principal or authorized Investment Manager, as the case may be, may give instruction, notice, or other communication called for by this Agreement to Custodian in writing, or by telecopy, telex, telegram, or other form of electronic communication acceptable to Custodian. Unless otherwise expressly provided, all Instructions shall continue in full force and effect until canceled or superseded. Principal or Investment Manager may give and Custodian may accept oral instructions on an exception basis; provided, however, that Principal or Investment Manager shall promptly confirm any oral communications in writing or by telecopy or other means permitted hereunder. Principal will hold Custodian harmless for the failure of Principal or Investment Manager to send confirmation in writing, the failure of such confirmation to conform to the telephone instructions received or Custodian's failure to produce such confirmation at any subsequent time. Custodian may electronically record any instruction given by telephone, and any other telephone discussions with respect to the Custody Account.

15.3 All such communications shall be deemed effective upon receipt by Custodian at its address specified in Paragraph 16 of this Agreement, as amended from time to time. Custodian without liability may rely upon and act in accordance with any instruction that Custodian using ordinary care believes has been given by Principal or an Investment Manager.

15.4 Custodian may at any time request instructions from Principal and may await such instructions without incurring liability. Custodian has no obligation to act in the absence of such requested instructions, but may, however, without liability take such action as it deems appropriate to carry out the purposes of this Agreement.

**16. Addresses.** Until further notice from either party, all communications called for under this Agreement shall be addressed as follows:

If to Principal:

VERTICAL CAPITAL INCOME FUND  
Attn: James Ash

450 Wireless Blvd.  
Hauppauge, NY 11788  
Telephone: (631) 470-2619  
Facsimile: (631) 470-2702

If to Custodian:

UNION BANK, NATIONAL ASSOCIATION  
Institutional Trust & Custody  
Attn: Ms. Moon Shil Lee, Senior Vice President  
350 California Street, 6<sup>th</sup> Floor  
San Francisco, California 94104

Telephone: (415) 705-7211  
Facsimile: (415) 705-7339

**17. Custodian's Responsibilities and Liabilities:**

17.1 Custodian's duties and responsibilities shall be limited to those expressly set forth in this Agreement, or as otherwise agreed by Custodian in writing. In carrying out its responsibilities, Custodian shall exercise no less than the same degree of care and diligence it usually exercises with respect to similar property of its own.

17.2 Custodian (i) shall not be required to maintain any special insurance for the benefit of Principal, and (ii) shall not be liable or responsible for any loss, damage, expense, failure to perform or delay caused by accidents, strikes, fire, flood, war, riot, electrical or mechanical or communication line or facility failures, acts of third parties (including without limitation any messenger, telephone or delivery service), acts of God, war, government action, civil commotion, fire, earthquake, or other casualty or disaster or any other cause or causes which are beyond Custodian's reasonable control. However, Custodian shall use reasonable efforts to replace Securities lost or damaged due to such causes with securities of the same class and issue with all rights and privileges pertaining thereto. Custodian shall be liable to Principal for any loss which shall occur as the result of the failure of a Sub-Custodian to exercise reasonable care with respect to the safekeeping of assets to the same extent that Custodian would be liable to Principal if Custodian were holding such securities and cash in its own premises. In all cases, Custodian's liability for any act or failure to act under this Agreement shall be limited to the resulting direct loss, if any, of Principal. Under no circumstances shall Custodian be liable for any consequential, indirect, punitive, or special damage which Principal may incur or suffer in connection with this Agreement.

17.3 The parties intend that Custodian shall not be considered a fiduciary of the Account. Accordingly, Custodian shall have no power to make decisions regarding any policy, interpretation, practice, or procedure with respect to the Account, but shall perform the ministerial and administrative functions described in this Agreement as provided herein and within the framework of policies, interpretations, rules, practices, and procedures made by Principal or an Investment Manager, where applicable, as the same shall be reflected in instructions to Custodian from Principal or any Investment Manager.

17.4 Custodian shall not be required to appear in or defend any legal proceedings with respect to the Account or the Securities unless Custodian has been indemnified to its reasonable satisfaction against loss and expense (including reasonable attorneys' fees).

17.5 With respect to legal proceedings referred to in Subparagraph 17.4 of this agreement, Custodian may consult with counsel acceptable to it after written notification to Principal concerning its duties and responsibilities under this Agreement, and shall not be liable for any action taken or not taken in good faith on the advice of such counsel.

**18. Indemnities.**

18.1 Principal hereby agrees to indemnify Custodian against all liability, claims, demands, damages, losses, and costs, including reasonable attorneys' fees and expenses of legal proceedings, resulting from Custodian's compliance with instructions from Principal or any Investment Manager and the terms of this Agreement, except where Custodian has acted with negligence or willful misconduct.

18.2 Custodian's right to indemnity under Subparagraph 18.1 of this Agreement shall survive the termination of this Agreement.

**19. Compensation; Expenses.** Principal shall reimburse Custodian for all reasonable out-of-pocket expenses and processing costs incurred by Custodian in the administration of the Account including, without limitation, reasonable counsel fees incurred by Custodian pursuant to Subparagraph 17.5 of this Agreement.

Principal also shall pay Custodian reasonable compensation for its services hereunder as specified in Appendix B. Custodian shall be entitled to withdraw such expenses or compensation from the Account if Principal fails to pay the same to Custodian within 45 days after Custodian has sent an appropriate billing to Principal; provided, however, that Custodian will give Principal ten (10) days prior written notice before withdrawing such funds.

**20. Amendment; Termination.** This Agreement may be amended at any time by a written instrument signed by the parties. Either party may terminate this Agreement and the Account upon 90 days' written notice to the other unless the parties agree on a different time period. Upon such termination, Custodian shall deliver or cause to be delivered the Securities, less any amounts due and owing to Custodian under this Agreement, to a successor custodian designated by Principal or, if a successor custodian has not accepted an appointment by the effective date of termination of the Account, to Principal. Upon completion of such delivery Custodian shall be discharged of any further liability or responsibility with respect to the Securities so delivered.

**21. Successors.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors in interest. Without consent of the parties, this agreement cannot be assigned to any third party.

**22. Governing Law.** The validity, construction, and administration of this Agreement shall be governed by the applicable laws of the United States from time to time in force and effect and, to the extent not preempted by such laws of the United States, by the laws of the State of California from time to time in force and effect. Any action or proceeding to enforce, interpret or adjudicate the rights and responsibilities of the parties hereunder shall be commenced in the State or Federal courts located in the State of California.

**23. Effective Date.** This Agreement shall be effective as of the date appearing below, and shall supersede any prior or existing agreements between the parties pertaining to the subject matter hereof.

Date: September 1, 2011

**By: VERTICAL CAPITAL INCOME FUND, "Principal"**

Authorized Signature: /s/James Ash  
Name & Title: James Ash, Secretary  
Date: September 1, 2011

**By: Union Bank, National Association, "Custodian"**

Authorized Signature: /s/John Kramon  
Name & Title: John Kramon, Vice President  
Date: September 2, 2011

Authorized Signature: /s/Margaret Bond  
Name & Title: Margaret Bond, Vice President  
Date: September 2, 2011



SCHEDULE I  
TO THE  
CUSTODIAN AGREEMENT  
BETWEEN  
VERTICAL CAPITAL INCOME FUND  
AND  
UNION BANK, N.A.

**Name of Fund:**

VERTICAL CAPITAL INCOME FUND

**Board Approval Date:**

September 1, 2011

**By: VERTICAL CAPITAL INCOME FUND, "Principal"**

Authorized Signature: /s/James Ash

Name & Title: James Ash, Secretary

Date: September 1, 2011

**By: Union Bank, National Association, "Custodian"**

Authorized Signature: /s/John Kramon

Name & Title: John Kramon, Vice President

Date: September 2, 2011

**Appendix A and Exhibit C  
TO THE  
CUSTODIAN AGREEMENT  
BETWEEN  
VERTICAL CAPITAL INCOME FUND  
AND  
UNION BANK, N.A.**

**not applicable**

**Appendix B  
TO THE  
CUSTODIAN AGREEMENT  
BETWEEN  
VERTICAL CAPITAL INCOME FUND  
AND  
UNION BANK, N.A.**

**see attachment**

**Name of Fund:** VERTICAL CAPITAL INCOME FUND  
**Board Approval** September 1, 2011  
**Date:**

**By: VERTICAL CAPITAL INCOME FUND, "Principal"**

Authorized Signature: /s/James Ash  
Name & Title: James Ash, Secretary  
Date: September 1, 2011

**By: Union Bank, National Association, "Custodian"**

Authorized Signature: /s/John Kramon  
Name & Title: John Kramon, Vice President  
Date: September 2, 2011



**FUND SERVICES AGREEMENT**

**between**

**VERTICAL CAPITAL INCOME FUND**

**and**



1. APPOINTMENT AND DELIVERY OF DOCUMENTS
2. DUTIES OF GFS
3. FEES AND EXPENSES
4. STANDARD OF CARE, INDEMNIFICATION AND RELIANCE
5. LIMITATION OF SHAREHOLDER AND TRUSTEE LIABILITY
6. EXPENSES ASSUMED BY THE TRUST
7. REPRESENTATIONS AND WARRANTIES
8. CONFIDENTIALITY
9. PROPRIETARY INFORMATION
10. ADDITIONAL FUNDS AND CLASSES
11. ASSIGNMENT AND SUBCONTRACTING
12. EFFECTIVE DATE, TERM AND TERMINATION
13. LIAISON WITH ACCOUNTANTS/ATTORNEYS
14. MISCELLANEOUS

APPENDIX I

APPENDIX II

APPENDIX III

APPENDIX IV

## FUND SERVICES AGREEMENT

**THIS FUND SERVICES AGREEMENT** (the "Agreement") made as of the 2nd day of August, 2011, by and between VERTICAL CAPITAL INCOME FUND, a Delaware statutory trust having its principal office and place of business at 450 Wireless Blvd., Hauppauge, New York 11788 (the "Trust") and GEMINI FUND SERVICES, LLC, a Nebraska limited liability company having its principal office and place of business at 4020 South 147<sup>th</sup> Street, Omaha, Nebraska 68137 ("GFS"). This Agreement replaces and supersedes all prior understandings and agreements between the parties hereto for the services described below.

**WHEREAS**, the Trust is a closed-end management investment company registered with the United States Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, as amended ("1940 Act"); and

**WHEREAS**, the Trust is authorized to issue shares ("Shares") in separate series, with each such series representing interests in a separate portfolio of securities and other assets; and

**WHEREAS**, the Trust offers shares in the series as set forth on **Appendix IV** attached hereto (each such series, together with all other series subsequently established by the Trust and made subject to this Agreement in accordance with **Section 10**, being herein referred to as a "Fund," and collectively as the "Funds"); and

**WHEREAS**, the Trust desires that GFS perform the services selected on **Appendix IV** (collectively the "Services") for the Funds and GFS is willing to provide those services on the terms and conditions set forth in this Agreement;

**NOW THEREFORE**, in consideration of the promises and mutual covenants contained herein, the Trust and GFS hereby agree as follows:

### 1. APPOINTMENT AND DELIVERY OF DOCUMENTS

- (a) The Trust, on behalf of each Fund listed in **Appendix IV** attached hereto, hereby appoints GFS to provide the Services to the Trust as selected in **Appendix IV** attached hereto, for the period and on the terms set forth in this Agreement. GFS accepts such appointment and agrees to furnish the services herein set forth in return for the compensation as provided in **Section 3** and **Appendix IV** of this Agreement. A description of all the services offered by GFS is set forth on **Appendices I – III**.
- (b) In connection therewith the Trust has delivered to GFS copies of:
  - (i) the Trust's Agreement, Declaration of Trust and Bylaws (collectively, the "Organizational Documents");
  - (ii) the Trust's Registration Statement on Form N-2 and all amendments thereto filed with the SEC pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the 1940 Act (the "Registration Statement");
  - (iii) the Trust's notification of registration under the 1940 Act on Form N-8A as filed with the SEC;
  - (iv) the Trust's current Prospectus and Statement of Additional Information for each Fund (collectively, as currently in effect and as amended or supplemented, the "Prospectus");
  - (v) each Fund's current plan of distribution adopted by the Trust under Rule 12b-1 under the 1940 Act (the "Plan");
  - (vi) each Fund's investment advisory agreement;
  - (vii) each Fund's underwriting agreement;
  - (viii) contact information for each Fund's service providers, including but not limited to, the Fund's administrator, custodian, transfer agent, independent auditors, legal counsel, underwriter and chief compliance officer; and
  - (ix) procedures adopted by the Trust in accordance with Rule 17a-7 under the 1940 Act with respect to affiliated transactions.
- (c) The Trust shall promptly furnish GFS with all amendments of or supplements to the items listed in **Section 1(b)** above, and shall deliver to GFS a copy of the resolution of the Board of Trustees of the Trust (the "Board") appointing GFS and authorizing the execution and delivery of this Agreement.

### 2. DUTIES OF GFS

GFS's duties with respect to Fund Accounting, Fund Administration and Transfer Agency services are detailed in **Appendices I, II and III** to this Agreement.

- (a) In order for GFS to perform the Services, the Trust (i) shall cause all service providers to the Funds of the Trust to furnish any and all information to GFS, and assist GFS as may be required and (ii) shall ensure that GFS has access to all records and documents maintained by the Trust or any service provider to the Trust or a Fund of the Trust.
- (b) GFS shall, for all purposes herein, be deemed to be an independent contractor and shall, unless otherwise expressly provided or authorized, have no authority to act for or represent the Trust in any way or otherwise be deemed an agent of the Trust.
- (c) Whenever, in the course of performing its duties under this Agreement, GFS determines, on the basis of information supplied to GFS by the Trust, that a violation of applicable law has occurred, or that, to its knowledge, a possible violation of applicable law may have occurred, or with the passage of time could occur, GFS shall promptly notify the Trust and its legal counsel of such violation.

### 3. FEES AND EXPENSES

- (a) *Fees.* As compensation for the Services provided by GFS to the Trust pursuant to this Agreement, the Trust, on behalf of each Fund, agrees to pay GFS the fees set forth in **Appendix IV** attached hereto. Fees will begin to accrue for each Fund on the latter of the date of this Agreement or the date GFS begins providing services to a Fund. For the purpose of determining fees calculated as a function of a Fund's assets, the value of the Fund's assets and net assets shall be computed as required by its currently effective Prospectus, generally accepted accounting principles, and resolutions of the Board. GFS will render, after the close of each month in which services have been furnished, a statement reflecting all of the charges for such month. Services provided for partial months shall be subject to pro ration.
- (b) *Expenses.* GFS will bear its own expenses, in connection with the performance of the Services under this Agreement, except as provided herein or as agreed to by the parties. In addition to the fees paid under **Section 3(a)**, the Trust agrees to reimburse GFS for all reasonable out-of-pocket expenses or advances incurred by GFS to perform the Services or otherwise incurred by GFS at the request or with the consent of the Trust .. For reports, analyses and services requested in writing by the Trust and provided by GFS, not in the ordinary course, GFS shall charge hourly fees specified in **Appendix IV** attached hereto.
- (c) *Fee Changes.* On each anniversary date of this Agreement (determined from the date each Fund commences operations under this Agreement, the base and/or minimum fees enumerated in **Appendix IV** attached hereto, may be increased by the change in the Consumer Price Index for the Northeast region (the "CPI") for the twelve-month period ending with the month preceding such annual anniversary date. Any CPI increases not charged in any given year may be included in prospective CPI fee increases in future years. GFS Agrees to provide the Board prior written notice of any CPI increase.
- (d) *Due Date.* All fees contemplated under **Section 3(a)** above and reimbursement for all expenses contemplated under **Section 3(b)** above are due and payable within ten (10) days of receipt of an invoice provided by GFS. Any fees or reimbursements due hereunder not received by its due date may be assessed interest at the maximum amount permitted by law.
- (e) *Books and Records.* The accounts, books, records and other documents (the "Records") maintained by GFS shall be the property of the Funds, and shall be surrendered to the Funds, at the expense of the Funds, promptly upon request by the Funds in the form in which such Records have been maintained or preserved, provided that all service fees and expenses charged by GFS in the performance of its duties hereunder have been fully paid to the satisfaction of GFS. GFS agrees to maintain a back up set of Records of the Funds (which back-up set shall be updated on at least a weekly basis) at a location other than that where the original Records are stored. GFS shall assist the Funds' independent

- auditors, or, upon approval of the Funds, any regulatory body, in any requested review of the Funds' Records. GFS shall preserve the Records, as they are required to be maintained and preserved by Rule 31a-1 under the 1940 Act.
- (f) *De-Conversion Fees* .. Upon termination of this Agreement, GFS will charge a "De-Conversion" fee to compensate GFS for providing to the Fund's new service providers, all material records, history and data maintained by GFS under this Agreement .. The amount of the De-Conversion fees are specified in **Appendix IV** attached hereto. In addition, GFS reserves the right to charge for out-of-pocket expenses associated with the De-Conversion, as specified in **Section 12(d)** of this Agreement.
- (g) *Post-Engagement Audit Support Fees*. After a De-Conversion, GFS is often called upon to provide support to a Fund's service provider and assist with a Fund's annual audit. Services provided by GFS to accommodate a Fund's request following termination of this Agreement shall be subject to GFS's standard hourly rates existing at the time of the request. The Fund agrees to compensate GFS, at GFS's standard hourly rates, for accommodating a Fund's request following termination of this Agreement.

#### 4. STANDARD OF CARE, INDEMNIFICATION AND RELIANCE

- (a) *Indemnification of GFS*. The Trust shall, on behalf of each applicable Fund, indemnify and hold GFS harmless from and against any and all losses, damages, costs, charges, reasonable attorney or consultant fees, payments, expenses and liability arising out of or attributable to the Trust's refusal or failure to comply with the terms of this Agreement, breach of any representation or warranty made by the Trust contained in this Agreement, or which arise out of the Trust's lack of good faith, gross negligence or willful misconduct with respect to the Trust's performance under or in connection with this Agreement. The Trust shall hold GFS harmless and GFS shall not be liable for and shall be entitled to rely upon and may act upon information, advice, records, reports and requests generated by the Funds, the Fund's legal counsel and the Fund's independent accountants .. GFS shall be without liability for any action reasonably taken or omitted pursuant to this Agreement ..
- (b) *Indemnification of the Trust*. GFS shall indemnify and hold the Trust and each applicable Fund harmless from and against any and all losses, damages, costs, charges, reasonable attorney or consultant fees, payments, expenses and liability arising out of or attributable to GFS's refusal or failure to comply with the terms of this Agreement, breach of any representation or warranty made by GFS contained in this Agreement or which arise out of GFS's lack of good faith, gross negligence, willful misconduct or reckless disregard of its duties with respect to GFS's performance under or in connection with this Agreement.
- (c) *Reliance*. Except to the extent that GFS may be liable pursuant to **Sections 4(a)** and **4(b)** above, GFS shall not be liable for any action taken or failure to act in good faith in reliance upon:
- (i) advice of the Trust, its officers, independent auditors or counsel to the Trust;
  - (ii) any oral instruction which it receives and which it reasonably believes in good faith was transmitted by the person or persons authorized by the Board to give such oral instruction pursuant to the parties standard operating practices;
  - (iii) any written instruction or certified copy of any resolution of the Board, and GFS may rely upon the genuineness of any such document, copy or facsimile thereof reasonably believed in good faith by GFS to have been validly executed;
  - (iv) any signature, instruction, request, letter of transmittal, certificate, opinion of counsel, statement, instrument, report, notice, consent, order, or other document reasonably believed in good faith by GFS to be genuine and to have been signed or presented by the Trust or other proper party or parties;
  - (v) any instruction, information, data, records or documents provided to GFS or its agents or subcontractors furnished (pursuant to procedures mutually agreed to by GFS and the Trust's service providers) by machine readable input, data entry, email, facsimile or other similar means authorized by the Trust;
  - (vi) any authorization, instruction, approval, item or set of data, or information of any kind transmitted to GFS in person or by telephone, email, facsimile or other electronic means, furnished and reasonably believed by GFS to be genuine and to have been given by the proper person or persons. GFS shall not be held to have notice of any change of authority of any person, until receipt of written notice thereof from the Trust.

GFS shall not be under any duty or obligation to inquire into the validity or invalidity or authority or lack of authority of any statement, oral or written instruction, resolution, signature, request, letter of transmittal, certificate, opinion of counsel, instrument, report, notice, consent, order, or any other document or instrument which GFS reasonably believes in good faith to be genuine.

At any time, GFS may apply to any officer of the Trust for instructions, and may consult with legal counsel to the Trust with respect to any matter arising in connection with the routine services to be performed by GFS under this Agreement, and GFS and its agents or subcontractors shall not be liable and shall be indemnified by the Trust on behalf of the applicable Fund for any action taken or omitted by it in reasonable reliance upon such instructions or upon the advice of such counsel. GFS agrees to consult first with a Fund's adviser before engaging in any non-routine legal consultation that may result in additional legal costs to the Fund.

- (d) *Errors of Others* .. GFS shall not be liable for the errors of other service providers to the Trust, including the errors of pricing services (other than to pursue all reasonable claims against the pricing service based on the pricing services' standard contracts entered into by GFS) and errors in information provided by an investment adviser (including prices and pricing formulas and the untimely transmission of trade information) or custodian to the Trust; except or unless any GFS action or inaction is a direct cause of the error.
- (e) *Reliance on Electronic Instructions*. If the Trust has the ability to originate electronic instructions to GFS in order to (i) effect the transfer or movement of cash or Shares or (ii) transmit Shareholder information or other information, then in such event GFS shall be entitled to rely on the validity and authenticity of such instruction without undertaking any further inquiry as long as such instruction is undertaken in conformity with security procedures established and agreed upon by GFS and the Fund's investment adviser.
- (f) *Notification of Claims*. In order that the indemnification provisions contained in this Section shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim or to defend against said claim in its own name or in the name of the other party. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to indemnify it except with the other party's prior written consent.
- (g) Notwithstanding any other provision of this Agreement, GFS's maximum liability to a Fund arising out of the transactions contemplated hereby, whether arising in contract, tort (including, without limitation, negligence) or otherwise, shall not exceed the direct loss to such Fund. IN NO EVENT SHALL GFS BE LIABLE FOR TRADING LOSSES, LOST REVENUES, SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR EXEMPLARY DAMAGES OR LOST PROFITS, WHETHER OR NOT SUCH DAMAGES WERE FORESEEABLE OR GFS WAS ADVISED OF THE POSSIBILITY THEREOF. THE PARTIES ACKNOWLEDGE THAT THE OTHER PARTS OF THIS AGREEMENT ARE PREMISED UPON THE LIMITATION STATED IN THIS SECTION.

#### 5. LIMITATION OF SHAREHOLDER AND TRUSTEE LIABILITY

The Board and the shareholders of each Fund shall not be liable for any obligations of the Trust or of the Funds under this Agreement, and GFS agrees that, in asserting any rights or claims under this Agreement, it shall look only to the assets and property of the Fund (or Funds) to which GFS's rights or claims relate in settlement of such rights or claims, and not to the Board or the shareholders of the Funds. It is expressly agreed that the obligations of the Trust hereunder shall not be binding upon any of the trustees, shareholders, nominees, officers, agents or employees of the Trust personally, but bind only the trust property of the Trust, as provided in the Declaration of Trust of the Trust. The execution and delivery of this Agreement have been authorized by the Board of the Trust and signed by the officers of the Trust, acting as such, and neither such authorization by the Board and shareholders nor such execution and delivery by such officers shall be deemed to have been made by any of them individually or to impose any liability on any of them personally, but shall bind only the property of the Trust as provided in its Declaration of Trust. A copy of the Agreement and Declaration of Trust of the Trust is on file with the Secretary of State of Delaware.

## 6. EXPENSES ASSUMED BY THE TRUST

Except as otherwise specifically stated in this Agreement, GFS shall pay all expenses incurred by it in performing the Services under this Agreement. Each Fund of the Trust will bear out-of-pocket expenses incurred by GFS under this Agreement and all other expenses incurred in the operation of the Fund (other than those borne by the investment adviser to the Fund) including, but not limited to:

- (a) taxes;
- (b) interest;
- (c) brokerage fees and commissions, if any;
- (d) fees for Trustees who are not officers, directors, partners, employees or holders of five percent (5%) or more of the outstanding voting securities of the investment adviser or GFS;
- (e) Securities and Exchange Commission fees (including EDGAR filing fees);
- (f) state blue sky registration or qualification fees;
- (g) advisory fees;
- (h) charges of custodians;
- (i) transfer and dividend disbursing agents' fees;
- (j) insurance premiums;
- (k) outside auditing and legal expenses;
- (l) costs of maintaining trust existence;
- (m) costs attributable to shareholder services, including without limitation telephone and personnel expenses;
- (n) costs of preparing and printing prospectuses for regulatory purposes;
- (o) costs of shareholders' reports, Trust meetings and related expenses;
- (p) Trust legal fees; and
- (q) any extraordinary expenses.

