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Form ADV Part 2A - the Brochure

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This Brochure provides information about the qualifications and business practices of Oaktree Capital Management, L.P. If you have any questions about the contents of this brochure, please contact us at (213) 830-6300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Oaktree Capital Management, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

There are no material changes to this Brochure since the last annual update.

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ITEM 4. ADVISORY BUSINESS

Oaktree Capital Management, L.P. (“Oaktree” or “we”) was founded in April 1995 and is a leading global investment management firm focused on alternative markets. Oaktree manages assets across a wide range of investment strategies within six asset classes: distressed debt, corporate debt, control investing, convertible securities, real estate and listed equities, which are described more fully in Item 8 below. The only principal owner (defined as a person who owns 25% or more) of Oaktree is Oaktree Capital Group Holdings, L.P.

Oaktree offers investment advisory services to separately managed accounts and pooled investment vehicles in the investment strategies more fully described in Item 8 below. Separately managed accounts and pooled investment vehicles are sometimes referred to in this brochure as “accounts.”

Clients with separately managed accounts may impose restrictions on Oaktree's management of the account based on type of securities, industries, countries or other considerations.

As of December 31, 2011, we managed \$84,857,000,000 on a discretionary basis, and \$0 on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

a. compensation for advisory services

(1) separately managed accounts

Oaktree provides discretionary management for clients seeking professional management of portfolios containing securities, assets or other obligations involved in the strategies mentioned above. Clients establish accounts with Oaktree by depositing funds or securities into accounts maintained by qualified independent custodians and granting Oaktree discretionary authority to invest such funds pursuant to each client's investment needs and objectives, as stated in each client's contract and account documentation with Oaktree.

Oaktree negotiates its fees on an individual basis, taking into consideration the degree of management involved, the size of the account, and the particular investment objectives and needs of each client.

The annual management fee for our high yield bond, senior loans and convertible securities strategies is generally 0.50% of the net asset value of the assets of a separately managed account. Oaktree clients with over \$1 billion under management with Oaktree (across all strategies), including amounts committed, receive a discount of 5.0% of their fees relating to assets in the foregoing strategies. These fees are subject to change. Fees for certain pre-existing separately managed accounts may differ from the above.

Fees for separately managed accounts in other strategies are negotiated between Oaktree and the client.

Oaktree also provides clients with asset allocation investment management, which combines the discretionary allocations of multiple investment strategies. Assets in an asset allocation account may be allocated and managed by Oaktree in separately managed accounts, limited partnerships or other pooled investment vehicles organized or sponsored by Oaktree. An asset allocation account may be charged a flat fee, or in accordance with the applicable fee (or weighted average) for the separately managed accounts, limited partnerships or pooled investment vehicles in which the assets are invested, as negotiated by the client and Oaktree.

(2) limited partnerships and other pooled investment vehicles

As investment adviser, sub-adviser and/or general partner of limited partnerships and other pooled investment vehicles, Oaktree or its affiliates receive annual management fees, the amount of which depends upon the terms of the governing documents of the investment vehicle, management agreement or sub-advisory agreement.

The annual management fee paid by our open-end limited partnerships and investment vehicles (collectively, "open-end funds") is generally 0.50% of the net asset value of an open-end fund. The annual management fee paid by our evergreen limited partnerships and investment vehicles (collectively, "evergreen funds") generally ranges between 1.5% and 2.0% of the net asset value of an evergreen fund. The annual management fee paid by our closed-end limited partnerships and investment vehicles (collectively, "closed-end funds") during a closed-end fund's investment period generally ranges between 1.25% to 1.75% of the amount of capital committed by its limited partners or investors. During a closed-end fund's liquidation period, the management fee remains the same fixed percentage, but is generally applied against the lesser of (i) the total funded capital and (ii) the cost basis of assets remaining in such fund.

In addition to management fees, we generally receive 20% of the profits generated by our evergreen funds, calculated annually, subject in each case to any applicable high-water marks. We also generally receive 20% of the gains realized by our closed-end funds as incentive income after our clients first receive the return of all of their contributed capital plus an annual preferred return that is typically 8%.

Limited partners or investors with over \$1 billion under management or committed receive a discount of 5.0% of their fees relating to assets invested in our open-end strategies.

b. deduction of fees

Management Fees. For separately managed accounts, clients are generally billed directly for management fees. For pooled vehicles, the management fees are typically deducted from the assets of the pooled vehicle.

Performance-Based Compensation. For separately managed accounts, performance-based compensation, if any, is either billed to the client or deducted from the clients' assets. For our pooled vehicles, performance-based compensation is allocated and paid to Oaktree or its affiliates from the assets of the pooled vehicle.

Timing. Generally, management fees for separately managed accounts are charged quarterly. To the extent that a separately managed account is in existence less than a full calendar quarter, the management fee will be pro-rated. For pooled vehicles, management fees may be charged either quarterly or monthly.

c. other types of fees or expenses

Fees, other than management fees, that a separately managed account may incur include, but are not limited to, brokerage commissions and securities transaction costs, legal and outside investment consultant fees associated with portfolio investments and custodial fees.