## 7. REPRESENTATIONS AND WARRANTIES

(a) *Representations of GFS.* GFS represents and warrants to the Trust that:

- (i) it is a limited liability company duly organized and existing and in good standing under the laws of the State of Nebraska;
- (ii) it is empowered under applicable laws and by its organizational documents to enter into this Agreement and perform its duties under this Agreement;
- (iii) it has access to the necessary facilities, equipment, and personnel to perform its duties and obligations under this Agreement; and
- (iv) it is registered as a transfer agent under Section 17A of the Securities Exchange Act of 1934 and shall continue to be registered throughout the remainder of this Agreement.

(b) *Representations of the Trust.* The Fund represents and warrants to GFS that:

- (i) it is a Trust duly organized and existing and in good standing under the laws of the State of Delaware;
- (ii) it is empowered under applicable laws and by its Organizational Documents to enter into and perform this Agreement;
- (iii) all proceedings required by said Organizational Documents have been taken to authorize it to enter into and perform this Agreement;
- (iv) it is a closed-end management investment company registered under the 1940 Act and will operate in conformance with the 1940 Act and all rules and regulations promulgated thereunder during the term of this Agreement;
- (v) a registration statement under the Securities Act of 1933 is currently effective and will remain effective, and appropriate state securities law filings as required, have been or will be made and will continue to be made, with respect to all Shares of the Fund being offered for sale; and
- (vi) Each Fund's Organizational Documents, Registration Statement and Prospectus are true and accurate and will remain true and accurate at all times during the term of this Agreement in conformance with applicable federal and state securities laws.

## 8. CONFIDENTIALITY

GFS and the Trust agree that all books, records, information, and data pertaining to the business of the other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person, except that GFS may:

- (a) prepare or assist in the preparation of periodic reports to shareholders and regulatory bodies such as the SEC;
- (b) provide information typically supplied in the investment company industry to companies that track or report price, performance or other information regarding investment companies; and
- (c) release such information as permitted or required by law or approved in writing by the Trust, which approval shall not be unreasonably withheld and may not be withheld where GFS may be exposed to civil or criminal liability or proceedings for failure to release the information, when requested to divulge such information by duly constituted authorities or when so requested by the Trust and the Advisers.

Except as provided above, in accordance with Title 17, Chapter II, part 248 of the Code of Federal Regulations (17 CFR 248.1 – 248.30) ("Reg S-P"), GFS will not directly, or indirectly through an affiliate, disclose any non-public personal information as defined in Reg S-P, received from a Fund to any person that is not affiliated with the Fund or with GFS and provided that any such information disclosed to an affiliate of GFS shall be under the same limitations on non-disclosure.

Both parties agree to communicate sensitive information via secured communication channels (i.e. encrypted format).

## 9. PROPRIETARY INFORMATION

- (a) *Proprietary Information of GFS.* The Trust acknowledges that the databases, computer programs, screen formats, report formats, interactive design techniques, and documentation manuals maintained by GFS on databases under the control and ownership of GFS or a third party constitute copyrighted, trade secret, or other proprietary information (collectively, "GFS Proprietary Information") of substantial value to GFS or the third party. The Trust agrees to treat all GFS Proprietary Information as proprietary to GFS and further agrees that it shall not divulge any GFS Proprietary Information to any person or organization except as may be provided under this Agreement.
- (b) *Proprietary Information of the Trust.* GFS acknowledges that the Shareholder list and all information related to shareholders furnished to GFS by the Trust or by a shareholder in connection with this Agreement (collectively, "Customer Data") all information regarding the Trust portfolios, arrangements with brokerage firms, compensation paid to or by the Trust, trading strategies and all such related information (collectively, "Trust Proprietary Information") constitute proprietary information of substantial value to the Trust. In no event shall GFS Proprietary Information be deemed Trust Proprietary Information or Customer Data. GFS agrees to treat all Trust Proprietary Information and Customer Data as proprietary to the Trust and further agrees that it shall not divulge any Trust Proprietary Information

or Customer Data to any person or organization except as may be provided under this Agreement or as may be directed by the Trust or as may be duly requested by regulatory authorities.

- (c) Each party shall take reasonable efforts to advise its employees of their obligations pursuant to this Section 9. The obligations of this section shall survive any earlier termination of this Agreement.

## 10. ADDITIONAL FUNDS AND CLASSES

In the event that the Trust establishes one or more series of Shares or one or more classes of Shares after the effectiveness of this Agreement, such series of Shares or classes of Shares, as the case may be, shall become Funds and classes under this Agreement with necessary changes made to **Appendix IV**; however, either GFS or the Trust may elect not to make any such series or classes subject to this Agreement.

## 11. ASSIGNMENT AND SUBCONTRACTING

This Agreement shall extend to and shall be binding upon the parties hereto and their respective successors and assigns; provided, however, that this Agreement shall not be assignable by the Trust without the prior written consent of GFS. GFS may subcontract any or all of its responsibilities pursuant to this Agreement to one or more companies, trusts, firms, individuals or associations, which may or may not be affiliated persons of GFS and which agree to comply with the terms of this Agreement; provided, *however*, that any such subcontracting shall not relieve GFS of its responsibilities hereunder. GFS may pay such persons for their services, but no such payment will increase fees due from the Trust hereunder.

## 12. EFFECTIVE DATE, TERM AND TERMINATION

- (a) *Effective Date.* This Agreement shall become effective on the date first above written and the effective date with respect to each Fund is set forth on the applicable Appendix IV attached hereto.
- (b) *Term.* This Agreement shall remain in effect for a period of two (2) years from the applicable Fund(s) effective date and shall continue in effect for successive twelve-month periods provided that such continuance is specifically approved at least annually by a majority of the Board.
- (c) *Termination.* This Agreement can be terminated at the end of the initial term or subsequent renewal period upon ninety (90) days' prior written notice by either party. Upon termination of this Agreement, GFS shall have no further obligation to provide Services to the terminating Fund(s) and all outstanding payments due from such Fund(s) under this Agreement shall become immediately due and payable to GFS, including any unpaid fees earned through the date of termination and the balance of all future minimum fees due under the remaining term of this Agreement. In the event of termination, GFS agrees that it will cooperate to facilitate the smooth transition of services and to minimize disruption to a Fund and its shareholders. Notwithstanding the foregoing, either party may terminate this agreement upon thirty (30) days' written notice in the event of a breach. The parties have a right to attempt to cure a breach within the thirty-day notice period. If the breach is not cured within said period, then the parties hereto will submit to arbitration, in accordance with **Section 14(g)**, below. In any event, this Agreement can be terminated at any time upon thirty (30) days' prior written notice if the Board makes a determination to liquidate the Fund.
- (d) *Reimbursement of GFS's Expenses.* If this Agreement is terminated with respect to a Fund or Funds, GFS shall be entitled to collect from the Fund or Funds, in addition to the compensation described under **Section 3** of this Agreement, the amount of all of GFS's reasonable labor charges and cash disbursements for services in connection with GFS's activities in effecting such termination, including without limitation, the labor costs and expenses associated with the de-conversion of the Trusts records of each Fund from its computer systems, and the delivery to the Trust and/or its designees of the Trust's property, records, instruments and documents, or any copies thereof. Subsequent to such termination, for a reasonable fee, GFS will provide the Trust with reasonable access to all Trust documents or records, if any, remaining in its possession.
- (e) *Survival of Certain Obligations.* The obligations of Sections 3, 4, 8, 9, 12 and 13 shall survive any termination of this Agreement.

## 13. LIAISON WITH ACCOUNTANTS/ATTORNEYS

- (a) GFS shall act as liaison with each Fund's independent public accountants and shall provide account analyses, fiscal year summaries, and other audit-related schedules with respect to each Fund. GFS shall take reasonable actions in the performance of its duties under this Agreement to ensure that the necessary information is made available to such accountants for the expression of their opinion, as required by the Fund.
- (b) GFS shall act as liaison with each Fund's legal counsel and shall take reasonable actions to ensure that necessary Fund information is made available to the Fund's legal counsel.

## 14. MISCELLANEOUS

- (a) *Amendments.* This Agreement may not be amended, or any provision hereof waived, except in writing signed by the party against which the enforcement of such amendment or waiver is sought.
- (b) *Governing Law.* This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of New York.
- (c) *Entire Agreement.* This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject matter hereof whether oral or written.
- (d) *Counterparts.* The parties may execute this Agreement on any number of counterparts, and all of the counterparts taken together shall be deemed to constitute one and the same instrument.
- (e) *Severability.* If any part, term or provision of this Agreement is held to be illegal, in conflict with any law or otherwise invalid, the remaining portion or portions shall be considered severable and not be affected by such determination, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular part, term or provision held to be illegal or invalid.
- (f) *Force Majeure.* Neither party shall be liable for failure to perform if the failure results from a cause beyond its control, including, without limitation, fire, electrical, mechanical, or equipment breakdowns, delays by third party vendors and/or communications carriers, civil disturbances or disorders, terrorist acts, strikes, acts of governmental authority or new governmental restrictions, or acts of God.
- (g) *Arbitration ..* The parties understand and agree that, to the extent permitted by law, all claims arising out of this Agreement will be resolved through final and binding arbitration pursuant to the terms hereof. In this regard, the parties acknowledge and agree that: (i) such arbitration will be final and binding on the parties; (ii) the parties are hereby waiving their rights to seek remedies in court, including the right to a jury trial; (iii) pre-arbitration discovery is generally more limited than and different from discovery conducted in connection with litigation; (iv) the arbitrator's award is not required to include factual findings or legal reasoning; and (v) a party's right to appeal or seek modification of rulings by the arbitrator will be strictly limited.

Such arbitration will be conducted in New York according to the securities arbitration rules then in effect of the American Arbitration Association. Both parties understand that the other party may initiate arbitration by serving or mailing a written notice to the other party hereto by certified mail, return receipt requested. Any award the arbitration panel makes will be final, and judgment on it may be entered in any court having jurisdiction.

This arbitration provision shall be enforced and interpreted exclusively in accordance with applicable Federal law, including the Federal Arbitration Act. Any costs, fees, or taxes involved in enforcing the award shall be fully assessed against and paid by the party resisting enforcement of said award. The prevailing party shall also

be entitled to an award of reasonable attorneys fees and costs incurred in connection with the enforcement of this Agreement. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action who is a member of a putative class action until:

- The class certification is denied;
- The class is decertified; or
- The person is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

(a) *Headings.* Section and paragraph headings in this Agreement are included for convenience only and are not to be used to construe or interpret this Agreement.

(b) *Notices.* All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered by hand or by overnight, registered or certified mail, postage prepaid, or by facsimile to each party at the address set forth below or at such new address designated by such party by notice given pursuant to this Section.

**To the Trust:**  
A. Bayard Closser  
President  
Vertical Capital Income Fund  
450 Wireless Blvd  
Hauppauge, New York 11788

**To GFS:**  
Emile R. Molineaux, Esq.  
Senior Vice President  
Gemini Fund Services, LLC  
450 Wireless Boulevard  
Hauppauge, NY 11788  
Telephone: (631) 470-2616  
EmileM@geminfund.com

**With a copy to:**  
JoAnn Strasser, Esq.  
Thompson Hine LLP  
312 Walnut Street, 14<sup>th</sup> Floor  
Cincinnati, OH 452020  
(513) 352-6725  
joann.strasser@thomsonhine.com

**With a copy to:**  
Brian Nielsen, Esq.  
Gemini Fund Services, LLC  
4020 South 147th Street  
Omaha, Nebraska 68130  
(402) 895-7127  
briann@nstar-financial.com

(c) *Safekeeping.* GFS shall establish and maintain facilities and procedures reasonably acceptable to the Trust for the safekeeping and control of records maintained by GFS under this Agreement including the preparation and use of check forms, facsimile, email or other electronic signature imprinting devices.

(d) *Distinction of Funds.* Notwithstanding any other provision of this Agreement, the parties agree that the assets and liabilities of each Fund of the Trust are separate and distinct from the assets and liabilities of each other Fund and that no Fund shall be liable or shall be charged for any debt, obligation or liability of any other Fund, whether arising under this Agreement or otherwise.

(e) *Representation of Signatories.* Each of the undersigned expressly warrants and represents that they have full power and authority to sign this Agreement on behalf of the party indicated and that their signature will bind the party indicated to the terms hereof.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed in their names and on their behalf by and through their duly authorized persons, as of the day and year first above written.

**VERTICAL CAPITAL INCOME FUND**

By: /s/ A. Bayard Closser  
A. Bayard Closser

President

**Attest:**

By: /s/ Kevin Wolf

Kevin Wolf

Treasurer

**GEMINI FUND SERVICES,  
LLC**

By: /s/ Larie Lydick  
Larie Lydick

Senior Vice President

By: /s/ Emile Molineaux

Emile Molineaux

Secretary

**APPENDIX I**  
**Fund Accounting Services**

With respect to each Fund electing Fund Accounting Services, GFS shall provide the following services subject to, and in compliance with, the objectives, policies and limitations set forth in the Trust's Registration Statement, the Trust's Agreement and Declaration of Trust, Bylaws, applicable laws and regulations, and resolutions and policies established by the Trust's Board:

- 1) Timely calculate the net asset value per share with the frequency prescribed in each Fund's then-current Prospectus, transmit the Fund's net asset value to NASDAQ, and communicate such net asset value to the Trust and its transfer agent;
- 2) Calculate each item of income, expense, deduction, credit, gain and loss, if any, as required by the Trust and in conformance with generally accepted accounting principles ("GAAP"), SEC Regulation S-X (or any successor regulation) and the Internal Revenue Code of 1986, as amended (or any successor laws)(the "Code");
- 3) Prepare and maintain on behalf of the Trust, books and records of each Fund, as required by Rule 31a-1 under the 1940 Act, and as such rule or any successor rule, may be amended from time to time, that are applicable to the fulfillment of GFS's Fund Accounting Services, as well as any other documents necessary or advisable for compliance with applicable regulations as may be mutually agreed to between the Trust and GFS. Without limiting the generality of the foregoing, GFS will prepare and maintain the following records upon receipt of information in proper form from the Fund or its authorized agents:
  - a. Cash receipts journal
  - b. Cash disbursements journal
  - c. Dividend record
  - d. Purchase and sales - portfolio securities journals
  - e. Subscription and redemption journals
  - f. Security ledgers
  - g. Broker ledger
  - h. General ledger
  - i. Daily expense accruals
  - j. Daily income accruals
  - k. Securities and monies borrowed or loaned and collateral therefore
  - l. Foreign currency journals
  - m. Trial balances
- 4) Make such adjustments over such periods as the Trust's administrator deems necessary, and communicates to GFS in writing, to reflect over-accruals or under-accruals of estimated expenses or income;
- 5) Provide the Trust and, each investment adviser serving as an investment adviser for a Fund with daily portfolio valuation, net asset value calculation and other standard operational reports as requested from time to time;
- 6) Provide all raw data available from its mutual fund accounting system for the Fund's investment adviser or the administrator to assist in preparation of the following:
  - a. Semi-annual financial statements;
  - b. Semi-annual form N-SAR and annual tax returns;
  - c. Financial data necessary to update form N-1A; and
  - d. Annual proxy statement.
- 7) Provide facilities to accommodate an annual audit by each Fund's independent accountants and, upon approval of the Trust, any audits or examinations conducted by the SEC or any other governmental or quasi-governmental entities with jurisdiction;
- 8) Transmit to and receive from each Fund's transfer agent appropriate data on a daily basis and daily reconcile Shares outstanding and other data with the transfer agent;
- 9) Periodically reconcile all appropriate data with each Fund's custodian; and
- 10) Perform such other record keeping, reporting and other tasks as may be specified from time to time in the procedures adopted by the Board pursuant to mutually acceptable timelines and compensation agreements.

**Fund Accounting Records.**

*Maintenance of and Access to Records.* GFS shall maintain records relating to its services, such as journals, ledger accounts and other records, as are required to be maintained under the 1940 Act and, specifically, Rule 31a-1 thereunder. The books and records pertaining to the Trust that are in possession of GFS shall be the property of the Trust. The Trust, or the Trust's authorized representatives, shall have access to such books and records at all times during GFS's normal business hours. Upon the reasonable request of the Trust, copies of any such books and records shall be provided promptly by GFS to the Trust or the Trust's authorized representatives. In the event the Trust designates a successor that assumes any of GFS's obligations hereunder, GFS shall, at the expense and direction of the Trust, transfer to such successor all relevant books, records and other data established or maintained by GFS under this Agreement.

*Inspection of Records.* In case of any requests or demands for the inspection of the records of the Trust maintained by GFS, GFS will endeavor to notify the Trust and to secure instructions from an authorized officer of the Trust as to such inspection. GFS shall abide by the Trust's instructions for granting or denying the inspection; provided, however, that GFS may grant the inspection without instructions from the Trust if GFS is advised to disclose by its legal counsel.

**All out-of-pocket expenses will be billed as set forth on Appendix IV. GFS may from time to time adopt new procedures, or modify existing procedures, in order to carry out its Fund Accounting Services. Any modification of the Fund Accounting Services provided by GFS as set forth in this Appendix I shall be delivered to the Trust in writing.**



**APPENDIX II**  
**Fund Administrative Services**

With respect to each Fund electing Fund Administrative Services, GFS shall provide the following services subject to, and in compliance with the objectives, policies and limitations set forth in the Trust's Registration Statement, the Trust's Agreement and Declaration of Trust Bylaws, applicable laws and regulations, and resolutions and policies established by the Trust's Board:

- 1) Monitor the performance of administrative and professional services rendered to the Trust by others, including its custodian, transfer agent, fund accountant and dividend disbursing agent as well as legal, auditing, shareholder servicing and other services performed for the Trust;
- 2) Monitor Fund holdings and operations for **post-trade compliance** with the Prospectus and Statement of Additional Information, SEC statutes, rules, regulations and policies and pursuant to advice from the Fund's independent public accountants and Trust counsel, monitor Fund holdings for compliance with IRS taxation limitations and restrictions and applicable Federal Accounting Standards Board rules, statements and interpretations; provide periodic compliance reports to each investment adviser or sub-adviser to the Trust, and assist the Trust, the Adviser and each sub-adviser to the Trust (collectively referred to as "Advisers") in preparation of periodic compliance reports to the Trust, as applicable;
- 3) Prepare and coordinate the printing of semi-annual and annual financial statements;
- 4) Prepare selected management reports for performance and compliance analyses agreed upon by the Trust and GFS from time to time;
- 5) In consultation with legal counsel to the Trust, the investment adviser, officers of the Trust and other relevant parties, prepare and disseminate materials for meetings of the Board, including agendas and selected financial information as agreed upon by the Trust and GFS from time to time; attend and participate in Board meetings to the extent requested by the Board; and prepare or cause to be prepared minutes of the meetings of the Board;
- 6) Determine income and capital gains available for distribution and calculate distributions required to meet regulatory, income, and excise tax requirements, to be reviewed by the Trust's independent public accountants;
- 7) Review the Trust's federal, state, and local tax returns as prepared and signed by the Trust's independent public accountants;
- 8) Prepare and maintain the Trust's operating expense budget to determine proper expense accruals to be charged to each Fund in order to calculate its daily net asset value;
- 9) In consultation with legal counsel for the Trust, assist in and monitor the preparation, filing, printing and where applicable, dissemination to shareholders of the following:
  - a. amendments to the Trust's Registration Statement on Form N-1A;
  - b. periodic reports to the Trustees, shareholders and the SEC, including but not limited to annual reports and semi-annual reports;
  - c. notices pursuant to Rule 24f-2;
  - d. proxy materials; and
  - e. reports to the SEC on Forms N-SAR, N-CSR, N-Q and N-PX.
- 10) Coordinate the Trust's audits and examinations by:
  - a. assisting each Fund's independent public accountants, or, upon approval of the Trust, any regulatory body, in any requested review of a Fund's accounts and records;
  - b. providing appropriate financial schedules (as requested by a Fund's independent public accountants or SEC examiners); and
  - c. providing office facilities as may be required.
- 11) Determine, after consultation with legal counsel for the Trust and the Fund's investment adviser, the jurisdictions in which Shares of the Trust shall be registered or qualified for sale; facilitate, register, or prepare applicable notice or other filings with respect to, the Shares with the various state and territories of the United States and other securities commissions, provided that all fees for the registration of Shares or for qualifying or continuing the qualification of the Trust shall be paid by the Trust;
- 12) Monitor sales of Shares and ensure that the Shares are properly and duly registered with the SEC;
- 13) Monitor the calculation of performance data for dissemination to information services covering the investment company industry, for sales literature of the Trust and other appropriate purposes;
- 14) Prepare, or cause to be prepared, expense and financial reports, including Fund budgets, expense reports, pro-forma financial statements, expense and profit/loss projections and fee waiver/expense reimbursement projections on a periodic basis;
- 15) Prepare authorization for the payment of Trust expenses and pay, from Trust assets, all bills of the Trust;
- 16) Provide information typically supplied in the investment company industry to companies that track or report price, performance or other information with respect to investment companies;
- 17) Upon request, assist each Fund in the evaluation and selection of other service providers, such as independent public accountants, printers, EDGAR providers and proxy solicitors (such parties may be affiliates of GFS);
- 18) Perform other services, recordkeeping and assistance relating to the affairs of the Trust as the Trust may, from time to time, reasonably request pursuant to mutually acceptable timelines and compensation agreements.

**All out-of-pocket expenses will be billed as set forth on Appendix IV. GFS may from time to time adopt new procedures, or modify existing procedures, in order to carry out its Fund Administrative Services. Any modification of the Fund Administrative Services provided by GFS as set forth in this Appendix II shall be delivered to the Trust in writing.**

**APPENDIX III**  
**Transfer Agency Services**

With respect to each Fund electing Transfer Agency Services, GFS shall provide the following services subject to, and in compliance with the objectives, policies and limitations set forth in the Trust's Registration Statement, the Trust's Agreement and Declaration of Trust Bylaws, applicable laws and regulations, and resolutions and policies established by the Trust's Board:

- 1) Provide the services of a transfer agent, dividend disbursing agent and, as relevant, agent in connection with accumulation, open-account or similar plans (including without limitation any periodic investment plan or periodic withdrawal program) that are customary for open-end management investment companies including:
  - a. maintaining all Shareholder accounts;
  - b. preparing Shareholder meeting lists;
  - c. preparing and certifying direct Shareholder lists in conjunction with proxy solicitations;
  - d. preparing periodic mailing of year-end tax and statement information;
  - e. mailing Shareholder reports and prospectuses to current Shareholders;
  - f. withholding taxes on U.S. resident and non-resident alien accounts;
  - g. preparing and filing U.S. Treasury Department Forms 1099 and other appropriate forms required by federal authorities with respect to distributions for Shareholders;
  - h. preparing and mailing confirmation forms and statements of account to Shareholders for all purchases and redemptions of Shares and other confirmable transactions in Shareholder accounts; and
  - i. providing account information in response to inquiries from Shareholders.
- 2) Receiving for acceptance, orders for the purchase of Shares, and promptly delivering payment and appropriate documentation therefore to the Custodian of the Fund authorized by the Board (the "Custodian"); or, in the case of a Fund operating in a master-feeder or fund of funds structure, to the transfer agent or interest-holder record keeper for the master portfolios in which the Fund invests;
- 3) Pursuant to purchase orders, issue the appropriate number of Shares and hold such Shares in the appropriate Shareholder account;
- 4) Receiving for acceptance, redemption requests and redemption directions and delivering the appropriate documentation therefore to the Custodian or, in the case of Fund operating in a master-feeder or fund of funds structure, to the transfer agent or interest-holder record keeper for the master portfolios in which the Fund invests;
- 5) As and when the Fund receives monies paid to it by the Custodian with respect to any redemption, paying over or cause to be paid over the redemption proceeds as required by the Prospectus pursuant to which the redeemed Shares were offered and as instructed by the redeeming Shareholders;
- 6) Effecting transfers of Shares upon receipt of appropriate instructions from Shareholders;
- 7) Monitoring and making appropriate filings with respect to the escheatment laws of the various states and territories of the United States;
- 8) Preparing and transmitting to Shareholders (or crediting the appropriate Shareholder accounts) payments for all distributions and dividends declared by the Trust with respect to Shares of each Fund;
- 9) Receiving from Shareholders and/or debiting Shareholder accounts for sales commissions, including contingent deferred, deferred and other sales charges, and service fees (i.e., wire redemption charges) and prepare and transmit payments to underwriters, selected dealers and others for commissions and service fees received and provide necessary tracking reports to the Fund's and/or the Fund's principal underwriter;
- 10) Recording the issuance of shares of a Fund and maintaining pursuant to SEC Rule 17Ad-10(e) a record of the total number of shares of the Fund which are authorized, based upon data provided to it by the Fund, issued and outstanding; and
- 11) Providing the Trust on a regular basis with each Fund's total number of shares that are authorized and issued and outstanding.

**Issuance of Shares.**

GFS, in its capacity as transfer agent, shall make original issues of Shares of each Fund in accordance with the Fund's Prospectus, only upon receipt of:

- a. instructions requesting the issuance,
- b. a copy of a resolution of the Board authorizing the issuance,
- c. necessary funds for the payment of any original issue tax applicable to such Shares, and
- d. an opinion of the Trust's legal counsel as to the legality and validity of the issuance, which opinion may provide that it is contingent upon the filing by the Trust of an appropriate notice with the SEC, as required by Section 24 of the 1940 Act or the rules thereunder. If such opinion is contingent upon a filing under Section 24 of the 1940 Act, the Trust shall indemnify GFS for any liability arising from the failure of the Trust to comply with such section or the rules thereunder.

The responsibility of GFS for each Fund's state registration status is solely limited to the reporting of transactions to the Trust, and GFS shall have no obligation, when recording the issuance of Shares, to monitor the issuance of such Shares or to take cognizance of any laws relating to the issue or sale of such Shares, which functions shall be the sole responsibility of the Fund, its distributor or other agent.

**Transfer of Shares.**

Transfers of Shares of each Fund shall be registered on the Shareholder records maintained by GFS. In registering transfers of Shares, GFS may rely upon the Uniform Commercial Code as in effect in the State of Nebraska or any other statutes that, in the opinion of GFS's legal counsel, protect GFS and the Trust from liability arising from:

- a. not requiring complete documentation;
- b. registering a transfer without an adverse claim inquiry;
- c. delaying registration for purposes of such inquiry; or
- d. refusing registration whenever an adverse claim requires such refusal.

As transfer agent, GFS will be responsible for delivery to the transferor and transferee of such documentation as is required by the Uniform Commercial Code.

**Purchase Orders.**

Shares shall be issued in accordance with the terms of the Prospectus after GFS or its agent receives either:

- a. an instruction directing investment in a Fund, a check (other than a third party check) or a wire or other electronic payment in the amount designated in the instruction and in the case of an initial purchase, a completed account application; or
- b. the information required for purchases pursuant to a selected dealer agreement, processing organization agreement, or a similar contract with a financial intermediary.

**Distribution Eligibility.**

Shares issued in a Fund after receipt of a completed purchase order shall be eligible to receive distributions of the Fund at the time specified in the prospectus pursuant to which the Shares are offered.

#### **Determination of Federal Funds.**

Shareholder payments shall be considered "Federal Funds" no later than on the day indicated below unless other times are noted in the Prospectus:

- a. for a wire received, at the time of the receipt of the wire;
- b. for a check drawn on a member bank of the Federal Reserve System, on the second Fund Business Day following receipt of the check; and
- c. for a check drawn on an institution that is not a member of the Federal Reserve System, at such time as GFS is credited with Federal Funds with respect to that check.

#### **Lost Shareholders.**

GFS shall perform such services as are required in order to comply with Rules 17a-24 and 17Ad-17 (the "Lost Shareholder Rules") of the Securities Exchange Act of 1934, including, but not limited to, those set forth below. GFS may, in its sole discretion, use the services of a third party to perform some of or all such services.

- a. documentation of search policies and procedures;
- b. execution of required searches;
- c. tracking results and maintaining data sufficient to comply with the Lost Shareholder Rules; and
- d. preparation and submission of data required under the Lost Shareholder Rules.

#### **Anti-Money Laundering ("AML") Delegation.**

The Trust hereby delegates to GFS certain AML duties under this Agreement, as permitted by law and in accordance with the Trust's Anti-Money Laundering Policies and Procedures as may be amended from time to time. Such duties delegated to GFS include procedures reasonably designed to prevent and detect money laundering activities and to ensure that each Fund can have a reasonable belief that it knows the identity of each person or entity opening an account with the Fund. GFS's procedures will include, as appropriate, procedures to assist the Fund(s) to:

- detect and report suspicious activities;
- comply with "know your customer" requirements;
- monitor high-risk accounts; and
- maintain required records.

GFS shall provide for proper supervision and training of its personnel. With respect to assisting the Trust with its Customer Identification Program ("CIP") designed to ensure the identity of any person opening a new account with a Fund (a "Customer"), GFS will assist the Fund(s) through the use of the following:

- risk-based procedures to verify the identity of each Customer to the extent reasonable and practicable, such that the Fund may have a reasonable belief that it knows the true identity of each Customer;
- before opening an account, obtain a Customer's name, date of birth (for an individual), address, and identification number<sup>1</sup>;
- procedures to verify the identity of a Customer within a reasonable time after the account is opened;
- procedures for maintenance of records relating to Customer identification and supporting the verification; and
- procedures to determine whether the Customer's name appears on any list of known or suspected terrorists or terrorist organizations issued by any federal government agency and designated as such by the Department of the Treasury in consultation with the federal functional regulators, within a reasonable period of time after the account is opened.

For purposes of verifying the identity of a Customer, GFS may rely on documents, so long as, based on that information, GFS can form a reasonable belief that it knows the identity of the Customer, including:

- an individual's unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard, (such as a driver's license or passport); or
- documents showing the existence of an entity, such as articles of incorporation, a government-issued business license, a partnership agreement, or trust instrument.

To the extent that the Customer's identity cannot be verified by relying on documents, other methods may be used by GFS, including, (i) contacting a Customer; (ii) independently verifying the Customer's identity through the comparison of information provided by the Customer with information obtained from a consumer reporting agency, public database, or other source; (iii) checking references with other financial institutions; and (iv) obtaining a financial statement.

In the event that GFS is not able to verify the identity of a Customer sufficiently that it can form a reasonable belief that it knows the true identity of a Customer, then GFS may, as appropriate:

- not open an account for the Customer;
- apply limited terms under which a Customer may use an account until the Customer's identity is verified;
- close an account, after attempts to verify a Customer's identity have failed; or
- assist the Fund in filing a Suspicious Activity Report in accordance with applicable law and regulation, regarding the Customer.

Each Fund represents and agrees that it will provide Customers with adequate notice that the Fund is requesting information to verify their identities. The notice will be included in the application or the prospectus, or a document accompanying the application or prospectus provided it is reasonably designed to ensure that the customer views or otherwise receives the notice before opening the account.

In consideration of the performance of the duties by GFS pursuant to this Section, the Trust agrees to pay GFS for the reasonable administrative expenses that may be associated with such additional duties.

#### **Anti-Identity Theft Delegation.**

To the extent that a Fund has covered accounts that allow redemption proceeds to go to third parties, GFS will assume Anti-Identity Theft monitoring duties for the Fund under this Agreement, pursuant to legal requirements. Any out of pocket expenses occurred in this regard are due and payable by the Fund.

#### **Rule 22c-2 Compliance.**

Rule 22c-2 under the 1940 Act requires that a fund's principal underwriter or transfer agent enter into a shareholder information agreement with any financial intermediary or its agent where, through itself or its agent, purchases or redeems shares directly from a fund, its principal underwriter or transfer agent, or through a registered clearing agency. Each Fund shall ensure that its principal underwriter enters into such agreements, which permits GFS as transfer agent to request information from such financial intermediaries to insure that the Trust's procedures are being followed with respect to market timing and, where applicable, early redemption fees. The Trust's procedures in this regard would trigger the information requests, under certain conditions, with respect to said financial intermediaries' omnibus accounts in the respective Fund.

#### **Processing through the National Securities Clearing Corporation (the "NSCC").**

GFS will: (i) process accounts through Networking and the purchase, redemption, transfer and exchange of shares in such accounts through Fund/SERV (Networking and Fund/SERV being programs operated by the NSCC on behalf of NSCC's participants, including the Trust), in accordance with, instructions transmitted to and received by

GFS by transmission from NSCC on behalf of broker-dealers and banks which have been established by, or in accordance with the instructions of authorized persons, as hereinafter defined on the dealer file maintained by GFS; (ii) issue instructions to each Fund's Custodian for the settlement of transactions between the Fund and NSCC (acting on behalf of its broker-dealer and bank participants); (iii) provide account and transaction information from the affected Trust's records on an appropriate computer system in accordance with NSCC's Networking and Fund/SERV rules for those broker-dealers; and (iv) maintain Shareholder accounts through Networking.

**Transfer Agency Records.**

GFS shall maintain the following shareholder account information:

- name, address and United States Tax Identification or Social Security number;
- number of Shares held and number of Shares for which certificates, if any, have been issued, including certificate numbers and denominations;
- historical information regarding the account of each Shareholder, including dividends and distributions paid and the date and price for all transactions on a Shareholder's account;
- any stop or restraining order placed against a Shareholder's account;
- any correspondence relating to the current maintenance of a Shareholder's account;
- information with respect to withholdings; and
- any information required in order for GFS to perform any calculations by this Agreement.

**All out-of-pocket expenses will be billed as set forth on Appendix IV. GFS may from time to time adopt new procedures, or modify existing procedures, in order to carry out its Transfer Agency Services. Any modification of the Transfer Agency Services provided by GFS as set forth in this Appendix III shall be delivered to the Trust in writing.**

**APPENDIX IV  
LIST OF FUNDS  
SERVICES & FEES**

This **Appendix IV** is part of the Fund Services Agreement between Vertical Capital Income Fund and Gemini Fund Services, LLC. Set forth below are the Services elected by the Fund(s) identified on this **Appendix IV** along with the associated Fees.

**EFFECTIVE DATE**

The Effective Date for the Funds set forth on this Appendix IV shall be upon commencement of operations.

**COVERED FUNDS**

The Funds to be covered under this Agreement include:

<u>Fund Name</u>	<u>Board Approval Date</u>
Vertical Capital Income Fund	August 2, 2011

**SELECTED SERVICES and FEES**

The Fund(s) shall pay to GFS the following fees: (all basis point fees will be calculated based upon the average net assets of the Fund for the previous month)

**Fund Accounting Fees**

1. Base annual fee (per Fund): \$27,000.00\*  
PLUS  
2 basis points or 0.02% on net assets of \$25 million to \$100 million, and  
1 basis point or 0.01% on net assets greater than \$100 million.

\*Funds with multiple share classes will be assessed an additional \$6,000.00 annual fee for each share class above one. Bond funds will be assessed an additional \$6,000.00 annual fee. Fund Accounting Fees for global funds, defined as funds processing more than 25% in non-domestic assets, will be charged at 150% of the above rates (base fee as well as basis point fee).

2. Price Quotes. The charge for equity and bond price quotes per security, per day will be as follows:

\$ .15 Domestic and Canadian Equities
\$ .15 Options
\$ .50 Corp/Gov/Agency Bonds
\$ .50 International Equities and Bonds
\$ .80 Municipal Bonds
\$ 1.00 CMO's
\$62.50 per CDX or Equivalent (monthly fee)
\$62.50 per Single Name Credit Default Swap (monthly fee)

3. Additional Charges.

- a. *Out-of-pocket expenses.* The Fund(s) shall reimburse GFS for all out-of-pocket expenses incurred by GFS to provide the Services to the Fund(s).
- b. *Manual processing fee.* The Fund(s) shall pay an additional charge of \$500.00 per month for portfolios that transmit daily trades via facsimile as opposed to utilizing an electronic format.
- c. *SSAE 16 expense.* Each Fund shall pay its allocated portion of the GFS annual SSAE 16 review.
- d. *Fund Accounting Data De-Conversion fee.* Each Fund shall pay a Fund Accounting record data de-conversion fee in the amount of \$2,500.00 upon a cancellation or termination of this Agreement for any reason other than liquidation of the Fund.

**Fund Administration Fees**

1. Base annual fee (per Fund): 10 basis points (0.10%) on the first \$100 million of net assets  
8 basis points (0.08%) on the next \$150 million of net assets  
6 basis points (0.06%) on net assets greater than \$250 million

*The base annual fee is subject to a \$40,000.00 minimum annual fee per Fund.*

2. State Registration (Blue Sky) Fees:

Each Fund shall pay its allocated federal and state regulatory filing fees. In addition, each Fund shall pay GFS the following fees per state registration:

Initial registration	\$ 295.00
Registration renewal	\$ 150.00
Sales reports (if required)	\$ 25.00

3. Additional Charges.

- a. *Out-of-pocket expenses.* The Fund(s) shall reimburse GFS for all out-of-pocket expenses incurred by GFS to provide the Services to the Fund(s).
- b. *FIN 48 Compliance fee.* Each Fund shall pay GFS **\$250.00 per calendar quarter** for FIN 48 Compliance.
- c. *Fund Administration Data De-Conversion fee.* Each Fund shall pay a Fund Administration record data de-conversion fee in the amount of \$2,500.00 upon a cancellation or termination of this Agreement for any reason other than liquidation of the Fund.

**Transfer Agency Fees**

1. Base annual fee: \$16.00 annual fee per open account  
(\$2.00 annual fee per closed account)

*The base annual fee is subject to an \$18,000.00 minimum annual fee per Fund share class.*

2. General Activity Charges:

Customer Service Calls	\$2.50 per call
Manual Transactions	\$1.00 per transaction
New Account Opening (manual)	\$2.50 per account
New Account Opening (electronic)	\$0.40 per account
Incoming IRA Transfer from prior custodian	\$25.00 per transfer
IRA Transfer to successor custodian	\$25.00 per transfer
Refund of Excess Contribution	\$15.00 per refund
Distribution to IRA Participant	\$15.00 per distribution

Check this box to elect 24 Hour Automated Voice Response

24 Hour Automated Voice Response Charges:

Initial set-up (one-time) charge	\$1,500.00 per fund family
Monthly charge	\$50.00 per fund

3. Web Package Fees:

Check this box for Shareholder Desktop Web Package (described below)

\$7,500.00 initial installation charge  
\$2,500.00 annual maintenance (invoiced annually in advance)

Check this box for Shareholder Desktop Online New Accounts (described below)

\$2,500.00 initial installation charge  
\$2.50 per new account fee

Check this box for Fund Data Web Package (described below)

\$5,000.00 initial installation charge  
\$1,500.00 annual maintenance (invoiced annually in advance)

4. Additional Charges:

- a. *Transfer Agency De-Conversion fee.* Each Fund shall pay a Transfer Agency record data de-conversion fee in the amount of \$15,000.00 upon a cancellation or termination of this Agreement for any reason other than liquidation of the Fund.
- b. *Rule 22c-2 compliance fee.* The Funds shall pay a **\$100.00 monthly** administration fee for Rule 22c-2 compliance per fund family, plus an additional **monthly fee of \$25.00** per Fund.

**Special Reports/Programming Fees**

All special reports analyses and/or programming requested by a Fund or the Trust under this Agreement shall be subject to an additional programming charge, agreed upon in advance, based upon the following rates:

GFS Senior & MIS Staff	\$200.00 per hour
GFS Junior Staff	\$100.00 per hour

**Out-of-pocket Expenses**

The Trust shall reimburse GFS for all out-of-pocket expenses incurred by GFS when performing Services under this Agreement, including but not limited to the following:

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>o Anti-ID Theft Monitoring</li><li>o Bank Account and other Bank Fees</li><li>o Customer Identification/AML Program Costs</li><li>o Fund Stationery and Supplies</li><li>o Locating Lost Shareholders/Escheatment Costs</li><li>o NSCC Charges</li><li>o Postage</li><li>o Pre and Post Sale Fulfillment</li><li>o Printing Fund Documents</li></ul> | <ul style="list-style-type: none"><li>o Pro rata portion of annual SSAE 16 review</li><li>o Proxy Services</li><li>o Record Storage</li><li>o Regulatory fees and assessments</li><li>o State and Federal filing fees and assessments</li><li>o Tax Reporting</li><li>o Telephone and Toll Free Lines</li><li>o Travel Requested by the Trust</li></ul> |
|--|---|

**The parties hereto agree to the Services and associated fees for the Fund(s), effective as set forth in this Appendix IV to the Fund Services Agreement.**

**VERTICAL CAPITAL INCOME FUND**

By: /s/A. Bayard Closser

A. Bayard Closser  
President

**Attest:**

By: /s/Gus A. Altuzarra  
Gus A. Altuzarra  
Treasurer

**GEMINI FUND SERVICES,  
LLC**

By: /s/Larie Lydick

Larie Lydick  
Senior Vice President

The undersigned investment adviser hereby acknowledges and agrees to the terms of this Fund Services Agreement.

Vertical Recovery Management, LLC  
7700 Irvine Center Drive, Suite 150  
Irvine, California 92618

By: /s/Christopher R. Chase  
Name: Christopher R. Chase  
Title: Managing Member





**SHAREHOLDER DESKTOP WEB PACKAGE**  
**Proprietary Secure Web-Based Direct Interface With Transfer Agent Data**

**Supports Five Levels of Access**

- Fund Administrator
- Broker/Dealer
- Broker/Dealer Branch
- Registered Representative
- Shareholder

**Customizable Look And Feel (Logo And Color Scheme)**

**Account Inquiry**

- Portfolio Summary
- Account Position
- Transaction History
- General Account Information

**Online Transactions** (Must have this reflected in the prospectus to offer this functionality)

- Exchanges
- Purchases
- Redemptions
- Prospectus and SAI Access

**Account Maintenance**

- Change of Shareholder Information
  - Address
  - Phone Number
  - Email Address

**Online Statement Access**

- Quarterly Statements and Confirms
- Electronic Delivery (Should have this reflected in the prospectus and application to offer this functionality)
  - Statements
  - Confirms
  - Regulatory Mailings

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**SHAREHOLDER DESKTOP ONLINE NEW ACCOUNTS**

- Allows clients the ability to set up a new account online if they provide valid ACH information and agree to all disclaimers and agreements on site.
- E-Signature capability

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**FUND DATA WEB PACKAGE**

**Performance Web Page**

- Comprehensive performance report hosted by GFS
  - Fund performance updated nightly
  - Up to 20 indexes available
  - Data provided in simple format to be encapsulated into Fund's own website to provide a custom look and feel
  - Growth of \$10,000 graph available

**Holdings web page**

- Fund holding updated periodically to meet fund disclosure rules hosted by GFS
  - Fund holding updated periodically to meet fund disclosure rules
  - Top ten report available
  - Data provided in simple format to be encapsulated into Fund's own website to provide a custom look and feel

**Historical NAV web page**

- Provides historical NAV information for a specified period of time and for a specified fund
  - Data provided in simple format to be encapsulated into Fund's own website to provide a custom look and feel

**Fulfillment web page**

- Provides an online request form for shareholders who wish to request a hard copy of the fulfillment material mailed to them
  - Request is automatically routed online to the Shareholder Services Team at GFS for processing
  - Reporting of Fulfillment requests made online or via phone available via GFS Reporting Services Tool.

GFS reporting utilizes the next generation secure web-based report delivery vehicle which allows for direct request or subscription based delivery reports available in multiple formats (PDF, Excel, XML, CSV)

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# NORTHERN LIGHTS COMPLIANCE SERVICES, LLC

## CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") is effective August 2, 2011 between NORTHERN LIGHTS COMPLIANCE SERVICES, LLC, a Nebraska limited liability company located at 450 Wireless Boulevard, Hauppauge, NY 11788 ("NLCS"), and VERTICAL CAPITAL INCOME FUND, a registered investment company organized as a Delaware business trust, located at 7700 Irvine Center Drive, Suite 150, Irvine, California 92618 (the "Trust"), on behalf of each portfolio series listed on the attached **Appendix A** (each a "Fund" and collectively "Funds").

### I. SCOPE OF SERVICES

NLCS will provide compliance services to the Trust as set forth herein and assist the Trust in complying with the Federal Securities Laws (defined by Rule 38a-1) and meeting its responsibilities as outlined by Rule 38a-1 under the Investment Company Act of 1940, as amended (the "1940 Act").

#### *Phase I - Risk Management and Policies and Procedures Review*

As part of the risk management and policies and procedures review, NLCS will perform the services listed below.

##### a. Evaluation of Internal Control Structure

1. Conduct interviews with certain employees throughout the business lines of the Trust that are responsible for the day-to-day operations of the Trust in relation to compliance with the Federal Securities Laws by the Trust and each investment adviser, principal underwriter, administrator, and transfer agent of the Trust (collectively the "Service Providers").
2. Assess from the interviews the operational risks and compliance with stated policies and procedures of the Trust and its Service Providers.
3. Review internal audit and other reports maintained by the Trust and, to the extent practicable, its Service Providers, related to compliance with the Federal Securities Laws.
4. Review any written policies and procedures provided pursuant to Item b below to assess the appropriateness of such documents with respect to compliance with the Federal Securities Laws by the Trust and its Service Providers.

##### b. Policies and Procedures

Conduct a detailed review and assessment of the Trust's policies and procedures pertaining to compliance with the Federal Securities Laws. This review will cover among other things, policies and procedures relating to:

1. Pricing of portfolio securities and Fund shares, with a focus on the following items within the pricing policies and procedures:
  - a) Monitoring for circumstances that may necessitate the use of fair value prices;
  - b) Establishing criteria for determining when market quotations are no longer reliable for a particular portfolio security;
  - c) Providing a methodology or methodologies by which the Funds determine the current fair value of the portfolio securities; and
  - d) Reviewing the appropriateness and accuracy of the methodology used in valuing securities, including making any necessary adjustments.
2. Processing of fund shares, with a focus on the following items:
  - a) Segregation of investor orders received before the Funds price their shares from those that were received after the Funds price their shares; and
  - b) Methodology used by the Funds to protect themselves and their shareholders against late trading.
3. Identification of affiliated persons to ensure that any transactions with affiliated persons are executed in compliance with the 1940 Act.
4. Protection of nonpublic information, including:
  - a) Prohibitions against trading portfolio securities on the basis of information acquired by analysts or portfolio managers employed by the Trust or its Service Providers;
  - b) Disclosure to third parties of material information about the Funds' portfolios, trading strategies, or pending transactions; and
  - c) Purchase or sale of Fund shares by the Trust or its Service Provider's personnel based on material, nonpublic information about the Funds' portfolios.
5. Compliance with fund governance requirements, including the procedures to guard against:
  - a) Improperly constituted board of trustees of the Trust (the "Board");
  - b) Failure of the Board to properly consider matters entrusted to it; and
  - c) Failure of the Board to request and consider information required by the 1940 Act from the Trust and its Service Providers.
6. The excessive short-term trading of mutual fund shares that may be harmful to the Funds, including a focus on the following areas:
  - a) Consistency of policies and procedures with the Funds' disclosed policies regarding market timing;
  - b) Monitoring of shareholder trades or flows of money in and out of the funds in order to detect market timing activity;
  - c) Enforcement of the Funds' policies regarding market timing;
  - d) Prevention of short-term trading waivers that would harm the Funds or their shareholders or subordinate the interests of the Funds or their shareholders to those of the Trust or any other affiliated person or associated person of the Trust; and
  - e) Reporting to the Funds' Board regarding all waivers granted, so that the Board can determine whether the waivers were proper.
7. Document retention and business continuity.

In addition, NLCS shall conduct a review of the policies and procedures of the Trust's Service Providers, as they relate to the Trust's compliance with the Federal Securities Laws.

#### Investment Adviser Review

The review of the policies and procedures of each Fund's investment adviser shall cover, among other things, to the extent applicable to the Trust:

- a) Portfolio management processes, including allocation of investment opportunities among clients and consistency of portfolios with clients' investment objectives, disclosures by the Trust, and applicable regulatory restrictions;
- b) Trading practices, including procedures by which the Trust satisfies its best execution obligation, uses client brokerage to obtain research and other services ("soft dollar arrangements"), and allocates aggregated trades among clients;
- c) Proprietary trading of the Trust and personal trading activities of supervised persons;
- d) The accuracy of disclosures made to investors, clients, and regulators, including account statements and advertisements;
- e) Safeguarding of client assets from conversion or inappropriate use by advisory personnel;
- f) The accurate creation of required records and their maintenance in a manner that secures them from unauthorized alteration or use and protects them from untimely destruction;
- g) Marketing of advisory services, including the use of solicitors;
- h) Processes to value client holdings and assess fees based on those valuations;
- i) Safeguards for the privacy protection of client records and information; and
- j) Business continuity plans.

It is understood that the chief compliance officer of each Fund's investment adviser is primarily responsible for compliance by such organization with Rule 206(4)-7 under The Investment Advisers Act of 1940, as amended, and for overseeing, with respect to the portfolios they advise, each of the foregoing items.

#### **Underwriter Review**

The review of the policies and procedures of each Fund's underwriter shall cover, among other things, to the extent applicable to the Trust:

- a) The accuracy of disclosures made to investors, clients, and regulators, including account statements and advertisements;
- b) The accurate creation of required records and their maintenance in a manner that secures them from unauthorized alteration or use and protects them from untimely destruction;
- c) Proprietary trading of the Trust and personal trading activities of supervised persons;
- d) The Fund's selling agreement process;
- e) Payments of 12b-1 fees to selling brokers;
- f) Anti-money laundering policies and procedures;
- g) Advertising review process, submission of materials to FINRA and the maintenance of advertising review records; and
- h) Business continuity plans.

#### **Fund Administrator, Fund Accounting and Fund Transfer Agent Review**

The review of the policies and procedures of each Fund's administrator, fund accountant and transfer agent shall cover, among other things, to the extent applicable to the Trust:

- a) The accuracy of disclosures made to investors, clients, and regulators, including account statements and advertisements;
- b) Maintenance of fund records including Board materials and correspondence with regulators;
- c) Proprietary trading of the Trust and personal trading activities of supervised persons;
- d) Maintenance of Fund records;
- e) Processes to ensure timely filing of Fund reports;
- f) Auditors comments noted in SAS 70 reports;
- g) Anti-money laundering policies and procedures; and
- h) Business continuity plans.

As part of its review, NLCS may rely on summaries, reviews or statements prepared by the officers, legal personnel and compliance officers of a Service Provider or a third party.

Each Service Provider is responsible for proper developments and implementation of its policies and procedures. Although NLCS performs a review of each Service Providers policies, procedures and standard business practices, NLCS is not responsible and cannot ensure that all necessary policies are adopted and implemented by such Service Provider.

#### ***Phase II - Amending and Drafting of Policies and Procedures***

Based on the analysis performed under Phase I of the engagement, NLCS will conduct any additional research that is necessary in order to ensure that the current practices of the Trust are in compliance with the Federal Securities Laws and relevant rules promulgated thereunder. Additionally, NLCS will recommend amendments and draft policies and procedures for the areas identified in Phase I, including amending the policies and procedures as they pertain to:

- a. Consistency with regulatory expectations of risk based policies and procedures;
- b. Maintaining compliance with SEC regulations, under Rule 38a-1 under the 1940 Act; and
- c. Consistency within the structure, organization, and format of the policies and procedures.

Any amendments to the policies and procedures drafted by NLCS will be based on industry best practices and regulatory pronouncements. Upon completion of Phase II, the Trust will have customized policies and procedures that are designed to assist the Trust in complying with Rule 38a-1 under the 1940 Act. These procedures will be compiled in a manual that also will describe the overall implementation of the Trust's Compliance Program (the "Compliance Program Manual"). This Compliance Program Manual will serve as the Trust's primary policy and procedures manual and will include summaries of the compliance policies and procedures of each of the Fund's Service Providers.

#### ***Phase III – Ongoing Monitoring and Board Reporting***

Once the Trust's Compliance Program Manual is complete, the Trust's chief compliance officer (the "CCO") will present it to the Board for Approval.

Thereafter, the Trust's CCO will create any appropriate records and monitor the Trust's Compliance Program for effectiveness, including ongoing dialogue with key compliance personnel at the Trust's Service Providers.

The Trust's CCO will conduct an annual review to assess compliance with the Trust's Compliance Program and its overall effectiveness, and will prepare a written report to the Trust's Board annually, within sixty calendar days of the completion of the annual review, that addresses the operation of the policies and procedures of the Fund and its Service Providers, any material changes made to those policies and procedures since the date of the last report, and any material changes to the policies and procedures recommended as a result of the annual review, and each "Material Compliance Matter" as defined in Rule 38a-1 of the 1940 Act.

## **II. STAFFING AND TIMING**

Under the terms of this Agreement, NLCS will provide the services of Emile Molineaux, who shall be appointed by the Board as the CCO for the Trust and each Fund of the Trust. In addition, NLCS will provide support staff to Mr. Molineaux to assist him in all aspects of his duties under this Agreement. Mr. Molineaux will lead the engagement and will have overall supervisory responsibility for the ongoing obligations hereunder. A brief biography for Mr. Molineaux is included in **Appendix C** to this Agreement.

The timeline for this engagement, although subject to change, will be as follows:

#### **ON-SITE**

The on-site portion will consist primarily of reviewing the policies and procedures identified in Phase I above as well as interviews of the relevant personnel throughout the different business lines of the Trust.

Visits to Service Providers of the Trust will include:

- 1) On-site visit to each Fund's administrator, fund accountant and transfer agent.
- 2) On-site visit to each Fund's principal underwriter.
- 3) On-site visits to each Fund's investment adviser.
- 4) Visits to each of the foregoing Service Providers will include consultation with the chief compliance officer of the respective Service Provider.

#### **OFF-SITE**

The off-site portion of this engagement will consist of NLCS devoting significant time reviewing notes from its visits with the Service Providers, continuing follow-up and communication with necessary Service Provider personnel, Trust officers, legal advisors, etc. and preparing any amendments and drafting new policies and procedures as may be required under Phase II.

## **III. PAYMENT**

In consideration of the timely and satisfactory performance of the services indicated above, NLCS shall be compensated as indicated in the attached **Appendix B**. The payment of all fees and the reimbursement of all out of pocket expenses, defined on **Appendix B** ("Out of Pocket Expenses") shall be due and payable within fifteen (15) days of receipt of an invoice from NLCS (the "Due Date"). Interest may accrue, at the maximum amount permitted by law, on any invoice balance that remains unpaid after its Due Date.

## **IV. INDEPENDENT CONTRACTOR**

NLCS shall act as an independent contractor and not as an agent of the Trust and NLCS shall make no representation as an agent of the Trust, except that the CCO shall act as an appointed officer of the Trust and shall be empowered with full responsibility and authority to develop and enforce appropriate policies and procedures for the Trust.

NLCS does not offer legal or accounting services and does not purport to replace the services provided by legal counsel or that of a certified public accountant. If contracts are provided, they will be forms only and the provision of such contracts does not constitute and should not be deemed to be legal advice. The representatives of NLCS are experts, and as such will make every reasonable effort to provide the services described in this Agreement. However, there is no guarantee that work performed by NLCS will be favorably received by any regulatory agency.

Though NLCS's work may involve analysis of accounting and financial records, at no time will work performed by NLCS be deemed to be an audit of the Trust in accordance with generally accepted auditing standards or otherwise, nor will any work performed by NLCS consist of a review of the internal controls of the Trust in accordance with AICPA Statement on Auditing Standards No. 70, or any other authoritative literature.

## V. PROPRIETARY INFORMATION

NLCS recognizes that the Trust may be subject to the provisions of the U.S. Securities and Exchange Commission's Regulation S-P, or other privacy rules promulgated under the Gramm -Leach-Bliley Act (the "GLBA"). In carrying out its consulting duties, NLCS will acquire information of a confidential nature relating to the Trust's business activities and its clients. NLCS hereby agrees to maintain the confidentiality of the Trust's information in accordance with GLBA and shall not use, publish, or otherwise disclose any information pertaining to the Trust, a Fund or its Service Providers.

## VI. STANDARD OF CARE, INDEMNIFICATION AND RELIANCE

- a. *Indemnification of NLCS.* The Trust shall on behalf of each Fund, indemnify and hold NLCS harmless from and against any and all losses, damages, costs, charges, reasonable counsel fees, payments, expenses and liability arising out of or attributable to: (i) the Trust's refusal or failure to comply with the terms of this Agreement, (ii) the Trust's lack of good faith, gross negligence or willful misconduct with respect to the Trust's performance under or in connection with this Agreement, or (iii) all actions taken by NLCS hereunder in good faith without gross negligence, willful misconduct or reckless disregard of its duties. NLCS shall not be liable for, and shall be entitled to rely upon, and may act upon information, records and reports generated by the Trust, advice of the Trust, or of counsel for the Trust and upon statements of the Trust's independent accountants, and shall be without liability for any action reasonably taken or omitted pursuant to such records and reports or advice, provided that such action is not, to the knowledge of NLCS, in violation of applicable federal or state laws or regulations, and provided further that such action is taken without gross negligence, bad faith, willful misconduct or reckless disregard of its duties. The Trust shall hold NLCS harmless in regard to any liability incurred by reason of the inaccuracy of such information provided by the Trust or its other Service Providers or for any action reasonably taken or omitted in good faith reliance on such information.
- b. *Indemnification of the Trust.* NLCS shall indemnify and hold the Trust and each Fund harmless from and against any and all losses, damages, costs, charges, reasonable counsel fees, payments, expenses and liability arising out of or attributable to NLCS's refusal or failure to comply with the terms of this Agreement, or which arise out of NLCS's lack of good faith, gross negligence or willful misconduct with respect to NLCS' performance under or in connection with this Agreement.
- c. *Reliance.* Except to the extent that NLCS may be liable pursuant to this Section VI, NLCS shall not be liable for any action taken or failure to act in good faith in reliance upon:
  - i. advice of the Trust or of counsel to the Trust;
  - ii. any written instruction or resolution of the Board, and NLCS may rely upon the genuineness of any such document, copy or facsimile thereof reasonably believed in good faith by NLCS to have been validly executed;
  - iii. any signature, instruction, request, letter of transmittal, certificate, opinion of counsel, statement, instrument, report, notice, consent, order, or other document reasonably believed in good faith by NLCS to be genuine and to have been signed or presented by the Trust or other proper party or parties; or
  - iv. reasonable actions taken by NLCS based on information provided by other Service Providers to the Trust.

NLCS shall not be under any duty or obligation to inquire into the validity or invalidity or authority or lack of authority of any statement, oral or written instruction, resolution, signature, request, letter of transmittal, certificate, opinion of counsel, instrument, report, notice, consent, order, or any other document or instrument which NLCS reasonably believes in good faith to be genuine.

- d. *Errors of Others.* NLCS shall not be liable for the errors of Service Providers or other parties retained to provide services to the Trust.
- e. *Limitation of Shareholder and Trustee Liability.* The Trustees of the Trust and the shareholders of Funds shall not be liable for any obligations of the Trust or of the Funds under this Agreement, and NLCS agrees that, in asserting any rights or claims under this Agreement, it shall look only to the assets and property of the Funds to which NLCS's rights or claims relate in settlement of such rights or claims, and not to the Trustees of the Trust or the shareholders of the Funds. It is expressly agreed that the obligations of the Trust hereunder shall not be binding upon any of the Trustees, shareholders, nominees, officers, agents or employees of the Trust personally, but bind only the trust property of the Trust, as provided in the Declaration of Trust. The execution and delivery of this Agreement has been authorized by the Trustees of the Trust and signed by the officers of the Trust, acting as such, and neither such authorization by such Trustees and shareholders nor such execution and delivery by such officers shall be deemed to have been made by any of them individually or to impose any liability on any of them personally, but shall bind only the property of the Trust as provided in its Declaration of Trust. A copy of the Agreement and Declaration of Trust of the Trust is on file with the Secretary of State of Delaware.
- f. In the event that NLCS is requested, pursuant to subpoena or other legal process, to provide testimony or produce its documents relating to its engagement under this Agreement, in judicial or administrative proceedings to which NLCS is not a party, NLCS shall promptly notify the Trust and shall be reimbursed by the Trust at the then current standard billing rates for NLCS's professional time and expenses, including reasonable attorneys fees incurred responding to such request.

Notwithstanding the indemnification provisions above, to the extent that the CCO incurs any liability in connection with the performance of his duties under this Agreement, he shall be covered under the Directors and Officers Errors and Omissions insurance policy of the Trust, in accordance with the terms therein and the deductible shall be covered by the Trust.

## VII. CONDITIONS PRECEDENT

The following conditions must be met within a reasonable amount of time following the execution of this Agreement:

- a. The investment adviser for each Fund of the Trust will officially appoint a chief compliance officer pursuant to Rule 206(4)-7 under the Investment Advisers Act of 1940 ("Advisers Act"), to fulfill all required duties thereunder.
- b. The Trust's CCO shall be covered under the Trust's Directors and Officers/ Errors and Omissions Insurance as an officer of the Trust.
- c. NLCS shall obtain Errors and Omissions Insurance coverage with respect to its services.

## VIII. WARRANTY

NLCS warrants that it is under no obligation to any other entity that in any way is in conflict with this Agreement and that it is free to enter into this Agreement.

## IX. EFFECTIVE DATE, TERM AND TERMINATION

- a. *Effective Date and Term.* This Agreement shall become effective on the date first above written and shall continue for a period of one (1) year (the "Initial Term"). This Agreement shall automatically continue for successive one year periods (a "Renewal Term") subject to approval of the Board of the Trust, including approval by a majority of the Independent Trustees.
- b. *Termination.* This Agreement may be terminated at the end of the Initial Term (or Renewal Term) by either party by providing at least ninety (90) days written notice prior to the commencement of a Renewal Term. Unless terminated by providing a party at least ninety (90) days written notice prior to the commencement of a Renewal Term, this Agreement may not be terminated by either party absent a material breach. Upon written notice of a material breach, a party shall have 30 days to remedy a material breach. Compensation due NLCS and unpaid by the Trust upon such termination shall be due on the date of termination or after the date that the provision of services ceases, whichever is later. In the event of termination, NLCS agrees that it will cooperate in the smooth transition of services and to minimize disruption to the Trust and its shareholders.
- c. *Reimbursement of NLCS's Expenses.* If this Agreement is terminated with respect to a Fund or Funds, NLCS shall be entitled to collect from the Trust the amount of all of NLCS's reasonable labor charges and cash disbursements for services in connection with NLCS's activities in effecting such termination, including without limitation, the labor costs and expenses associated with delivery of any compliance records of each such Fund from its computer systems, and the delivery to the Trust and/or its designees of related records, instruments and documents, or any copies thereof. In the event of termination, NLCS agrees that it will cooperate in the smooth transition of services and to minimize disruption to the Trust.

## X. EXCEPTIONS RESULTING FROM BOARD ACTION UNDER RULE 38a-1

- a. *Termination.* If the Board dismisses the Trust's CCO, this Agreement will either end immediately or, at the discretion of both parties, NLCS may present an alternative CCO for Board consideration and approval to continue the CCO duties set forth under this Agreement.
- b. *Prevention of Termination.* If NLCS wishes to dismiss the CCO under the terms of NLCS's arrangement with the CCO, NLCS will present its plan of action to the Board prior to taking such action. Under such circumstances NLCS may, at its own discretion, offer to present another CCO candidate to the Board that would work through NLCS. If the Board approves the new CCO, the contract would continue as amended to reflect the new CCO. If the Board chooses to engage its own CCO as a result of NLCS dismissing the CCO under this Agreement, the contract with NLCS would end, and the Trust would pay NLCS only for fees and Out of Pocket Expenses accrued up to the point in time when the Board's new CCO officially assumes responsibility.
- c. *Change in Compensation.* If the Board decides to increase the CCO's compensation or provide a bonus to the CCO, then the fees paid to NLCS by the Trust will increase proportionately for any amounts it deems due to the CCO above the amounts due to NLCS under this Agreement. Any attempt by the Board to reduce the salary of the CCO would be contrary to the terms of this Agreement.
- d. *Resignation by the CCO.* If the CCO voluntarily resigns, at the discretion of both parties, NLCS may present an alternative CCO for Board consideration and approval to continue CCO duties under this Agreement. If the Board chooses to end its relationship with NLCS as a result of such voluntary resignation by the CCO, the contract with NLCS would end, and the Trust would pay NLCS only for fees and Out of Pocket Expenses accrued up to the point in time when the Board's new CCO officially assumes responsibility. NLCS will make every effort to assist the Board in a smooth transition during this period.

**XI. MISCELLANEOUS**

- a. *Amendments.* No provisions of this Agreement may be amended or modified in any manner except by a written agreement properly authorized and executed by both parties hereto.
- b. *Governing Law.* This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of New York.
- c. *Entire Agreement.* This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject matter hereof whether oral or written.
- d. *Counterparts.* The parties may execute this Agreement on any number of counterparts, and all of the counterparts taken together shall be deemed to constitute one and the same instrument.
- e. *Severability.* If any part, term or provision of this Agreement is held to be illegal, in conflict with any law or otherwise invalid, the remaining portion or portions shall be considered severable and not be affected by such determination, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular part, term or provision held to be illegal or invalid.
- f. *Force Majeure.* Neither party shall be liable to the other for failure to perform if the failure results from a cause beyond its control, including, without limitation, fire, electrical, mechanical, or equipment breakdowns, delays by third party vendors and/or communications carriers, civil disturbances or disorders, terrorist acts, strikes, acts of governmental authority or new governmental restrictions, or acts of God..
- g. *Headings.* Section and paragraph headings in this Agreement are included for convenience only and are not to be used to construe or interpret this Agreement.
- h. *Notices.* All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered by hand or by overnight, registered or certified mail, postage prepaid, to each party at the address set forth below or at such new address designated by such party by notice given.

<p><b>To the Trust:</b>          Christopher Chase          President          Vertical Capital Income Fund          7700 Irvine Center Drive          Suite 150          Irvine, CA 92618</p>	<p><b>To NLCS:</b>          Michael J. Wagner          President          Northern Lights Compliance Services, LLC          450 Wireless Boulevard          Hauppauge, NY 11788          (631) 470-2604          Michael.Wagner@NLCompliance.com</p>
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With a copy to:

JoAnn Strasser, Esq,  
 Thompson Hine LLP  
 312 Walnut Street, 144<sup>th</sup> Floor  
 Cincinnati, OH 452020  
 (513) 352-6725  
 joann.strasser@thomsonhine.com

- i. *Distinction of Funds.* Notwithstanding any other provision of this Agreement, the parties agree that the assets and liabilities of each Fund of the Trust are separate and distinct from the assets and liabilities of each other Fund and that no Fund shall be liable or shall be charged for any debt, obligation or liability of any other Fund, whether arising under this Agreement or otherwise.
- j. *Representation of Signatories.* Each of the undersigned expressly warrants and represents that they have full power and authority to sign this Agreement on behalf of the party indicated and that their signature will bind the party indicated to the terms hereof.

**Signature Page Follows**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf by and through their duly authorized persons, as of the day and year first above written.

**VERTICAL CAPITAL INCOME FUND**

**NORTHERN LIGHTS COMPLIANCE SERVICES, LLC**

By: /s/A. Bayard Closser  
 A. Bayard Closser  
 President

By: /s/Michael J. Wagner  
 Michael J. Wagner  
 President

**The undersigned investment adviser hereby acknowledges and agrees to the terms of this Consulting Agreement.**

**VERTICAL CAPITAL ASSET MANAGEMENT, LLC**  
 7700 Irvine Center Drive, Suite 150  
 Irvine, California 92618

By: /s/Christopher R. Chase  
 Christopher R. Chase  
 President



**APPENDIX AA**  
**List of Funds**

Vertical Capital Income Fund

**APPENDIX B  
FEES**

1) Development of Procedures. A one-time fee of \$2,500 per Fund will be billed for developing/updating the Compliance Program Manual for the Trust.

*plus*

2) Base Fee – Trust Chief Compliance Officer Services.

|     **Base Fee \$25,000.00 Per Year Billable Quarterly**     |

The Annual Fee under this Agreement will be billed separately to each Fund set forth on **Appendix A** on a calendar quarterly basis, in advance. The invoices shall be due and payable by the Fund within fifteen (15) days of receipt of an invoice from NLCS. Each invoice shall provide by NLCS shall include the amount due and a brief description of the services rendered.

An additional fee of \$5,000 per year will be charged to each Fund involving complex securities or other higher risk compliance issues, as determined by NLCS in its sole discretion.

On the annual anniversary date of each Fund being added to this Agreement, such Fund’s fees enumerated above may be increased by the change in the Consumer Price Index for the Northeast region (“CPI”) for the twelve-month period ending with the month preceding such annual anniversary date. Any CPI increases not charged in any given year may be included in prospective CPI fee increases in future years..

Pricing Discounts

NLCS shall offer pricing discounts for multiple Funds advised by the same investment adviser (a “Fund Family”). The Annual Fee shall be charged on the largest fund in a Fund Family. A 50% discount from the Annual Fee will be given to the second and third largest Fund and a 75% discount off the Annual Fee will be given to any additional Funds. Sub-Advised Funds are not eligible to participate in Fund Family pricing discounts.

The fee for a single fund with multiple advisers/sub-advisers shall be charged an additional fee of \$2,500 per additional adviser/sub-adviserr

*plus*

3) Out of Pocket Expenses.

Reasonable expenses incurred in connection with Trust business, including, but not limited to, travel and meals, telephone calls, photocopying, binding and shipping of compliance materials, will be billed to the Trust on a monthly basis. The Trust agrees to reimburse NLCS for all Out of Pocket Expenses incurred by NLCS in connection with the services provided to the Trust pursuant to this Agreement. Where the Trust’s Chief Compliance Officer makes a single visit to Service Providers for purposes not only of the Trust, but also for other NLCS clients that employ the same Service Providers, the travel costs will be divided among the Trust and such clients equally. An invoice detailing these Out of Pocket Expenses, including any Fund specific expenses, will be submitted to the Trust at the end of each month, and will be payable by the Trust within fifteen (15) days of receipt of an invoice from NLCS. Fund specific Out of Pocket Expenses, such as those incurred from visits to investment advisers for specific Funds, will be allocated by the Trust to the respective Fund.



**APPENDIX C**  
**Resume of Emile Molineaux**

**RELEVANT LEGAL AND COMPLIANCE EXPERIENCE**

**GEMINI FUND SERVICES, LLC** *Hauppauge, NY – General Counsel & CCO*

*Dec. 2003 to Present*

Gemini provides Administrative, Transfer Agency and Fund Accounting services to mutual funds, variable annuity products, closed-end funds and hedge funds, as well as compliance services (through an affiliate) to mutual funds. I oversee ongoing legal, compliance and regulatory matters in connection with Gemini and its clients and handle issues under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Adviser's Act of 1940. I developed Gemini's Compliance Program and that of many of its clients, and I conduct quarterly webinars on compliance. I handle contractual matters relating to Gemini and its mutual fund and hedge fund clients. I serve as an officer of over forty mutual funds and make presentations to Boards of Directors/Trustees on a regular basis. I also serve as a Director of several Cayman Islands companies. A portion of my time is spent developing new products and consulting with our adviser clients; I have been involved in nearly 100 new product launches at Gemini.

**THE DREYFUS CORPORATION** *New York, NY – Mutual Fund Attorney*

*Jan. 1999 to Dec. 2003*

Served as in-house counsel to the Dreyfus Family of Funds; oversaw ongoing legal, compliance and regulatory matters in connection with approximately 20 of the Fund Family's 200 + portfolios; reviewed and revised meeting minutes, prospectuses, SAIs, annual reports and NSARs; prepared documents for and participated in quarterly board meetings; conducted annual and special shareholder meetings and prepared documents in connection therewith, including closed-end and open-end fund mergers, pricing/valuation committee issues, fundamental policy changes, election of directors, as well as routine matters; participated in several closed-end fund auction preferred stock offerings and closings therefor; reviewed soft-dollar issues; negotiated futures agreements with futures commissions merchants such as Merrill Lynch, Goldman Sachs, etc.; addressed legal issues involving shareholder complaints; reviewed cross-selling initiatives and certain compliance issues.

**MORRISON & FOERSTER LLP** *Washington, D.C. – Attorney, Investment Management Practice Group*

*Jul. 1995 to Dec. 1998*

Addressed ongoing legal, compliance and regulatory matters in connection with a large bank-advised mutual fund complex (approximately 75 portfolios, including variable insurance products); drafted and filed public offering documents, prepared Form N1-A filings and responded to SEC comments; prepared Requests for Exemption from SEC Rules; reorganized funds into master-feeder and multi-class structures; interacted with corporate officers and analyzed legal issues in connection with client inquiries; prepared documents relating to fund mergers and acquisitions; prepared proxy materials and N-14 documents; drafted shareholder and quarterly directors' meeting materials; drafted corporate documents, including advisory and custody agreements; kept abreast of new SEC and NASD Rules and Regulations; handled issues under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940 and state Blue Sky laws.

**EDUCATION**

**THE CATHOLIC UNIVERSITY OF AMERICA, COLUMBUS SCHOOL OF LAW** - *Juris Doctor*

*May 1993*

International and Comparative Law Certificate; Moot Court: Best Oralist - Jessup Cup, CUA;  
International Law Society - Vice President; Latin American Law Students Association – Rep. to National Hispanic Bar Assoc.

**UNIVERSITY OF MASSACHUSETTS - AMHERST** - *Bachelor of Arts, European History*

*February 1986*

**BAR MEMBERSHIPS**

**PENNSYLVANIA** - *Since December 1993*

**DISTRICT OF COLUMBIA** - *Since November 1996*

**LANGUAGES** - *Fluent Spanish, Intermediate French*

VERTICAL CAPITAL INCOME FUND  
OPERATING EXPENSES LIMITATION AGREEMENT

THIS OPERATING EXPENSES LIMITATION AGREEMENT (the "Agreement") is effective as of the 2nd day of August, 2011, by and between VERTICAL CAPITAL INCOME FUND, a Delaware statutory trust (the "Trust" or "Fund"), and the Advisor of such Fund, VERTICAL CAPITAL ASSET MANAGEMENT, LLC (the "Advisor").

WITNESSETH:

WHEREAS, the Advisor renders advice and services to the Fund pursuant to the terms and provisions of an Investment Advisory Agreement between the Trust and the Advisor dated as of the 2nd day of August, 2011 (the "Investment Advisory Agreement"); and

WHEREAS, the Fund is responsible for, and has assumed the obligation for, payment of certain expenses pursuant to the Investment Advisory Agreement that have not been assumed by the Advisor; and

WHEREAS, the Advisor desires to limit the Fund's Operating Expenses (as that term is defined in Paragraph 2 of this Agreement) pursuant to the terms and provisions of this Agreement, and the Trust (on behalf of the Fund) desires to allow the Advisor to implement those limits;

NOW THEREFORE, in consideration of the covenants and the mutual promises hereinafter set forth, the parties, intending to be legally bound hereby, mutually agree as follows:

1. Limit on Operating Expenses. The Advisor hereby agrees to limit the Fund's current Operating Expenses to an annual rate, expressed as a percentage of the Fund's average annual net assets, to the amounts listed in Appendix A (the "Annual Limit"). In the event that the current Operating Expenses of the Fund, as accrued each month, exceed its Annual Limit, the Advisor will pay to that Fund, on a monthly basis, the excess expense within 30 days of being notified that an excess expense payment is due.

2. Definition. For purposes of this Agreement, the term "Operating Expenses" with respect to the Fund, is defined to include all expenses necessary or appropriate for the operation of the Fund and including the Advisor's investment advisory or management fee detailed in the Investment Advisory Agreement, any Rule 12b-1 fees and other expenses described in the Investment Advisory Agreement, but does not include any front-end or contingent deferred loads, taxes, leverage interest, borrowing interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, dividend expense on securities sold short, acquired (underlying) fund fees and expenses or extraordinary expenses such as litigation.

3. Reimbursement of Fees and Expenses. The Advisor retains its right to receive reimbursement of any excess expense payments paid by it pursuant to this Agreement under the same terms and conditions as it is permitted to receive reimbursement of reductions of its investment management fee under the Investment Advisory Agreement.

4. Term. This Agreement shall become effective on the date specified herein and shall remain in effect until at least 1 year following the effective date of the Fund, unless sooner terminated as provided in Paragraph 5 of this Agreement.

5. Termination. This Agreement may be terminated at any time, and without payment of any penalty, by the Board of Trustees of the Trust, on behalf of the Fund, upon sixty (60) days' written notice to the Advisor. This Agreement may not be terminated by the Advisor without the consent of the Board of Trustees of the Trust. This Agreement will automatically terminate, with respect to the Fund listed in Appendix A if the Investment Advisory Agreement for the Fund is terminated, with such termination effective upon the effective date of the Investment Advisory Agreement's termination for the Fund.

6. Assignment. This Agreement and all rights and obligations hereunder may not be assigned without the written consent of the other party.

7. Severability. If any provision of this Agreement shall be held or made invalid by a court decision, statute or rule, or shall be otherwise rendered invalid, the remainder of this Agreement shall not be affected thereby.

8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the conflict of laws principles thereof; provided that nothing herein shall be construed to preempt, or to be inconsistent with, any federal law, regulation or rule, including the Investment Company Act of 1940 and the Investment Advisers Act of 1940 and any rules and regulations promulgated thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested by their duly authorized officers, all on the day and year first above written.

VERTICAL CAPITAL INCOME FUND

VERTICAL CAPITAL ASSET MANAGEMENT,  
LLC

By: /s/A. Bayard Closser  
Name: A. Bayard Closser  
Title: President

By: /s/Christopher R. Chase  
Name: Christopher R. Chase  
Title: Managing Member

Appendix A

<u>Fund</u>	<u>Operating Expense Limit</u>
Vertical Capital Income Fund	1.85%



**Vertical Recovery Management, LLC**  
**LOAN SERVICING AGREEMENT**

This Loan Servicing Agreement (the "Agreement") is dated **September 29, 2011** and is between **Vertical Recovery Management, LLC** located at **7700 Irvine Center Drive, Suite 150, Irvine, CA 92618**, ("Servicer") licensed by the State of California as a  Real Estate Broker or  California Finance Lender, and **Vertical Capital Income Fund LLC**, the lender or lenders whose signatures appear below and in counterparts to this Agreement (together, the "Lender"). If the Loan is owned by multiple Lenders, the Lenders who own more than 50% of the Loan are called the "Majority" in this Agreement. The parties agree as follows:

1. Scope. Lender retains Servicer as Lender's agent to employ commercially reasonable and prudent practices to collect all scheduled payments on the Loan identified above (the "Loan"), including the protection of the security for the Loan. Servicer shall consult with and follow instructions from Lender on non-routine collection matters. If the Loan is owned by multiple Lenders (a "Multi-Lender Loan"), Servicer shall consult with all Lenders but shall only follow instructions from the Majority.

2. Term and Termination. This Agreement shall commence when all necessary documents to service loan are received by "Servicer" or the date set forth below, whichever is later. It shall terminate when any of these events occur: (a) payment in full of the Loan and reconveyance of the deed(s) of trust securing the Loan; (b) 30 days written notice by Servicer to Lender or (c) unless Paragraph 7 is checked, the recording of a trustee's deed following a foreclosure of the Loan. Prior to the effectiveness of any termination, Servicer shall deliver to Lender all of Lender's funds, an appropriate accounting and all necessary documentation. At termination, Lender shall immediately reimburse Servicer for any outstanding advances made pursuant to paragraph 4.

3. Specific Loan Servicing Functions. Servicer shall: (a) issue payment coupons or monthly statements to the borrower directing Loan repayment to Servicer, (b) issue payoff demands, beneficiary statements and mortgage ratings, (c) demand, receive and collect all Loan payments, deposit them by the next business day into Servicer's trust account and pay them to Lender within 25 days of receipt; (d) issue annual income tax statements to the borrower and Lender; (e) answer borrower inquiries, demands and requests; (f) grant appropriate payment deferrals, but not of the maturity of the Loan unless approved by Lender or the Majority in the case of a Multi-Lender Loan; (g) monitor the continued effectiveness and claims on any property insurance listed in the Loan escrow instructions; (h) request and receive notices of default on senior liens; (i) receive notices of property tax delinquencies, should a tax service be ordered thru escrow or subsequently; (j) to execute and deliver on Lenders' behalf and in Lenders' name any documents necessary or convenient for the exercise of any rights or duties which Lender may have under the Deed of Trust, including but not limited to Substitution of Trustee, Request for Full or Partial Reconveyance, Payoff Demands, Beneficiary Statements, Declarations and Notices of Defaults, bidding authorizations and other instructions to the Trustee (appointed or substituted) of the Deed of Trust; (k) to endorse to Servicer's Trust Account any checks or money orders payable to Lender and to deposit them by the next business day into Servicer's trust account; (l) with the consent of Lender or the Majority, as the case may be, initiate and direct judicial or non-judicial foreclosure of the Loan, as Lender or the Majority deem appropriate, and with such consent, communicate to the trustee or sheriff the amount of any credit bid. Lender also agrees and authorizes Servicer to employ any outside services such as, but not limited to, appraisers, attorneys and foreclosure companies to further evaluate and protect Lenders' interest in Note and Deed of Trust, all subject to reimbursement upon demand or prior collection of funds to pay for said outside services, including any services provided by Servicer which is not under the scope of this agreement (including but not limited to a trustee fee in a foreclosure situation). Servicer shall promptly communicate to Lender any material information about collection of the Loan and the source of non-borrower Loan payments. Servicer may produce a copy of this Agreement as evidence of its authority.

4. Protective Advances. Lender shall make such advances as necessary.

5. Loan Documents. Client shall retain custody of the original note and Deed of Trust or Mortgage for the Loan (or assignment thereof), unless Servicer is specifically authorized by Client and agrees to retain such

documentation. If Servicer is to maintain custody of the original note and Deed of Trust or Mortgage for the Loan (or assignment thereof), there will be an additional housing fee.

6. Compensation. For its services, Servicer shall be paid: a servicing fee equal to 0.250% of principal Loan balance annually, all fees for beneficiary statements and demands; 100% of late charges; 0% of all prepayment penalties paid; 0% of early closure fees; 0% of transaction fees (HELOCS) and 100% of all wiring fees, advancing, overnight charges, NSF fees, reconveyance fees, advancing fees, demand fees, any other fees earned by servicer and all bankruptcy administration fees, 100% of sub-servicer fees, if any. Servicer's compensation is subject to change upon 30 days written notice to Lender; Lender may avoid changes by terminating this Agreement in writing within the 30-day period. Servicer is guaranteed to receive a minimum of three (3) months service fees based on original principal balance. Fees subject to change after review of file(s). Should file be withdrawn from servicing by Lender, Lender shall pay Servicer \$50.00 cancellation fee. (This may be in addition to the minimum 3 month servicing fee guarantee.)

7. Real Estate Owned.  If this box is checked, Servicer is also Lender's agent to liquidate any real estate acquired by Lender in foreclosure of the Loan (the "Property"). Servicer's pre-foreclosure servicing fee shall continue as if the Loan was unpaid. An additional contract shall be signed at that time outlining terms and fees of retaining VFG to manage the real estate. Servicer shall: (a) arrange appropriate property insurance; (b) manage the Property, including arranging maintenance, tenant relations, repair and security; (c) arrange for the valuation and resale of the Property, including hiring a Realtor® or Broker, at customary commission rates, to list, show and sell the Property; and (d) accept reasonable offers on the Property, at the price and terms approved by Lender (or the Majority on a Multi-Lender Loan) and execute all necessary and appropriate documentation to carry out the sale. Advances by Lender or Servicer are subject to the terms of paragraph 4.

8. Lender further understands and agrees that the security for any Note and Deed of Trust is directly related

9. Lender further understands and agrees that the equity in any real estate property related to the equity in the security real estate as shown in the Lender Disclosure Statement and THAT NO WARRANTIES ARE IMPLIED OR EXPRESSED. Lender understands that the value or salability of real estate can change at any time and therefore, that equity in the security real estate can increase or decrease. Lender hereby releases Servicer from any liability whatsoever in connection with the determination of the value of the security real estate.

9. Lender further understands and agrees that if this loan has been previously serviced by another servicing agent or by the lender, Servicer shall rely on all info transmitted to Servicer from former servicer of lender. Servicer does not have a duty to Lender to research any information given to "Servicer" as to the correctness of such information.

10. Lender hereby indemnifies Servicer from any and all liability, including attorney's fees and costs incurred in defending a legal action naming Servicer as defendant, which might arise during the course of or subsequent to Servicer's execution of its duties hereunder, including but not limited to being named as defendant based on former servicer's actions unless said liability arises due to Company's own negligence or mistake as determined by a court of competent jurisdiction. Additionally, Lender holds Servicer harmless against any losses caused by fire or other hazard on non-insured properties if said property was uninsured prior to receipt of file from former servicer (on takeover files) or escrow holder (on new closings) and within 60 days of receipt of complete file information to Servicer. Additionally, Lender holds Servicer harmless against any losses caused by Notices of Defaults and/or Notices of Trustee Sale recorded against the property if said Notice was recorded prior to receipt of complete file information from former Servicer (on takeover files) or escrow holder (on new closings) and within 60 days of receipt of complete file information to Servicer.

11. Lender agrees that should a tax service not be ordered through originating loan broker or requested through Servicer in writing, Lender holds Servicer harmless from any losses incurred by Lender should tax default occur.

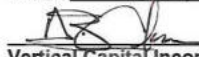
12. Lender agrees that Servicer is not responsible for monitoring underlying lien(s) unless specific delinquency notice from underlying lien(s) has been received by Servicer.


**13. Arbitration. All disputes between the parties and/or the borrower, and their respective officers, directors, agents, employees and assignees, arising out of this Agreement or relating to the Loan, including,**

the arranging and servicing of the Loan and any services in connection with Property acquired, shall be determined by binding arbitration under the applicable rules of the American Arbitration Association. Judgment on the arbitrators' award may be entered in any court having jurisdiction. Lender acknowledges that by agreeing to arbitration, Lender is waiving Lender's right to have the dispute litigated in a court or jury trial, with rights of discovery, application of the rules of evidence and appeal.

14. This Agreement shall bind and insure to the benefit of all the heirs, executors, administrators, successors and assigns of the parties.

The undersigned "LENDER" understands that a portion of said servicing fee(s) might be paid to outside parties who may, or may not, provide referral, finder or other services. Such persons may include, but are not limited to, individuals or corporations licensed by the Department of Real Estate or by other governmental or regulatory entities.

Dated: 9/29/11  
  
\_\_\_\_\_  
Vertical Capital Income Fund LLC  
Raymond Closser  
By: \_\_\_\_\_

Dated: 9/29/11  
  
\_\_\_\_\_  
Vertical Recovery Management LLC  
GOS AUTOMATED  
By: \_\_\_\_\_

September 29, 2011

Vertical Capital Income Fund  
450 Wireless Boulevard  
Hauppauge, NY 11788

Dear Board Members:

This letter is in response to your request for our opinion in connection with the filing of Pre-Effective Amendment No. 1 to the Registration Statement, 1933 Act File No. 333-173872 and 1940 Act File No. 811-22554 (the "Registration Statement"), of Vertical Capital Income Fund (the "Fund").

We have examined a copy of the Fund's Amended and Restated Agreement and Declaration of Trust, the Fund's By-laws, the Fund's record of the various actions by the Trustees thereof, and all such agreements, certificates of public officials, certificates of officers and representatives of the Fund and others, and such other documents, papers, statutes and authorities as we deem necessary to form the basis of the opinion hereinafter expressed. We have assumed the genuineness of the signatures and the conformity to original documents of the copies of such documents supplied to us as copies thereof.

Based upon the foregoing, we are of the opinion that, after Pre-Effective Amendment No. 1 is effective for purposes of applicable federal and state securities laws, the shares of the Fund, if issued in accordance with the then current Prospectus and Statement of Additional Information of the Fund, will be legally issued, fully paid and non-assessable.

We hereby give you our permission to file this opinion with the Securities and Exchange Commission as an exhibit to Pre-Effective Amendment No. 1 to the Registration Statement. This opinion may not be filed with any subsequent amendment, or incorporated by reference into a subsequent amendment, without our prior written consent. This opinion is prepared for the Fund and its shareholders, and may not be relied upon by any other person or organization without our prior written approval.

Very truly yours,

/s/ THOMPSON HINE LLP

THOMPSON HINE LLP

MVW/JMS

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THOMPSON HINE LLP  
ATTORNEYS AT LAW

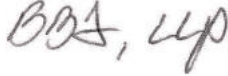
312 Walnut Street  
14th Floor  
Cincinnati, Ohio 45202-4089

[www.ThompsonHine.com](http://www.ThompsonHine.com)  
Phone 513.352.6700  
Fax 513.241.4771



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the references to our firm in the Pre-Effective Amendment to the Registration Statement on Form N2 of the Vertical Capital Income Fund and to the use of our report dated September 29, 2011 on the statement of assets and liabilities and the related statement of operations as of September 28, 2011 of the Vertical Capital Income Fund ("the Fund"). Such financial statements appear in the Fund's Statement of Additional Information.

Handwritten signature in black ink that reads "BBD, LLP". The letters are cursive and somewhat stylized.

**BBD, LLP**

**Philadelphia, Pennsylvania**  
**September 29, 2011**

**SUBSCRIPTION AGREEMENT BETWEEN THE FUND AND THE INVESTORS**

VERTICAL CAPITAL INCOME FUND

LETTER OF INVESTMENT INTENT

To the Board of Trustees of Vertical Capital Income Fund:

The undersigned (the "Purchasers") each hereby subscribes to purchase a beneficial interest ("Interest") in the Vertical Capital Income Fund, in the amount of \$50,000.00 for 5,000 shares at net asset value of \$10.00 per share, in consideration for which each Purchaser agrees to transfer to you upon demand cash in the amount of \$50,000.00.

The Purchasers agree that the Interests are being purchased for investment purposes only and with no present intention of reselling or redeeming said Interest.

Effective: September 22, 2011

By: /s/Christopher Chase  
Christopher Chase

By: /s/Gustavo Altuzarra  
Gustavo Altuzarra on behalf of the  
Gustavo & Kelly Altuzarra Trust

**Vertical Capital Income Fund**  
**CODE OF ETHICS**  
August 2, 2011

The Vertical Capital Income Fund (the "Trust") has adopted this Code of Ethics (the "Code") in order to set forth guidelines and procedures that promote ethical practices and conduct by all of its Access Persons and to ensure that all Access Persons comply with the federal securities laws. Although this Code contains a number of specific standards and policies, there are four key principles embodied throughout the Code.

**THE INTERESTS OF THE FUND MUST ALWAYS BE PARAMOUNT**

Access Persons have a legal, fiduciary duty to place the interests of the Fund ahead of their own. In any decision relating to their personal investments, Access Persons must scrupulously avoid serving their own interests ahead of those of the Trust.

**Access Persons may not take advantage of their relationship with the Fund**

Access Persons should avoid any situation (unusual investment opportunities, perquisites, accepting gifts of more than token value from persons seeking to do business with the Fund) that might compromise, or call into question, the exercise of their fully independent judgment in the interests of the Fund.

**All Personal Securities Transactions should avoid any actual, potential, or apparent conflicts of interest**

Although all Personal Securities Transactions by Access Persons must be conducted in a manner consistent with this Code, the Code itself is based on the premise that Access Persons owe a fiduciary duty to the Fund, and should avoid any activity that creates an actual, potential, or apparent conflict of interest. This includes executing transactions through or for the benefit of a third party when the transaction is not in keeping with the general principles of this Code.

Access Persons must adhere to these general principles as well as comply with the specific provisions of this Code. Technical compliance with the Code and its procedures will not automatically prevent scrutiny of trades that show a pattern of abuse of an individual's fiduciary duty to the Fund.

**Access Persons must comply with all applicable laws**

In both work-related and personal activities, Access Persons must comply with all applicable laws, including the federal securities laws.

**Any violations of this Code should be reported promptly to the Chief Compliance Officer. Failure to do so will be deemed a violation of the Code.**

## **DEFINITIONS**

**"Access Person"** shall have the same meaning as set forth in Rule 17j-1 under the Investment Company Act of 1940, as amended (the "1940 Act") and shall include:

1. all officers and directors (or persons occupying a similar status or performing a similar function) of the Fund;
2. all officers and directors (or persons occupying a similar status or performing a similar function) of each Adviser or Sub-Adviser with respect to its corresponding series of the Trust (together, the "Advisers");
3. any employee of the Trust or the Adviser (or of any company controlling or controlled by or under common control with the Trust or the Adviser) who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of Covered Securities by the Funds, or whose functions relate to the making of any recommendations with respect to the purchase or sale; and
4. any other natural person controlling, controlled by or under common control with the Trust or the Adviser who obtains information concerning recommendations made to the Fund with regard to the purchase or sale of Covered Securities by the Fund.

**"Beneficial Ownership"** means in general and subject to the specific provisions of Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended, having or sharing, directly or indirectly, through any contract arrangement, understanding, relationship, or otherwise, a direct or indirect "pecuniary interest" in the security.

**"Chief Compliance Officer"** means the Code of Ethics Compliance Officer of the Trust with respect to Trustees and officers of the Trust, or the CCO of the Adviser with respect to Adviser personnel.

**"Code"** means this Code of Ethics.

**"Covered Security"** means any Security, except (i) direct obligations of the U.S. Government, (ii) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements, and (iii) shares issued by open-end mutual funds.

**"Decision Making Access Person"** means any Access Person who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of a security by the Funds, or whose functions relate to the making of any recommendations with respect to such purchases or sales. Decision Makers typically are Adviser personnel.

"Fund" means the Trust.

"Immediate family" means an individual's spouse, child, stepchild, grandchild, parent, stepparent, grandparent, siblings, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law and should include adoptive relationships. For purposes of determining whether an Access Person has an "indirect pecuniary interest" in securities, only ownership by "immediate family" members sharing the same household as the Access Person will be presumed to be an "indirect pecuniary interest" of the Access Person, absent special circumstances.

"Independent Trustees" means those Trustees of the Trust that would not be deemed an "interested person" of the Trust, as defined in Section 2(a)(19)(A) of the 1940 Act.

"Indirect Pecuniary Interest" includes, but is not limited to: (a) securities held by members of the person's Immediate Family sharing the same household (which ownership interest may be rebutted); (b) a general partner's proportionate interest in portfolio securities held by a general or limited partnership; (c) a person's right to dividends that is separated or separable from the underlying securities (otherwise, a right to dividends alone will not constitute a pecuniary interest in securities); (d) a person's interest in securities held by a trust; (e) a person's right to acquire securities through the exercise or conversion of any derivative security, whether or not presently exercisable; and (f) a performance-related fee, other than an asset based fee, received by any broker, dealer, bank, insurance company, investment company, investment manager, trustee, or person or entity performing a similar function, with certain exceptions.

"Pecuniary Interest" means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in securities.

"Personal Securities Transaction" means any transaction in a Covered Security in which an Access Person has a direct or indirect Pecuniary Interest.

"Purchase or Sale of a Security" includes the writing of an option to purchase or sell a Security. A Security shall be deemed "being considered for Purchase or Sale" for the Trust when a recommendation to purchase or sell has been made and communicated by a Decision Making Access Person, and, with respect to the person making the recommendation, when such person seriously considers making such a recommendation. These recommendations are placed on the "Restricted List" until they are no longer being considered for Purchase or Sale, or until the Security has been purchased or sold.

"Restricted List" means the list of securities maintained by the Chief Compliance Officer in which trading by Access Persons is generally prohibited.

"Security" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, pre-organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, or, in general, an interest or instrument commonly known as "security", or any certificate or interest or participation in temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase (including options) any of the foregoing.

"Sub-Adviser" means the sub-adviser, if any, to the Trust.

"Trust" means the Vertical Capital Income Fund.

## PROHIBITED ACTIONS AND ACTIVITIES

- A. No Access Person shall purchase or sell directly or indirectly, any Covered Security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and which he or she knows or should have known at the time of such purchase or sale;
  - (1) is being considered for purchase or sale by the Fund, or
  - (2) is being purchased or sold by the Fund.
- B. Decision-Making Access Persons may not participate in any initial public offering of Covered Securities in any account over which they exercise Beneficial Ownership. All other Access Persons must obtain prior written authorization from the Chief Compliance Officer prior to such participation;
- C. No Access Person may purchase a Covered Security in which by reason of such transaction they acquire Beneficial Ownership in a private placement of a Security, without prior written authorization of the acquisition by the Chief Compliance Officer;
- D. Access Persons may not accept any fee, commission, gift, or services, other than *de minimis* gifts, from any single person or entity that does business with or on behalf of the Trust;
- E. Decision-Making Access Persons may not serve on the board of directors of a publicly traded company without prior authorization from the Chief Compliance Officer based upon a determination that such service would be consistent with the interests of the Trust. If such service is authorized, procedures will then be put in place to isolate such Decision-Making Access Persons serving as directors of outside entities from those making investment decisions on behalf of the Trust.

Advanced notice should be given so that the Trust, Adviser, or Sub-Adviser may take such action concerning the conflict as deemed appropriate by the Chief Compliance Officer.
- F. Decision-Making Access Person may not execute a Personal Securities Transaction involving a Covered Security without authorization of the Chief Compliance Officer or such persons who may be designated by the Chief Compliance Officer from time to time.
- G. It shall be a violation of this Code for any Access Person, in connection with the purchase or sale, directly or indirectly, of any Covered Security held or to be acquired by a Fund:
  - a. to employ any device, scheme or artifice to defraud the Trust;
  - b. to make to the Trust any untrue statement of a material fact or to omit to state to the Trust a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;
  - c. to engage in any act, practice or course of business that operates or would operate as a fraud or deceit upon the Trust; or
  - d. to engage in any manipulative practice with respect to the Trust.

## EXEMPTED TRANSACTIONS

The provisions described above under the heading Prohibited Actions and Activities and the preclearance procedures under the heading Preclearance of Personal Securities Transactions do not apply to:

- Purchases or Sales of Securities effected in any account in which an Access Person has no Beneficial Ownership;
- Purchases or Sales of Securities which are non-volitional on the part the Access Person (for example, the receipt of stock dividends);
- Purchase of Securities made as part of automatic dividend reinvestment plans;
- Purchases of Securities made as part of an employee benefit plan involving the periodic purchase or company stock or mutual funds; and
- Purchases of Securities effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of its Securities, to the extent such rights were acquired from such issuer, and sale of such rights so acquired.

**PRECLEARANCE OF PERSONAL SECURITIES TRANSACTIONS**

All Decision-Making Access Persons wishing to engage in a Personal Securities Transaction must obtain prior authorization of any such Personal Securities Transaction from the Chief Compliance Officer or such person or persons that the Chief Compliance Officer may from time to time designate to make such authorizations. Personal

Securities Transactions by the Chief Compliance Officer shall require prior authorization from the President or Chief Executive Officer of the Trust (unless such person is also the Chief Compliance Officer), who shall perform the review and approval functions relating to reports and trading by the Chief Compliance Officer. The Trust shall adopt the appropriate forms and procedures for implementing this Code of Ethics.

Any authorization so provided is effective until the close of business on the fifth trading day after the authorization is granted. In the event that an order for the Personal Securities Transaction is not placed within that time period, a new authorization must be obtained. If the order for the transaction is placed but not executed within that time period, no new authorization is required unless the person placing the order originally amends the order in any manner. Authorization for "good until canceled" orders are effective unless the order conflicts with a Trust order.

If a person wishing to effect a Personal Securities Transaction learns, while the order is pending, that the same Security is being considered for Purchase or Sale by a Fund, such person shall cancel the trade.

## **REPORTING AND MONITORING**

The Chief Compliance Officer or his designees shall monitor all personal trading activity of all Access Persons pursuant to the procedures established under this Code.

### **Disclosure of Personal Brokerage Accounts**

Within ten days of the commencement of employment or at the commencement of a relationship with the Trust, all Access Persons, except Independent Trustees, are required to submit to the Chief Compliance Officer a report stating the names and account numbers of all of their personal brokerage accounts, brokerage accounts of members of their Immediate Family, and any brokerage accounts which they control or in which they or an Immediate Family member has Beneficial Ownership. Such report must contain the date on which it is submitted and the information in the report must be current as of a date no more than 45 days prior to that date. In addition, if a new brokerage account is opened during the course of the year, the Chief Compliance Officer must be notified immediately.

The information required by the above paragraph must be provided to the Chief Compliance Officer on an annual basis, and the report of such should be submitted with the annual holdings reports described below.

Each of these accounts is required to furnish duplicate confirmations and statements to the Chief Compliance Officer. These statements and confirms for each series of the Trust may be sent to its respective Adviser.

### **INITIAL HOLDINGS REPORT**

Within ten days of becoming an Access Person (and with information that is current as of a date no more than 45 days prior to the date that the report was submitted), each Access Person, except Independent Trustees must submit a holdings report that must contain, at a minimum, the title and type of Security, and as applicable, the exchange ticker symbol or CUSIP number, number of shares, and principal amount of each Covered Security in which the Access Person has any direct or indirect Beneficial Ownership. This report must state the date on which it is submitted.

### **ANNUAL HOLDINGS REPORTS**

All Access Persons, except Independent Trustees, must supply the information that is required in the initial holdings report on an annual basis, and such information must be current as of a date no more than 45 days prior to the date that the report was submitted. Such reports must state the date on which they are submitted.

### **Quarterly Transaction Reports**

All Access Persons shall report to the Chief Compliance Officer or his designees the following information with respect to transactions in a Covered Security in which such person has, or by reason of such transaction acquires, any direct or indirect Beneficial Ownership in the Covered Security:

- The date of the transaction, the title, and as applicable the exchange ticker symbol or CUSIP number, interest rate and maturity date, number of shares, and the principal amount of each Covered Security;
- The nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition);
- The price of the Covered Security at which the transaction was effected; and
- The name of the broker, dealer, or bank with or through whom the transaction was effected.
- The date the Access Person Submits the Report.

Reports pursuant to this section of this Code shall be made no later than 30 days after the end of the calendar quarter in which the transaction to which the report relates was effected, and shall include a certification that the reporting person has reported all Personal Securities Transactions required to be disclosed or reported pursuant to the requirements of this Code. Confirmations and Brokerage Statements sent directly to the appropriate address noted above is an acceptable form of a quarterly transaction report.

An Independent Trustee need only make a quarterly transaction report if he or she, at the time of the transaction, knew, or in the ordinary course of fulfilling his or her official duties as a Trustee, should have known that during the 15-day period immediately preceding or following the date of the transaction by the Independent Trustee, the Covered Security was purchased or sold by a Fund or was considered for purchase or sale by a Fund.

## **ENFORCEMENTS AND PENALTIES**

The Chief Compliance Officer or his designee shall review the transaction information supplied by Access Persons. If a transaction appears to be a violation of this Code, the transaction will be reported to the Fund's Board of Trustees.

Upon being informed of a violation of this Code, the Fund's Board of Trustees may impose sanctions as it deems appropriate, including but not limited to, a letter of censure or suspension, termination of the employment of the violator, or a request for disgorgement of any profits received from a securities transaction effected in violation of this Code. The Fund shall impose sanctions in accordance with the principle that no Access Person may profit at the expense of its clients. Any losses are the responsibility of the violator. Any profits realized on personal securities transactions in violation of the Code must be disgorged in a manner directed by the Board of Trustees.

Annually, the Chief Compliance Officer at each regular meeting of the Board shall issue a report on Personal Securities Transactions by Access Person. The report submitted to the board shall:

- Summarize existing procedures concerning Personal Securities investing and any changes in the procedures made during the prior year;
- Identify any violations of this Code and any significant remedial action taken during the prior year; and;
- Identify any recommended changes in existing restrictions or procedures based upon the experience under the Code, evolving industry practices or developments in applicable laws and regulations.

#### **ACKNOWLEDGMENT**

The Trust must provide all Access Persons with a copy of this Code. Upon receipt of this Code, all Access Persons must do the following:

All new Access Persons must read the Code, complete all relevant forms supplied by the Chief Compliance Officer (including a written acknowledgement of their receipt of the Code in a form substantially similar to the example below), and schedule a meeting with the Chief Compliance Officer to discuss the provisions herein within two calendar weeks of employment.

I certify that I have read and understand the Code of Ethics of Vertical Capital Income Fund and recognize that I am subject to it. [if an employee of the Adviser] I further certify I will fulfill my personal securities holdings and transactions reporting obligates through the procedures of the Adviser with respect to covered securities.

Printed Name:

Signature:

Date:

Existing Access Persons who did not receive this Code upon hire, for whatever reason, must read the Code, complete all relevant forms supplied by the Chief Compliance



Officer (including a written acknowledgement of their receipt of the Code), and schedule a meeting with the Chief Compliance Officer to discuss the provisions herein at the earliest possible time, but no later than the end of the current quarter.

All Access Persons must certify on an annual basis that they have read and understood the Code.

#### **4.C Disclosure of Fund Holding**

The Fund's policies and procedures regarding disclosure of Fund holdings and any ongoing arrangements to make available information about their Fund holdings. A Fund's prospectus also is required to state that a description of the Fund's policies and procedures is available in its SAI and, if applicable, on its website.

No sooner than sixty days after the end of each quarter/semi-annual period, the Fund will make available a complete schedule of its Fund holdings as of the last day of the quarter/semi-annual period. The Fund does not selectively disclose its Fund holding to any person, other than rating agencies and newly hired investment Adviser or sub-Adviser. Such disclosures are made only on the condition that the information be kept confidential.

**Responsible Party/Compliance Process:** The Fund's Administrator shall review initial registration statements and post-effective amendments to ensure that the disclosure referenced above is included in the prospectus and continues to be accurate.

**[Trust's Policies and Procedures for Disclosure of Fund Holdings are attached.]**

**POLICIES AND PROCEDURES FOR  
DISCLOSURE OF FUND HOLDINGS**

The Fund is required to include a schedule of Fund holdings in their annual and semi-annual reports to shareholders, which are sent to shareholders within 60 days of the end of the second and fourth fiscal quarters and which are filed with the Securities and Exchange Commission (the "SEC") on Form N-CSR within 70 days of the end of the second and fourth fiscal quarters. The Funds also are required to file a schedule of Fund holdings with the SEC on Form N-Q within 60 days of the end of the first and third fiscal quarters. The Funds must provide a copy of the complete schedule of Fund holdings as filed with the SEC to any shareholder of the Funds, upon request, free of charge. This policy is applied uniformly to all shareholders of the Funds without regard to the type of requesting shareholder (i.e., regardless of whether the shareholder is an individual or institutional

investor). The Funds may enter into ongoing arrangements to release Fund holdings to rating agencies, such as Morningstar or Lipper, in order for the agencies to assign a rating or ranking to the Funds. Fund holdings will be supplied to rating agencies no more frequently than quarterly and only after the Fund has filed a Form N-CSR or Form N-Q with the SEC.

Pursuant to policies and procedures adopted by the Board of Trustees, the Funds have ongoing arrangements to release Fund holdings information on a daily basis to the Adviser, Transfer Agent, Fund Accountant and Custodian and on an as needed basis to other third parties providing services to the Fund. The Adviser, Transfer Agent, Fund Accountant and Custodian receive Fund holdings information daily in order to carry out the essential operations of the Funds. The Funds disclose Fund holdings to their auditors, legal counsel, proxy voting services (if applicable), pricing services, printers parties to merger and reorganization agreements and their agents, and prospective or newly hired investment Adviser or sub-Adviser. The lag between the date of the information and the date on which the information is disclosed will vary based on the identity of the party to whom the information is disclosed. For instance, the information may be provided to auditors within days of the end of an annual period, while the information may be given to legal counsel at any time.

The Funds, the Adviser, the Transfer Agent, the Fund Accountant and the Custodian are prohibited from entering into any special or ad hoc arrangements with any person to make available information about each Fund's portfolio holdings without the specific approval of the Board. Any party wishing to release Fund holdings information on an ad hoc or special basis must submit any proposed arrangement to the Board, which will review the arrangement to determine (i) whether the arrangement is in the best interests of the Fund's shareholders, (ii) the information will be kept confidential (based on the factors discussed below), (iii) whether sufficient protections are in place to guard against personal trading based on the information, and (iv) whether the disclosure presents a conflict of interest between the interests of Fund shareholders and those of the Adviser, or any affiliated person of the Funds or the Adviser. Additionally, the Adviser, and any affiliated persons of the Adviser, are prohibited from receiving compensation or other consideration, for themselves or on behalf of the Funds, as a result of disclosing the Fund's portfolio holdings.

Information disclosed to third parties, whether on an ongoing or ad hoc basis, is disclosed under conditions of confidentiality. "Conditions of confidentiality" include (i) confidentiality clauses in written agreements, (ii) confidentiality implied by the nature of the relationship (e.g., attorney-client relationship), (iii) confidentiality required by fiduciary or regulatory principles (e.g., custody relationships) or (iv) understandings or expectations between the parties that the information will be kept confidential. The agreements with the Fund's Adviser, Transfer Agent, Fund Accountant and Custodian contain confidentiality clauses, which the Board and these parties have determined extend to the disclosure of nonpublic information about the Fund's holdings and the duty not to trade on the non-public information.

The Fund believes, based upon its size and history, that these are reasonable procedures to protect the confidentiality of the Fund's portfolio holdings and will provide sufficient protection against personal trading based on the information.

## 6.1 CODE OF ETHICS – ADOPTION AND REVIEW

### I. Statement of General Principles

This Code of Ethics has been adopted by Vertical Capital Asset Management, LLC (the "Adviser") for the purpose of instructing all employees, officers, members and directors of the Adviser in their ethical obligations and to provide rules for their personal securities transactions. All such persons owe a fiduciary duty to the Adviser's clients. A fiduciary duty means a duty of loyalty, fairness and good faith towards the clients, and the obligation to adhere not only to the specific provisions of this Code but to the general principles that guide the Code. These general principles are:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in a manner consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of any individual's position of trust and responsibility; and
- The fundamental standard that such employees, officers, and directors should not take inappropriate advantage of their positions, or of their relationship with clients.

It is imperative that the personal trading activities of the employees, officers, and directors of the Adviser be conducted with the highest regard for these general principles in order to avoid any possible conflict of interest, any appearance of a conflict, or activities that could lead to disciplinary action. This includes executing transactions through or for the benefit of a third party when the transaction is not in keeping with the general principles of this Code.

All personal securities transactions must also comply with the Adviser's Insider Trading Policy and Procedures. Employees shall comply at all times with all applicable federal securities laws. Federal securities laws means the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Investment Advisers Act of 1940, Title V of the Gramm-Leach-Bliley Act, any rules adopted by the Securities & Exchange Commission under any of these statutes, the Bank Secrecy Act as it applies to funds and investment advisers, and any rules adopted thereunder by the Securities & Exchange Commission or the Department of the Treasury. Employees shall at all times maintain the confidentiality of client identities, security holdings, financial circumstances and other confidential information. Employees shall report any violations of this Code of Ethics promptly to the Compliance Officer.

### II. Definitions

A. Advisory Employees: any employee, officer, member or director of the Adviser (or of any company in a control relationship to the Adviser) who, in connection with his or her regular functions or duties, participates in or makes recommendations with respect to the purchase or sale of securities; and any natural person who controls the Adviser and who obtains information about recommendations with respect to the purchase or sale of securities. The Compliance Officer will maintain a current list of all Advisory Employees.

B. Automatic Investment Plan: a program in which regular periodic purchases (or withdrawals) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation. An Automatic Investment Plan includes a dividend reinvestment plan.

C. Beneficial Interest: ownership or any benefits of ownership, including the opportunity to directly or indirectly profit or otherwise obtain financial benefits from any interest in a security.

D. Compliance Officer: the Compliance Officer is Shelly McDade.

E. Employee Account: each account in which an Employee or a member of his or her family has any direct or indirect Beneficial Interest or over which such person exercises control or influence, including, but not limited to, any joint account, partnership, corporation, trust or estate. An Employee's family members include the Employee's spouse, minor children, any person living in the home of the Employee and any relative of the Employee (including in-laws) to whose support an Employee directly or indirectly contributes.

F. Employees: the employees, officers and directors of the Adviser, including Advisory Employees. The Compliance Officer will maintain a current list of all Employees.

G. Exempt Transactions: transactions which are 1) effected in an amount or in a manner over which the Employee has no direct or indirect influence or control, 2) pursuant to an Automatic Investment Plan, 3) in connection with the exercise or sale of rights to purchase additional securities from an issuer and granted by such issuer pro-rata to all holders of a class of its securities, 4) in connection with the call by the issuer of a preferred stock or bond, 5) pursuant to the exercise by a second party of a put or call option, 6) closing transactions no more than five business days prior to the expiration of a related put or call option, 7) inconsequential to any Fund because the transaction is very unlikely to affect a highly liquid market or because the security is clearly not related economically to any securities that a Fund may purchase or sell, 8) involving shares of a security of a company with a market capitalization in excess of \$500 million.

H. Funds: any investment company or series of an investment company to which the Adviser provides investment advice.

J. Related Securities: securities issued by the same issuer or issuer under common control, or when either security gives the holder any contractual rights with respect to the other security, including options, warrants or other convertible securities.

K. Securities: any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, pre-organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, or, in general, any interest or instrument commonly known as a "security," or any certificate or interest or participation in temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase (including options) any of the foregoing; except for the following: 1) securities issued by the government of the United States, 2) bankers' acceptances, 3) bank certificates of deposit, 4) commercial paper, 5) high quality short-term debt instruments, including repurchase agreements, and 6) shares of unaffiliated registered open-end investment companies, other than exchange traded funds.

L. Securities Transaction: the purchase or sale, or any action to accomplish the purchase or sale, of a Security for an Employee Account. The term Securities Transaction does not include transactions executed by the Adviser for the benefit of unaffiliated persons, such as investment advisory and brokerage clients.

### III. Personal Investment Guidelines

#### A. Personal Accounts

1. The Personal Investment Guidelines in this Section III do not apply to Exempt Transactions unless the transaction involves a private placement or initial public offering. Employees must remember that regardless of the transaction's status as exempt or not exempt, the Employee's fiduciary obligations remain unchanged.

2. Employees may not execute a Securities Transaction on a day during which a purchase or sell order in that same Security or a Related Security is pending for a Fund unless the Securities Transaction is combined ("blocked") with the Fund's transaction. Securities Transactions executed in violation of this prohibition shall be unwound or, if not possible or practical, the Employee must disgorge to the Fund the value received by the Employee due to any favorable price differential received by the Employee. For example, if the Employee buys 100 shares at \$10 per share, and the Fund buys 1000 shares at \$11 per share, the Employee will pay \$100 (100 shares x \$1 differential) to the Fund.

3. Any Securities Transactions in a private placement must be authorized by the Compliance Officer, in writing, prior to the transaction. In connection with a private placement acquisition, the Compliance Officer will take into account, among other factors, whether the investment opportunity should be reserved for a client, and whether the opportunity is being offered to the Employee by virtue of the Employee's position with the Adviser. If the private placement

acquisition is authorized, the Compliance Officer shall retain a record of the authorization and the rationale supporting the authorization. Employees who have been authorized to acquire securities in a private placement will, in connection therewith, be required to disclose that investment if and when the Employee takes part in any subsequent investment in the same issuer. In such circumstances, the determination to purchase Securities of that issuer on behalf of a client will be subject to an independent review by personnel of the Adviser with no personal interest in the issuer.

4. Employees are prohibited from acquiring any Securities in an initial public offering without the prior written approval of the Compliance Officer. This restriction is imposed in order to preclude any possibility of an Employee profiting improperly from the Employee's position with the Adviser. If the initial public offering is authorized, the Compliance Officer shall retain a record of the authorization and the rationale supporting the authorization.

#### **B. Gifts and Gratuities**

No Advisory Employee shall, directly or indirectly, give or permit to be given anything of value (including gratuities) in excess of \$100 per individual per year where such payment or gratuity is in relation to the business of the Adviser. This limitation does not include customary business entertainment, such as dinners or sporting events, where the Advisory Employee is the host of the dinner or event. Gifts of tickets to sporting events or similar gifts where an Advisory Employee does not accompany the client are subject to the \$100 limits cited above.

Any gift to a client or prospective client by an Advisory Employee must be pre-approved by the Chief Compliance Officer. Documentation of the request for pre-approval and the approval granted by the Chief Compliance Officer must be maintained by the Chief Compliance Officer.

#### **C. Other Restrictions**

Employees are prohibited from serving on the boards of directors of publicly traded companies, absent prior authorization by the Compliance Officer. The consideration of prior authorization will be based upon a determination that the board service will be consistent with the interests of clients. In the event that board service is authorized, Employees serving as directors will be isolated from other Employees making investment decisions with respect to the securities of the company in question.

### **IV. Compliance Procedures**

#### **A. Employee Disclosure**

1. Within ten (10) days of commencement of employment with the Adviser, each Employee must certify that he or she has read and understands this Code and recognizes that he or she is subject to it, and must disclose the following information as of a date no more than 45 days prior to the date the person became an Employee: a) the title, type, CUSIP or ticker symbol, number of shares and principal amount of each Security in which the Employee has a Beneficial Interest when the person became an Employee, b) the name of any broker/dealer with whom the Employee maintained an account when the person became an Employee, and c) the date the report is submitted.

2. Annually, each Employee must certify that he or she has read and understands this Code and any amendment, and recognizes that he or she is subject to it, that he or she has complied with the requirements of this Code and has disclosed or reported all personal Securities Transactions required to be disclosed or reported pursuant to the requirements of this Code. In addition, each Employee shall annually provide the following information (as of a date no more than 45 days before the report is submitted): a) the title, type, CUSIP or ticker symbol, number of shares and principal amount of each Security in which the Employee had any Beneficial Interest, b) the name of any broker, dealer or bank with whom the Employee maintains an account in which any Securities are held for the direct or indirect benefit of the Employee, and c) the date the report is submitted.

#### **B. Compliance**

1. All Employees must provide copies of all periodic broker account statements to the Compliance Officer. Each Employee must report, no later than 30 days after the close of each calendar quarter, on the Securities Transaction Report form provided by the Adviser, all transactions in which the Employee acquired or sold any direct or indirect Beneficial Interest in a Security, including Exempt Transactions, and certify that he or she has reported all transactions required to be disclosed pursuant to the requirements of this Code. The Report may, however, exclude transaction effected pursuant to an Automatic Investment Plan. The report will also identify any trading account, in which the Employee has a direct or indirect Beneficial Interest, established during the quarter with a broker, dealer or bank.

2. The Compliance Officer will, on a quarterly basis, check the trading account statements provided by brokers to verify that the Employee has not violated the Code. The Compliance Officer shall identify all Employees, inform those persons of their reporting obligations, and maintain a record of all current and former access persons. The President will review the Chief Compliance Officer's personal trading activity.

3. If an Employee violates this Code, the Compliance Officer will report the violation to the Board of each Fund for appropriate remedial action which, in addition to the actions specifically delineated in other sections of this Code, may include a reprimand of the Employee, or suspension or termination of the Employee's relationship with the Fund and/or the Adviser.

4. If the Adviser has only one Advisory Employee, the Advisory Employee need not file the reports required in Section IV(A)(1) and (2) nor obtain the approvals required by Section III(A)(3) and (4) if the Advisory Employee maintains records of all personal holdings and transactions that would otherwise be reported.

#### **V. Insider Trading**

In performing day-to-day duties, Employees may have access to material nonpublic information. Case law and SEC administrative decisions interpreting the anti-fraud provisions of the federal securities laws generally make it unlawful for any person to trade securities for themselves or their clients while in possession of material nonpublic information or to selectively disclose such information to others who may trade. Violation of these provisions may result in civil and criminal penalties, including fines and jail sentences, as well as dismissal by the Adviser.

Nonpublic information constitutes any information that has not been disclosed generally to the marketplace. Information received about another company in circumstances indicating that it is not yet in general circulation should be considered nonpublic. As a general rule, Employees should be able to point to some fact to show that the information is widely available; for example, its publication in *The Wall Street Journal* or in other major news publications. Even if ABC Company has released information to the press, at least 24 hours must pass to allow the general marketplace to learn of and evaluate that information before Employee is permitted to trade in ABC securities.

Material information is any information about a company or the market for the company's securities that is likely to be considered important by reasonable investors, including reasonable speculative investors, in determining whether to trade. Information that affects the price of the company's securities is likely to be deemed material.

While it is not possible to identify in advance all information that will be deemed to be material, some illustrations of such information would include earnings, dividend actions, mergers and acquisitions, major discoveries, major new products, significant advances in research, major personnel changes, labor negotiations, price changes or major marketing changes, government investigations, or significant litigation. Material nonpublic information might be inadvertently disclosed to an Employee by a company director, officer, or employee. It also might be disclosed to an Employee by persons with business relationships with the company, such as its investment banker.

In addition, whenever an Employee receives information about a company, he or she should refrain from trading while in possession of that information unless the Employee first determines that the information is either public, non-material, or both. An Employee also should refrain from disclosing the information to others, such as family members, relatives, and business or social acquaintances, who do not have legitimate business reasons to know the information. If an Employee has any questions regarding whether information is material nonpublic information, the Employee must resolve the question or questions before trading, recommending trading, or divulging the information. Any unresolved questions as to the applicability or interpretation of these standards or the propriety of any trading or disclosure, the issue should be discussed with the Chief Compliance Office, prior to trading or disclosure of the information.

**ANNUAL EMPLOYEE SECURITIES REPORT**

This information is current as of Month/Day/Year (must be current as of a date no more than 45 days before the Report is submitted). Please list all Securities in which you have a Beneficial Interest, as defined in the Code of Ethics.

Security (name, type, CUSIP or ticker symbol)	# of Shares and Principal Amount	Date Acquired

Please list all brokers, dealers and banks that maintain a brokerage account in which you have a Beneficial Interest, as defined in the Code of Ethics.

Name of Broker, Dealer or Bank	Account Name

I certify that I have read and understand the Code of Ethics and recognize that I am subject to it. I certify that this is a complete list of all Securities in which I have a



Beneficial Interest, and that I have complied with the requirements of the Code of Ethics including disclosure of all Securities Transactions for which the Code of Ethics requires disclosure.

Printed Name:

Signature:

Date:

Reviewed by: \_\_\_\_\_

Date: \_\_\_\_\_

Persons subject to the Code of Ethics must report **ALL** Securities Transactions (including Exempt Transactions and transactions involving affiliated investment companies) as defined in the Code of Ethics, executed during the reporting period. **DO NOT ATTACH BROKERAGE REPORTS.** The report must be returned to the Compliance Officer, regardless of whether any Securities Transactions occurred, before the 30th day after the close of the calendar quarter. Please note that this Report covers all Securities in which you have a Beneficial Interest.

I have executed no Securities Transactions during the quarter.  
 The following is a complete list of my Securities Transactions:

Security*	Transaction Date	Purchase, Sale, or Other	# of Shares & Principal Amount of Security	Price	Executing Broker

\*Provide interest rate, maturity date, ticker symbol or CUSIP, if applicable

I have not opened a brokerage account during the quarter.

Name of Broker, Dealer or Bank:	Account Name:	Date Established:

The following is a complete list of all brokerage accounts I opened during the quarter:  
 I certify that I have read and understand the Code of Ethics and that I have complied with the requirements Code of Ethics, including disclosure of all Securities Transactions that require disclosure.  
 of the

Printed Name:

Signature:

Filing Date:

THIS REPORT SHALL NOT BE CONSTRUED AS AN ADMISSION THAT THE REPORTING PERSON HAS ANY DIRECT OR INDIRECT BENEFICIAL OWNERSHIP IN ANY SECURITY TO WHICH THIS REPORT RELATES.

Reviewed by: \_\_\_\_\_

Date: \_\_\_\_\_

**NEW EMPLOYEE SECURITIES REPORT**

This information is current as of Month/Day/Year (must be current as of a date no more than 45 days before your commencing employment). *Return to Compliance Officer within 10 days of your commencing employment.*

Please list all Securities in which you have a Beneficial Interest, as defined in the Code of Ethics.

Security (name, type, CUSIP or ticker symbol)	# of Shares or Principal Amount	Date Acquired

Please list all brokers, dealers and banks that maintain a brokerage account in which you have a Beneficial Interest, as defined in the Code of Ethics.

Name of Broker, Dealer or Bank	Account Name

I certify that I have read and understand the Code of Ethics and recognize that I am subject to it. I certify that this is a complete list of all Securities in which I have a Beneficial Interest, and that I have complied with the requirements of the Code of Ethics including disclosure of all Securities Transactions for which the Code of Ethics requires disclosure.

Printed Name: \_\_\_\_\_ Signature: \_\_\_\_\_  
 Date: \_\_\_\_\_

Reviewed by: \_\_\_\_\_  
 Date: \_\_\_\_\_

**NorthStar Financial Services Group, LLC**  
**Investment Adviser**  
**Code of Ethics**

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**NorthStar Financial Services Group, LLC**  
**Code of Ethics**

*9/15/2008 to Current*

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**Statement of General Policy**

This Code of Ethics (the "Code") has been adopted by NorthStar Financial Services Group, LLC and its affiliated companies (refer to the Schedule A, 'Schedule of Affiliated Companies' to which this Code applies, collectively referred to as, 'NorthStar'), including, specifically CLS Investment Firm, LLC, a registered investment adviser and Northern Lights Distributors, LLC, a registered broker/dealer and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and Rule 17j-1 under the Investment Company Act of 1940.

This Code establishes rules of conduct for all employees of NorthStar and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The general ethical principles and personal Securities reporting provisions of this Code apply to all employees of NorthStar, although many provisions of this Code are written to specifically address the duties and obligations of CLS Investment Firm, LLC and Northern Lights Distributors, LLC under the Advisers Act and the Investment Company Act of 1940. The Code is based upon the principle that NorthStar and its employees owe a fiduciary duty to their clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with their respective company and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

This Code is designed to ensure that the high ethical standards long maintained by NorthStar continue to be applied. The purpose of this Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of NorthStar continues to be a direct reflection of the conduct of each employee.

This Code prohibits conduct of all NorthStar employees, which in connection with the purchase or sale, directly or indirectly, of a Security held or to be acquired by a fund serviced by NorthStar:

1. To employ any device, scheme or artifice to defraud the fund;
2. To make any untrue statement of a material fact to the fund or omit to state a material fact necessary in order to make the statements made to the fund, in light of the circumstances under which they are made, not misleading;
3. To engage in any act, practice or course of business that operates or would operate as a fraud or deceit on the fund; or
4. To engage in any manipulative practice with respect to the fund.

Pursuant to Section 206 of the Advisers Act, both NorthStar and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that NorthStar has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

NorthStar and its employees are subject to the following specific fiduciary obligations when dealing with clients:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to obtain best execution for a client's transactions where the firm is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs and circumstances; and

- A duty to be loyal to clients.

In meeting any fiduciary responsibilities to its clients, NorthStar expects every employee to demonstrate the highest standards of ethical conduct for continued employment with NorthStar. Strict compliance with the provisions of the Code shall be considered a basic condition of employment. NorthStar's reputation for fair and honest dealing with its clients has taken considerable time to build. This standing could be seriously damaged as the result of even a single Securities transaction being considered questionable in light of the fiduciary duty owed to our clients. Employees of NorthStar are urged to seek the advice of the Chief Compliance Officer of Northern Lights Distributors, LLC who is responsible for administration of this Code, for any questions about this Code or the application of this Code to their individual circumstances. Employees should also understand that a material breach of the provisions of this Code may constitute grounds for disciplinary action, including termination of employment with NorthStar. In performing his/her duties hereunder, the Chief Compliance Officer of Northern Lights Distributors, LLC may utilize resources and share information among compliance and legal personnel across the NorthStar group of affiliated companies.

The provisions of this Code are not all-inclusive. Rather, they are intended as a guide for employees of NorthStar in their conduct. In those situations where an employee may be uncertain as to the intent or purpose of the Code, he/she is advised to consult with the Chief Compliance Officer. The Chief Compliance Officer may grant exceptions to certain provisions contained in the Code only in those situations when it is clear beyond dispute that the interests of our clients will not be adversely affected or compromised. All questions arising in connection with personal securities trading should be resolved in favor of the client even at the expense of the interests of employees.

The Chief Compliance Officer will periodically report to senior management of NorthStar, including specifically senior management of CLS Investment Firm, LLC and Northern Lights Distributors, LLC to document compliance with this Code.

## Definitions

For the purposes of this Code, the following definitions shall apply:

- "Access Person" means any Supervised Person who: has access to nonpublic information regarding any clients' purchase or sale of Securities, or nonpublic information regarding the portfolio holdings of any fund NorthStar or its control affiliates manage; or is involved in making Securities recommendations to clients that are nonpublic.
- "Account" means accounts of any employee and includes accounts of the employee's immediate family members (any relative by blood or marriage living in the employee's household), and any account in which he or she has a direct or indirect beneficial interest, such as trusts and custodial accounts or other accounts in which the employee has a Beneficial Ownership or exercises investment discretion.
- "Automatic Investment Plan" means a program in which regular periodic purchases (or withdrawals) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation. An Automatic Investment Plan includes a dividend reinvestment plan.
- "Beneficial Ownership" shall be interpreted in the same manner as it would be under Rule 16a-1(a)(2) under the Securities Exchange Act of 1934 in determining whether a person is the beneficial owner of a Security for purposes of Section 16 of such Act and the rules and regulations thereunder. Generally, "Beneficial Ownership" means ownership of Securities or Securities accounts by or for the benefit of a person, or such person's "family member," including any account in which the person or family member of that person holds a direct or indirect beneficial interest, retains discretionary investment authority or exercises a power of attorney. The term "family member" means any person's spouse, child or other relative, whether related by blood, marriage, or otherwise, who either resides with, is financially dependent upon, or whose investments are controlled by that person. The term also includes any unrelated individual whose investments are controlled and whose financial support is materially contributed to by that person, such as a "significant other."
- "Chief Compliance Officer" shall mean the Chief Compliance Officer of Northern Lights Distributors, LLC or his designee.
- "Control" means the power to exercise a controlling influence over the management or policies of NorthStar. See Section 2(a)(9) of the Adviser's Act.
- "Initial Public Offering" means an offering of Securities registered under the Securities Act of 1933, as amended, the issuer of which, immediately before the registration, was not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.
- "Investment Personnel" means (1) any employee of NorthStar (or of any company in a Control relationship to NorthStar) who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of Securities, and (2) any natural person who Controls NorthStar and who obtains information concerning recommendations made regarding the purchase or sale of Securities.
- "Limited Offering" means an offering that is exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) or Section 4(6) or pursuant to Rule 504, 505 or 506 under the Securities Act of 1933, as amended.
- "Reportable Security" means any security as defined in Section 202(a)(18) of the Advisers Act, except that it does not include: (i) Transactions and holdings in direct obligations of the Government of the United States; (ii) Bankers' acceptances, bank certificates of deposit, commercial paper and other high quality short-term debt instruments, including repurchase agreements; (iii) Shares issued by money market funds; (iv) Transactions and holdings in shares of other types of open-end registered mutual funds, unless NorthStar or a Control affiliate acts as the investment adviser, principal underwriter, fund accountant or fund administrator for the fund (refer to the Schedule B 'Schedule of Funds' as amended, attached to the Code; and (v) Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in mutual funds, unless NorthStar or a control affiliate acts as the investment adviser or principal underwriter for the fund.
- "Security" means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guaranty of, or warrant or right to subscribe to or purchase any of the foregoing. See Section 202(a)(18) of the Adviser's Act.
- "Supervised Person" means managers, officers and partners of NorthStar (or other persons occupying a similar status or performing similar functions); employees of NorthStar; and any other person who provides advice on behalf of NorthStar and is subject to NorthStar's supervision and control.

## Standards of Business Conduct

NorthStar places the highest priority on maintaining its reputation for integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in our firm and its employees by our clients is something we value and endeavor to protect. The following Standards of Business Conduct sets forth policies and procedures to achieve these goals. This Code is intended to comply with the various provisions of the Advisers Act and also requires that all Supervised Persons comply with the various applicable provisions of the Investment Company Act of 1940, as amended, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and applicable rules and regulations adopted by the Securities and Exchange Commission ("SEC").

Section 204A of the Advisers Act requires the establishment and enforcement of policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by investment advisers. Such policies and procedures are contained in this Code. The Code also contains policies and procedures with respect to personal securities transactions of all Supervised Persons as defined herein. These procedures cover transactions in a Reportable Security in which a Supervised Person has Beneficial Ownership in or accounts over which the Supervised Person exercises control as well as transactions by members of the Supervised Person's immediate family.

Section 206 of the Advisers Act makes it unlawful to employ any device, scheme or artifice to defraud any client or prospective client, or to engage in fraudulent, deceptive or manipulative practices. This Code contains provisions that prohibit these and other enumerated activities and that are reasonably designed to detect and prevent violations of the Code, the Advisers Act and rules thereunder.

## Prohibition Against Insider Trading

### Introduction

Trading Securities while in possession of material, nonpublic information, or improperly communicating that information to others may expose Supervised Persons and NorthStar to stringent penalties. Criminal sanctions may include a fine of up to \$1,000,000 and/or ten years imprisonment. The SEC can recover the profits gained or losses avoided through the illegal trading, impose a penalty of up to three times the illicit windfall, and/or issue an order permanently barring you from the securities industry. Finally, Supervised Persons and NorthStar may be sued by investors seeking to recover damages for insider trading violations.

The rules contained in this Code apply to Securities trading and information handling by Supervised Persons and their immediate family members.

The law of insider trading is unsettled and continuously developing. An individual legitimately may be uncertain about the application of the rules contained in this Code in a particular circumstance. Often, a single question can avoid disciplinary action or complex legal problems. You must notify the Chief Compliance Officer immediately if you have any reason to believe that a violation of this Code has occurred or is about to occur.

## **General Policy**

No Supervised Person may trade, either personally or on behalf of others (such as investment funds and private accounts managed by NorthStar), while in the possession of material, nonpublic information, nor may any personnel of NorthStar communicate material, nonpublic information to others in violation of the law.

### **1. What is Material Information?**

Information is material where there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions. Generally, this includes any information the disclosure of which will have a substantial effect on the price of a company's Securities. No simple test exists to determine when information is material; assessments of materiality involve a highly fact-specific inquiry. For this reason, you should direct any questions about whether information is material to the Chief Compliance Officer.

Material information often relates to a company's results and operations, including, for example, dividend changes, earnings results, changes in previously released earnings estimates, significant merger or acquisition proposals or agreements, major litigation, liquidation problems, and extraordinary management developments.

Material information also may relate to the market for a company's Securities. Information about a significant order to purchase or sell Securities may, in some contexts, be material. Prepublication information regarding reports in the financial press also may be material. For example, the United States Supreme Court upheld the criminal convictions of insider trading defendants who capitalized on prepublication information about The Wall Street Journal's "Heard on the Street" column.

You should also be aware of the SEC's position that the term "material nonpublic information" relates not only to issuers but also to NorthStar's Securities recommendations and client Securities holdings and transactions.

### **2. What is Nonpublic Information?**

Information is "public" when it has been disseminated broadly to investors in the marketplace. For example, information is public after it has become available to the general public through a public filing with the SEC or some other government agency, the Dow Jones "tape" or The Wall Street Journal or some other publication of general circulation, and after sufficient time has passed so that the information has been disseminated widely.

### **3. Identifying Inside Information**

Before executing any trade for yourself or others, including investment funds or private accounts managed by NorthStar ("Client Accounts"), you must determine whether you have access to material, nonpublic information. If you think that you might have access to material, nonpublic information, you should take the following steps:

- Report the information and proposed trade immediately to the Chief Compliance Officer.
- Do not purchase or sell the Securities on behalf of yourself or others, including investment funds or private accounts managed by the firm.
- Do not communicate the information inside or outside the firm, other than to the Chief Compliance Officer.
- After the Chief Compliance Officer has reviewed the issue, the firm will determine whether the information is material and nonpublic and, if so, what action the firm will take.

You should consult with the Chief Compliance Officer before taking any action. This degree of caution will protect you, our clients, and the firm.

### **4. Contacts with Public Companies**

Contacts with public companies may represent an important part of our research efforts. The firm may make investment decisions on the basis of conclusions formed through such contacts and analysis of publicly available information. Difficult legal issues arise, however, when, in the course of these contacts, a Supervised Person of NorthStar or other person subject to this Code becomes aware of material, nonpublic information. This could happen, for example, if a company's Chief Financial Officer prematurely discloses quarterly results to an analyst, or an investor relations representative makes selective disclosure of adverse news to a handful of investors. In such situations, NorthStar must make a judgment as to its further conduct. To protect yourself, your clients and the firm, you should contact the Chief Compliance Officer immediately if you believe that you may have received material, nonpublic information.

### **5. Tender Offers**

Tender offers represent a particular concern in the law of insider trading for two reasons: First, tender offer activity often produces extraordinary gyrations in the price of the target company's Securities. Trading during this time period is more likely to attract regulatory attention (and produces a disproportionate percentage of insider trading cases). Second, the SEC has adopted a rule which expressly forbids trading and "tipping" while in the possession of material, nonpublic information regarding a tender offer received from the tender offeror, the target company or anyone acting on behalf of either. Supervised Persons of NorthStar and others subject to this Code should exercise extreme caution any time they become aware of nonpublic information relating to a tender offer.

### **6. Restricted/Watch Lists**

Although NorthStar does not typically receive confidential information from portfolio companies, it may, if it receives such information take appropriate procedures to establish restricted or watch lists in certain Securities.

## **Personal Securities Transactions**

### **General Policy**

The following principles governing personal investment activities by Supervised Persons have been adopted:

- The interests of client accounts will at all times be placed first;
- All personal Securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Supervised Persons must not take inappropriate advantage of their positions.

### **Pre-Clearance Required for Participation in IPOs**

No Supervised Persons shall acquire any Beneficial Ownership in any Securities in an Initial Public Offering for his or her account, as defined herein without the prior written approval of the Chief Compliance Officer after being provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the Supervised Person's activities on behalf of a client) and, if approved, will be subject to continuous monitoring for possible future conflicts.

### **Pre-Clearance Required for Private or Limited Offerings**

No Supervised Person shall acquire Beneficial Ownership of any Securities in a Limited Offering or private placement without the prior written approval of the Chief Compliance Officer who has been provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the Supervised Person's activities on behalf of a client) and, if approved, will be subject to continuous monitoring for possible future conflicts.



## **Blackout Periods**

No Investment Personnel shall purchase or sell, directly or indirectly, any Security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial interest within seven (7) calendar days of the purchase or sale of the same Security by a NorthStar client under such Investment Personnel's supervision, or a NorthStar client for whom such Investment Personnel participates in decision making or otherwise obtains information in connection with the purchase or sale of Securities. (For example, if a NorthStar client trades in a Security on day one, day eight is the first day the Investment Personnel may trade in such Security of an account he or she has Beneficial Ownership.) In the event a Securities transaction is executed in a NorthStar client's account within seven (7) calendar days after an Investment Personnel executed a transaction in the same Security, the Chief Compliance Officer, or his/her designee, will review such Investment Personnel's and the client's transactions to determine whether any fiduciary duties to the client have been violated.

## **Interested Transactions**

No Supervised Person shall recommend any Securities transactions for a client without having disclosed his or her interest, if any, in such Securities or the issuer thereof, including without limitation:

- any direct or indirect Beneficial Ownership of any Securities of such issuer;
- any contemplated transaction by such person in such Securities;
- any position with such issuer or its affiliates; and
- any present or proposed business relationship between such issuer or its affiliates and such person or any party in which such person has a significant interest.

## **Gifts and Entertainment**

Giving, receiving or soliciting gifts in a business setting may create an appearance of impropriety or may raise a potential conflict of interest. NorthStar has adopted the policies set forth below to guide Supervised Persons in this area.

### **General Policy**

NorthStar's policy with respect to gifts and entertainment is as follows:

- Giving, receiving or soliciting gifts in a business may give rise to an appearance of impropriety or may raise a potential conflict of interest;
- Supervised Persons should not accept or provide any gifts or favors that might influence the decisions you or the recipient must make in business transactions involving NorthStar, or that others might reasonably believe would influence those decisions;
- Modest gifts and favors, which would not be regarded by others as improper, may be accepted or given on an occasional basis. Entertainment that satisfies these requirements and conforms to generally accepted business practices also is permissible;
- Where there is a law or rule that applies to the conduct of a particular business or the acceptance of gifts of even nominal value, the law or rule must be followed.

### **Reporting Requirements**

- Any Supervised Person who accepts, directly or indirectly, anything of value from any person or entity that does business with or on behalf of NorthStar, including gifts and gratuities with value in excess of \$100 per year, must obtain consent from the Chief Compliance Officer before accepting such gift.
- This reporting requirement does not apply to bona fide dining or bona fide entertainment if, during such dining or entertainment, you are accompanied by the person or representative of the entity that does business with NorthStar.
- This gift reporting requirement is for the purpose of helping NorthStar monitor the activities of its employees. However, the reporting of a gift does not relieve any Supervised Person from the obligations and policies set forth in this Section or anywhere else in this Code. If you have any questions or concerns about the appropriateness of any gift, please consult the Chief Compliance Officer.

## **Protecting the Confidentiality of Client Information**

### **Confidential Client Information**

In the course of providing its services NorthStar gains access to non-public information about its clients. Such information may include a person's status as a client, personal financial and account information, the allocation of assets in a client portfolio, the composition of investments in any client portfolio, information relating to services performed for or transactions entered into on behalf of clients, advice provided by NorthStar to clients, and data or analyses derived from such non-public personal information (collectively referred to as 'Confidential Client Information'). All Confidential Client Information, whether relating to NorthStar's current or former clients, is subject to the Code's policies and procedures. Any doubts about the confidentiality of information must be resolved in favor of confidentiality.

### **Non-Disclosure Of Confidential Client Information**

All information regarding NorthStar's clients is confidential. Information may only be disclosed when the disclosure is consistent with the firm's policy and the client's direction. NorthStar does not share Confidential Client Information with any third parties, except in the following circumstances:

- As necessary to provide service that the client requested or authorized, or to maintain and service the client's account. NorthStar will require that any financial intermediary, agent or other service provider utilized by NorthStar (such as broker-dealers or sub-advisers) comply with substantially similar standards for non-disclosure and protection of Confidential Client Information and use the information provided by NorthStar only for the performance of the specific service requested by NorthStar;
- As required by regulatory authorities or law enforcement officials who have jurisdiction over NorthStar, or as otherwise required by any applicable law. In the event NorthStar is compelled to disclose Confidential Client Information, the firm shall provide prompt notice to the clients affected, so that the clients may seek a protective order or other appropriate remedy. If no protective order or other appropriate remedy is obtained, NorthStar shall disclose only such information, and only in such detail, as is legally required;
- To the extent reasonably necessary to prevent fraud, unauthorized transactions or liability.

### **Employee Responsibilities**

All Supervised Persons are prohibited, either during or after the termination of their employment from disclosing Confidential Client Information to any person or entity outside the firm, including family members, except under the circumstances described above. A Supervised Person is permitted to disclose Confidential Client Information only to such other Supervised Persons who need to have access to such information to deliver services to the client.

Supervised Persons are also prohibited from making unauthorized copies of any documents or files containing Confidential Client Information and, upon termination of their employment with NorthStar, must return all such documents to NorthStar.

Any Supervised Person who violates the non-disclosure policy described above will be subject to disciplinary action, including possible termination, whether or not he or she benefited from the disclosed information.

### **Security Of Confidential Personal Information**

NorthStar enforces the following policies and procedures to protect the security of Confidential Client Information:

- The firm restricts access to Confidential Client Information to those Supervised Persons who need to know such information to provide NorthStar's services to clients;
- Any Supervised Person who is authorized to have access to Confidential Client Information in connection with the performance of such person's duties and responsibilities is required to keep such information in a secure compartment, file or receptacle on a daily basis as of the close of each business day;
- All electronic or computer files containing any Confidential Client Information shall be password secured and firewall protected from access by unauthorized persons;

- NorthStar employees are trained to place all printed materials containing Confidential Client Information in appropriate shredding receptacles;
- Building access is controlled via access cards issued to employees. All visitors are required to sign in and be accompanied by a NorthStar employee;
- Any conversations involving Confidential Client Information, if appropriate at all, must be conducted by Supervised Persons in private, and care must be taken to avoid any unauthorized persons overhearing or intercepting such conversations.

### **Privacy Policy**

NorthStar has adopted a privacy policy to comply with SEC Regulation S-P, which requires the adoption of policies and procedures to protect the 'nonpublic personal information' of natural person clients. 'Nonpublic information,' under Regulation S-P, includes personally identifiable financial information and any list, description, or grouping that is derived from personally identifiable financial information. Personally identifiable financial information is defined to include information supplied by individual clients, information resulting from transactions, any information obtained in providing products or services. The policies and procedures adopted by NorthStar serve to safeguard the information of natural person clients.

### **Enforcement and Review of Confidentiality and Privacy Policies**

The legal department of NorthStar is responsible for reviewing, maintaining and enforcing NorthStar's confidentiality and privacy policies and is also responsible for conducting appropriate employee training to ensure adherence to these policies. Any exception to this policy requires the written approval of the legal department.

### **Service as a Director**

No Supervised Person shall serve on the board of directors of any publicly traded company without prior authorization by the Chief Compliance Officer or a designated supervisory person based upon a determination that such board service would be consistent with the interest of NorthStar's clients. Where board service is approved NorthStar shall implement a "Chinese Wall" or other appropriate procedure to isolate such person from making decisions relating to the company's securities.

### **Compliance Procedures**

#### **Pre-clearance**

All Supervised Persons may, directly or indirectly, acquire or dispose of Beneficial Ownership of a Reportable Security only if: (i) such purchase or sale has been approved by a supervisory person designated by the Chief Compliance Officer; (ii) the approved transaction is completed within 24 hours after approval is received unless otherwise approved by the Chief Compliance Officer; and (iii) the designated supervisory person has not rescinded such approval prior to execution of the transaction. Post-approval is not permitted.

Clearance must be obtained by completing and signing the 'Pre-Clearance Form' provided for that purpose by the compliance department and providing a copy to the Chief Compliance Officer or his/her designee. The designee for all employees of Gemini Fund Services, LLC and its subsidiaries is Emile Molineaux; all other employees must obtain pre-clearance from the Chief Compliance Officer. Clearance will generally be obtained by receiving a fully signed 'Pre-Clearance Form' back from the Chief Compliance Officer or his/her designee. The Chief Compliance Officer, or his/her designee, monitors all transactions by all Supervised Persons in order to ascertain any pattern of conduct which may evidence conflicts or potential conflicts with the principles and objectives of this Code, including a pattern of frontrunning.

Advance trade clearance in no way waives or absolves any Supervised Persons of the obligation to abide by the provisions, principles and objectives of this Code.

#### **Holding Period Requirements**

Supervised Persons cannot sell a Reportable Security within less than 30 days of its purchase or purchase a Reportable Security within less than 30 days of its sale. Approved Securities purchased in an Initial Public Offering also must be held for at least 30 days. Hardship exceptions to this 30-day holding period requirement may be granted at the discretion of the Chief Compliance Officer or his/her designee.

#### **Reporting Requirements**

Every Supervised Person shall provide initial and annual holdings reports and quarterly transaction reports to the Chief Compliance Officer, or his/her designee, which must contain the information described below. It is the policy of NorthStar that each Supervised Person must arrange for their brokerage firm(s) to send automatic duplicate brokerage account statements and trade confirmations of all Securities transactions to the Chief Compliance Officer.

##### **1. Initial Holdings Report**

Every Supervised Person shall, no later than ten (10) days after the person becomes a Supervised Person, file an initial holdings report containing the following information:

- The title and exchange ticker symbol or CUSIP number, type of Security, number of shares and principal amount (if applicable) of each Reportable Security in which the Supervised Person had any direct or indirect Beneficial Ownership when the person becomes a Supervised Person;
- The name of any broker, dealer or bank, account name, number and location with whom the Supervised Person maintained an account in which any Securities were held for the direct or indirect benefit of the Supervised Person; and
- The date that the report is submitted by the Supervised Person.

The information submitted must be current as of a date no more than forty-five (45) days before the person became a Supervised Person.

##### **2. Annual Holdings Report**

Every Supervised Person shall, no later than February 14th each year, file an annual holdings report containing the same information required in the initial holdings report as described above. The information submitted must be current as of a date no more than forty-five (45) days before the annual report is submitted.

##### **3. Quarterly Transaction Reports**

Every Supervised Person must, no later than thirty (30) days after the end of each calendar quarter, file a quarterly transaction report containing the following information:

With respect to any transaction during the quarter in a Reportable Security in which the Supervised Person had any direct or indirect Beneficial Ownership:

- The date of the transaction, the title and exchange ticker symbol or CUSIP number, the interest rate and maturity date (if applicable), the number of shares and the principal amount (if applicable) of each Reportable Security;
- The nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition);
- The price of the Reportable Security at which the transaction was effected;
- The name of the broker, dealer or bank with or through whom the transaction was effected; and
- The date the report is submitted by the Supervised Person.

The quarterly transaction report must also contain the name of the broker, dealer or bank with whom the Supervised Person established any account during the period in which Securities are held, the date the account was established and the date the report is submitted by the Supervised Person.

##### **4. Exempt Transactions**

A Supervised Person need not submit a report with respect to:

- Transactions effected for, Securities held in, any account over which the person has no direct or indirect influence or control;
- Transactions effected pursuant to an Automatic Investment Plan;
- Transactions in a NorthStar 401(k) plan;

- A quarterly transaction report if the report would duplicate information contained in Securities transaction confirmations or brokerage account statements that NorthStar holds in its records so long as the firm receives the confirmations or statements no later than 30 days after the end of the applicable calendar quarter;
- Any transaction or holding report if NorthStar has only one Supervised Person, so long as the firm maintains records of the information otherwise required to be reported

## 5. Monitoring and Review of Personal Securities Transactions

The Chief Compliance Officer or his/her designee will monitor and review all reports required under the Code for compliance with NorthStar's policies regarding personal Securities transactions and applicable SEC rules and regulations. The Chief Compliance Officer may also initiate inquiries of Supervised Persons regarding personal Securities trading. Supervised Persons are required to cooperate with such inquiries and any monitoring or review procedures employed by NorthStar. Any transactions for any accounts of the Chief Compliance Officer will be reviewed and approved by NorthStar's General Counsel or his designee. The Chief Compliance Officer shall at least annually identify all Supervised Persons who are required to file reports pursuant to the Code and will inform such Supervised Persons of their reporting obligations. The Chief Compliance Officer may exempt temporary or part time NorthStar employees from certain reporting requirements of the Code if they are determined not to be an Access Person.

## Certification

### Initial Certification

All Supervised Persons will be provided with a copy of this Code and must initially certify in writing to the Chief Compliance Officer that they have: (i) received a copy of the Code; (ii) read and understand all provisions of the Code; (iii) agreed to abide by the Code; and (iv) reported all account holdings as required by the Code.

### Acknowledgement of Amendments

All Supervised Persons shall receive any amendments to the Code and must agree to abide by the Code as amended.

### Annual Certification

All Supervised Persons must annually certify in writing to the Chief Compliance Officer that they have: (i) read and understood all provisions of the Code, as amended; (ii) complied with all requirements of the Code; and (iii) submitted all holdings and transaction reports as required by the Code.

### Further Information

Supervised Persons should contact the Chief Compliance Officer regarding any inquiries pertaining to the Code or the policies established herein.

## Records

The Chief Compliance Officer shall maintain and cause to be maintained in a readily accessible place the following records:

- A copy of any code of ethics adopted by NorthStar pursuant to Advisers Act Rule 204A-1 which is or has been in effect during the past five years;
- A record of any violation of NorthStar's Code and any action that was taken as a result of such violation for a period of five years from the end of the fiscal year in which the violation occurred;
- A record of all written acknowledgements of receipt of the Code and amendments thereto for each person who is currently, or within the past five years was, a Supervised Person which shall be retained for five years after the individual ceases to be a Supervised Person;
- A copy of each report made pursuant to Advisers Act Rule 204A-1, including any brokerage confirmations and account statements made in lieu of these reports;
- A list of all persons who are, or within the preceding five years have been, Access Persons;
- A record of any decision and reasons supporting such decision to approve a Supervised Persons' acquisition of Securities in Initial Public Offerings and Limited Offerings within the past five years after the end of the fiscal year in which such approval is granted.

## Reporting Violations and Sanctions

All Supervised Persons shall promptly report to the Chief Compliance Officer or an alternate designee all apparent violations of the Code. Any retaliation for the reporting of a violation under this Code will constitute a violation of the Code.

The Chief Compliance Officer shall promptly report to senior management all apparent material violations of the Code. When the Chief Compliance Officer finds that a violation otherwise reportable to senior management could not be reasonably found to have resulted in a fraud, deceit, or a manipulative practice in violation of Section 206 of the Advisers Act, he or she may, in his or her discretion, submit a written memorandum of such finding and the reasons therefore to a reporting file created for this purpose in lieu of reporting the matter to senior management.

Senior management shall consider reports made to it hereunder and shall determine whether or not the Code has been violated and what sanctions, if any, should be imposed. Possible sanctions may include reprimands, monetary fine or assessment, or suspension or termination of the employee's employment.

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended; and

WHEREAS, the undersigned is the President and Trustee of the Trust;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for him and in his name, place and stead, and in his office and capacity in the Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554), hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of August, 2011.

/s/A. Bayard Closser  
A. Bayard Closser  
President and Trustee

STATE OF OHIO            )  
                                  ) ss:  
COUNTY OF HAMILTON )

Before me, a Notary Public, in and for said county and state, personally appeared A. Bayard Closser, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 2nd day of August, 2011.

/s/Jill Banfield  
Notary Public

My commission expires:                   4/13/2013

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended; and

WHEREAS, the undersigned is the Treasurer of the Trust;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for him and in his name, place and stead, and in his office and capacity in the Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554), hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of August, 2011.

/s/Gustavo A. Altuzarra  
Gustavo A. Altuzarra  
Treasurer

STATE OF OHIO            )  
                                  ) ss:  
COUNTY OF HAMILTON )

Before me, a Notary Public, in and for said county and state, personally appeared Gustavo A. Altuzarra, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 2nd day of August, 2011.

/s/Jill Banfield  
Notary Public

My commission expires:                   4/13/2013

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended; and

WHEREAS, the undersigned is a Trustee of the Trust;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for him and in his name, place and stead, and in his office and capacity in the Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554), hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of August, 2011.

/s/Christopher R. Chase  
Christopher R. Chase  
Trustee

STATE OF OHIO            )  
                                  ) ss:  
COUNTY OF HAMILTON )

Before me, a Notary Public, in and for said county and state, personally appeared Christopher R. Chase, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 2nd day of August, 2011.

/s/Jill Banfield  
Notary Public

My commission expires:                   4/13/2013

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended; and

WHEREAS, the undersigned is a Trustee of the Trust;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for him and in his name, place and stead, and in his office and capacity in the Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554), hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of August, 2011.

/s/Robert J. Boulware  
Robert J. Boulware  
Trustee

STATE OF OHIO            )  
                                  ) ss:  
COUNTY OF HAMILTON )

Before me, a Notary Public, in and for said county and state, personally appeared Robert J. Boulware, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 2nd day of August, 2011.

/s/Jill Banfield  
Notary Public

My commission expires:                   4/13/2013

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended; and

WHEREAS, the undersigned is a Trustee of the Trust;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for him and in his name, place and stead, and in his office and capacity in the Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554), hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of August, 2011.

/s/Mark J. Schlafly  
Mark J. Schlafly  
Trustee

STATE OF OHIO            )  
                                  ) ss:  
COUNTY OF HAMILTON )

Before me, a Notary Public, in and for said county and state, personally appeared Mark J. Schlafly, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 2nd day of August, 2011.

/s/Jill Banfield  
Notary Public

My commission expires:                   4/13/2013



**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended; and

WHEREAS, the undersigned is a Trustee of the Trust;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for him and in his name, place and stead, and in his office and capacity in the Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554), hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 24th day of August, 2011.

/s/Jeffrey F. O'Donnell  
Jeffrey F. O'Donnell  
Trustee

COMMONWEALTH OF )  
PENNSYLVANIA ) ss:  
COUNTY OF CHESTER )

Before me, a Notary Public, in and for said county and state, personally appeared Jeffrey F. O'Donnell, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 24th day of August, 2011.

/s/Barbara A. Scarboro  
Notary Public

My commission expires: 11/18/2014

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended; and

WHEREAS, the undersigned is a Trustee of the Trust;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for him and in his name, place and stead, and in his office and capacity in the Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554), hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of August, 2011.

/s/T. Neil Bathon  
T. Neil Bathon  
Trustee

STATE OF OHIO            )  
                                  ) ss:  
COUNTY OF HAMILTON )

Before me, a Notary Public, in and for said county and state, personally appeared T. Neil Bathon, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 2nd day of August, 2011.

/s/Jill Banfield  
Notary Public

My commission expires:                   4/13/2013

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for it and in its name, place and stead, and in its capacity as a Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554) hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the Trust has caused its name to be subscribed hereto by the President this 2nd day of August, 2011.

ATTEST: VERTICAL CAPITAL INCOME FUND

By: /s/Gustavo A. Altuzarra  
Gustavo A. Altuzarra, Treasurer

/s/A. Bayard Closser  
A. Bayard Closser, President

STATE OF OHIO )  
) ss:  
COUNTY OF HAMILTON )

Before me, a Notary Public, in and for said county and state, personally appeared A. Bayard Closser, President, and Gustavo A. Altuzarra, Treasurer, who represented that they are duly authorized in the premises, and who are known to me to be the persons described in and who executed the foregoing instrument, and they duly acknowledged to me that they executed and delivered the same for the purposes therein expressed.

WITNESS my hand and official seal this 2nd day of August, 2011.

/s/Jill Banfield  
Notary Public

My commission expires: 4/13/2013

**CERTIFICATE**

The undersigned, President of VERTICAL CAPITAL INCOME FUND, hereby certifies that the following resolution was duly adopted by a majority of the Board of Trustees at a meeting held August 2, 2011, and is in full force and effect:

" WHEREAS, VERTICAL CAPITAL INCOME FUND, a business trust organized under the laws of the State of Delaware (hereinafter referred to as the "Trust"), periodically files amendments to its Registration Statement with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended;

NOW, THEREFORE, the undersigned hereby constitutes and appoints JOANN M. STRASSER and MICHAEL V. WIBLE as attorneys for it and in its name, place and stead, and in its capacity as a Trust, to execute and file any Amendment or Amendments to the Trust's Registration Statement (file Nos. 333-173872, 811-22554) hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof."

Dated: August 2, 2011

/s/A. Bayard Closser  
A. Bayard Closser, President  
VERTICAL CAPITAL INCOME FUND

September 29, 2011

Securities and Exchange Commission  
Public Filing Desk  
100 F Street, N.E.  
Washington, D.C. 20549

Re: Vertical Capital Income Fund  
1933 Act File No. 333-173872  
1940 Act File No. 811-22554

Ladies and Gentlemen:

On behalf of Vertical Capital Income Fund (the "Registrant"), we hereby electronically file, Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2. The purpose of this filing is to provide additional information, including financial statements, and to make conforming edits in response to SEC Staff comments received by telephonic communication and by letter dated June 2, 2011.

On behalf of the Registrant and Northern Lights Distributors, LLC, the Registrant's principal underwriter, the Registrant hereby requests acceleration of the effective date of the Amendment to the Registrant's Registration Statement on the date submitted or, in the alternative, acceleration to the earliest possible time on or before October 3, 2011.

The Registrant has authorized me to convey to you that the Registrant acknowledges the following:

1. The Registrant is responsible for the adequacy and accuracy of the disclosure in the filings reviewed by the staff;
2. Staff comments or changes to disclosure in response to staff comments in a filing reviewed by the staff do not foreclose the Commission from taking any action with respect to the filing;
3. The action of the Commission or the staff, acting pursuant to delegated authority, in declaring the filing effective does not relieve the Registrant from its full responsibility for the accuracy and adequacy of the disclosure in the filing; and
4. The Registrant may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

If you have any questions or additional comments, please call please contact JoAnn M. Strasser at (614) 469-3265 or Parker Bridgeport at (614) 469-3238.

Very truly yours,

Vertical Capital Income Fund

Northern Lights Distributors, LLC

By: /s/ JoAnn M. Strasser  
Attorney-In-Fact

By: /s/ Brian Nielsen  
President and Secretary

September 29, 2011

Brion Thompson  
Office of Disclosure and Review  
Division of Investment Management  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

RE: Vertical Capital Income Fund: File Nos. 333-173872 and 811-22554

Dear Mr. Thompson:

On May 3, 2011, Vertical Capital Income Fund (the "Fund") filed a registration statement on Form N-2 pursuant to Section 8(b) of the Investment Company Act of 1940, as amended (the "1940 Act"). By letter dated June 2, 2011, the staff of the Division of Investment Management (the "Staff") provided comments on the Fund's registration statement. Previously, on May 26, 2011, the Staff asked the Fund to explain why it believes it is not excluded from the definition of an "investment company" under Section 3(c)(5)(C) of the 1940 Act and, thus, not required to register under Section 8 of the 1940 Act. The Fund responded by letter dated June 10, 2011. On June 16, 2011, you had a telephone conversation with the undersigned and Michael Wible of Thompson Hine to discuss the Fund's response and to ask the Fund to supplement its June 10, 2011 response with a discussion of the applicability of the Staff no-action letter issued to NAB Asset Corporation in 1991 (the "NAB Letter"). The Fund responded by letter dated June 23, 2011.

Please find below the Fund's responses to the comments in the Staff's letter dated June 2, 2011. Any typographical corrections have been made throughout and are not enumerated in the following responses.

Prospectus

Investment Objective and Policies Investment Strategies

### **Prospectus Summary Comments**

1. Disclosure in these sections states that the Fund invests in debt securities that are secured by residential real estate (i.e. mortgage loans and related notes and security agreements in the form of a mortgage or deed of trust). Section 3(c)(5)(C) of the Investment Company Act of 1940 excludes from the definition of "investment company" any person not engaged in the business of issuing redeemable securities who is primarily engaged "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." Accordingly, based upon the Fund's proposed principal investment strategy, please provide your legal analysis and any support for your view that the Fund is not excluded from the definition of an investment company under Section 3(c)(5)(C) of the Investment Company Act of 1940. We may have additional comments based upon your response.

**Response.** The Fund believes it is not excluded from the definition of an investment company by Section 3(c)(5)(C) of the Investment Company Act of 1940 for reasons discussed in the Fund's response letters dated June 10, 2011 and June 23, 2011.

2. Disclosure in these sections states that the Fund invests in debt securities issued by private issuers in the real estate sector that are secured by residential real estate (i.e. mortgage loans and related notes and security agreements in the form of a mortgage or deed of trust). It is our view that privately issued asset-backed securities, including mortgaged-backed securities, represent investments in an industry for purposes of the fundamental policy on industry concentration. Accordingly, please revise the disclosure here and throughout the registration statement to reflect that the Fund will concentrate in an industry or group of related industries related to its investment in debt securities backed by residential real estate. In addition, please add disclosure identifying the industry or industries, and describing the risks associated with concentration in such industry or industries.

**Response.** The Fund has amended disclosures to state that mortgaged-backed securities, represent investments in an industry for purposes of the fundamental policy on industry concentration. The Fund has provided additional risk disclosures describing risks associated with concentration in the mortgage-backed securities industry.

3. Please clarify that the Fund may invest substantially all its assets in subprime mortgages held by individual homeowners. Also, please clarify whether the Fund will purchase individual mortgages or will the Fund purchase an interest in a pool of mortgages. Finally, please clarify whether the Fund will limit its investment to only United States mortgages.

**Response.** The Fund has amended disclosures to clarify that the Fund may invest substantially all its assets in subprime mortgages, that it invests in individual mortgage notes rather than in pools and that the Fund will limit its investment to only United States mortgage notes.

4. Disclosure states that the Fund will purchase securities "issued by issuers in the real estate sector." Please disclose the entities or persons from whom the Fund will purchase its portfolio of real estate-backed securities.

**Response.** The Fund has amended disclosures to clarify that the issuers in the real estate sector are individuals.

5. Please add disclosure identifying the types of "collateral" backing the Fund's investment in real estate-backed debt securities.

**Response.** The Fund has amended disclosures to clarify that the "collateral" backing the Fund's investment in real estate-backed debt securities is residential real estate.

6. Please disclose the strategy and risks relating to the Fund proposed investment of "up to 20% of the Fund's assets in non-performing notes secured by residential real estate."

**Response.** The Fund has amended disclosures to elaborate on the Fund's strategy of investing in non-performing notes and to describe related risks.

### **Summary of Risks Comments**

7. Under a separate heading, please disclose the risks associated with holding defaulted securities, including those securities in which the issuer has sought bankruptcy protection. Also, please add disclosure here stating that the Fund "anticipates a significant likelihood of default" by issuers of its real estate-backed debt securities.

Response. The Fund has amended risk disclosures, under a separate heading, to disclose risks associated with holding defaulted securities, including those securities in which the issuer has sought bankruptcy protection. The Fund has amended disclosures to state that it anticipates a significant likelihood of default by issuers of its real estate-backed debt securities.

8. Please add disclosure to the section **Fixed Income Risk** stating that a rise in interest rates will cause an increase in the risk of default.

Response. The Fund has amended risk disclosures to the section entitled Fixed Income Risk to state that a rise in interest rates will cause an increase in the risk of default.

9. Please add risk disclosure that the real estate backing the Fund's investment in debt securities may be subject to certain environmental risks.

Response. The Fund has amended risk disclosures to state that the real estate backing the Fund's investment in debt securities may be subject to certain environmental risks.

#### **Summary of Fund Expenses Comments**

10. Please disclose in the Shareholder Transaction Expenses section of the table the Fund's \$15 fee for the wire transfer of repurchase proceeds.

Response. The Fund has amended the disclosure in the Shareholder Transaction Expenses section of the table to state the Fund's transfer agent charges a \$15 fee for the wire transfer of repurchase proceeds.

11. The table contains a line item **Acquired Fund Fees and Expenses** relating to the Fund's indirect costs of investing in other investment companies. Please add disclosure to the **Prospectus Summary** of the Fund's proposed investment in other investment companies.

Response. The Fund has amended the disclosure in the Prospectus Summary to identify investments in other investment companies and accompanying risks.

12. Footnote 3 provides that the Adviser has agreed contractually to waive its fees and to pay or absorb the ordinary annual operating expenses of the Fund (including organizational and offering expenses with certain exceptions) to the extent that such expenses exceed 1.85% of the Fund's average daily net assets. Please include in footnote 3 an estimate of the following:

- The size of the offering in dollars and shares;
- The total offering costs in dollars and costs per share;
- The offering costs expected to be paid by the Adviser in dollars and costs per share; and
- The offering costs expected to be paid by the Fund in dollars and costs per share.

Response. The Fund has amended the disclosure in footnote 3 to include an estimate of (i) the size of the offering in dollars and shares to be issued; (ii) the total offering costs in dollars and costs per share; (iii) the offering costs expected to be paid by the Adviser in dollars and costs per share; and (iv) the offering costs expected to be paid by the Fund in dollars and costs per share.

#### **Use of Proceeds Comments**

13. Please revise the disclosure in the section to clarify how long it will take to invest all or substantially all the proceeds from the offering in accordance with the Fund's investment objective. See Guide 1 of Form N-2.

Response. The Fund has amended the disclosure to clarify how long it will take to invest all or substantially all the proceeds from the offering.

#### **Statement of Additional Information Comments**

##### **Fundamental Policies Comments**

14. Disclosure states that the Fund will invest primarily in securities issued by issuers in the real estate sector which will be secured by residential real estate; Please revise fundamental policy (4) to state that the Fund will concentrate in the industry or group of related industries connected to the Fund's investment in privately issued mortgage backed securities.

Response. The Fund has amended the fundamental policy (4) to state that the Fund will concentrate in the mortgage-backed securities industry.

##### **General Comments**

15. Where a comment is made in one location, it is applicable to all similar disclosure appearing elsewhere in the registration statement.

Response. The Fund has made conforming edits throughout.

16. We note that portions of the filing are incomplete. We may have additional comments on such portions when you complete them in pre-effective amendments, on disclosures made in response to this letter, on information you supply to us, or on exhibits added in any pre-effective amendments.

Response. The Fund acknowledges that the Staff may have additional comments on the Fund's pre-effective amendment(s), on disclosures made in response to this letter, and on information you supply to the Staff by other means, or on exhibits added in any pre-effective amendment(s).

17. If you intend to omit certain information from the form of prospectus included with the registration statement that is declared effective, in reliance on Rule 430A under the Securities Act, please identify the omitted information to us, preferably before filing the final pre-effective amendment.

Response. The Fund does not intend to omit certain information from the form of prospectus included with the registration statement that is declared effective, in reliance on Rule 430A under the Securities Act.

18. Please advise us if you have submitted or expect to submit exemptive applications or no-action requests in connection with your registration statement.

Response. The Fund has not submitted and does not intend to submit exemptive applications or no-action requests in connection with its registration statement.

19. Responses to this letter should be in the form of a pre-effective amendment filed pursuant to Rule 472 under the Securities Act. Where no change will be made in the filing in response to a comment, please indicate this fact in a letter to us and briefly state the basis for your position.

Response. The Fund's responses to this letter will be in the form of a pre-effective amendment filed pursuant to Rule 472 under the Securities Act. The Fund acknowledges that if it believes no change is warranted in the filing in response to a comment, it will indicate this fact in this letter and briefly state the basis for its position.

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If you have any questions or additional comments, please call the undersigned at 513-469-3265.

Best regards,

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THOMPSON HINE LLP  
ATTORNEYS AT LAW

312 Walnut Street  
14th Floor  
Cincinnati, Ohio 45202-4089

[www.ThompsonHine.com](http://www.ThompsonHine.com)  
Phone 513.352.6700  
Fax 513.241.4771