Fees, costs, and expenses, other than management fees and performance-based compensation, if any, that a participant in a pooled vehicle may incur include, but are not limited to: (1) legal and accounting fees; (2) fees of outside consultants, analysts or advisors whom Oaktree or its affiliates may engage to advise it with respect to, among other things, the evaluation, acquisition, holding or disposition of portfolio investments; (3) brokerage commissions and securities transaction costs; (4) custodial, transfer agent and distributions agent charges; (5) premiums for insurance; (6) taxes and other governmental charges, fees and duties; (7) in certain circumstances organizational expenses in connection with the formation and organization of, and/or sale of interests in, the pooled investment vehicle; (8) fees and expenses relating to potential and consummated investments; and (9) other fees, costs, expenses, and liabilities that are incurred by, or arise out of the operation and activities of the pooled investment vehicle.

Please see Item 12 of this brochure for a further discussion of our brokerage practices.

d. fees paid in advance and refunds

Depending on the pooled vehicle, management fees may be charged in advance or in arrears. Management fees for our separately managed accounts are generally charged in arrears.

An investor in our open-end or evergreen funds that is paying fees in advance has the ability to withdraw from the open-end fund or evergreen fund, as applicable, and Oaktree has the ability to terminate its services with an open-end fund or evergreen fund, in either case in accordance with the terms of the applicable governing document. However, investors are generally not permitted to withdraw prior to the period covered by such fees.

An investor in our closed-end funds generally does not have the ability to withdraw from the closed-end fund.

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

Consistent with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, Oaktree or its affiliated general partners may charge a performance fee in connection with its accounts, depending upon the nature and investment strategy of the account.

Oaktree manages accounts that have a performance fee (and an asset-based fee) and accounts that are only charged an asset-based fee. These accounts may be in the same strategy and may consider similar investments.

Performance based fee arrangements may create an incentive for Oaktree to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Each of our accounts' investment approach, strategy and focus are defined in its respective governing documents, and we have developed allocation guidelines, subject to certain investment considerations, to handle potential conflicts in relation to investment

overlaps. Oaktree will seek to manage potential conflicts of interest in good faith, and subject to the provisions of the governing documents of the affected accounts, Oaktree will be guided by its fiduciary duties to its clients on any matter involving a conflict of interest. See Item 11 for a discussion of our allocation guidelines.

ITEM 7. TYPES OF CLIENTS

Oaktree may provide advisory services to investment companies, pension and profit sharing plans, trusts, estates, governmental plans, endowments, foundations, charitable organizations, corporations, insurance companies, limited partnerships, commingled investment trusts, and other entities.

Investors are required to commit or contribute certain minimum capital amounts to become limited partners of our limited partnerships or to invest in our other pooled investment vehicles. Minimum commitments or contributions vary among limited partnerships and other pooled investment vehicles and are disclosed in the governing documents of each investment vehicle. The minimum commitment or contribution amounts for our pooled investment vehicles is generally \$2 million or \$3 million depending on the pooled investment vehicle. Minimum commitment or contribution amounts may be waived at the discretion of the general partner or investment adviser for such limited partnership or pooled investment vehicle. All minimums are subject to change at the discretion of the general partner or investment adviser, as applicable.

Investors in our limited partnerships and other pooled investment vehicles must be “accredited investors” within the meaning of Rule 501(a) under the Securities Act of 1933 and “qualified purchasers” within the meaning of Section 2(a)(51) and Rule 2a51-1 under the Investment Company Act of 1940.

Generally, Oaktree requires a minimum dollar value to establish a separately managed account. The basic schedule of initial account minimums for separately managed accounts is set forth below and applies unless waived by Oaktree.

schedule of minimum account values

Global High Yield Bond	\$100 million	Global Convertible	\$100 million
U.S. High Yield Bond	\$100 million	U.S. Convertible	\$100 million
European High Yield Bond	\$100 million	Non-U.S. Convertible	\$100 million
U.S. Senior Loans	\$100 million	High Income Convertible	\$100 million
European Senior Loans	\$100 million		

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

methods of analysis and investment strategies

Oaktree generally uses fundamental analysis, and may engage in long term or short term purchases, trading (securities sold within 30 days), short sales in certain strategies, margin transactions, and option writing, including covered options, uncovered options or spreading strategies.

Oaktree provides overall discretionary management for accounts within the six asset classes mentioned above. Below are descriptions of the strategies within those asset classes. In addition to those detailed, Oaktree also manages accounts that afford exposure to different combinations of certain of the below strategies.

distressed debt

Our distressed debt asset class includes our distressed debt and value opportunities strategies.

Our distressed debt strategy seeks capital appreciation without undue risk of loss primarily through investments in debt or equity securities or other obligations, in connection with episodes of financial distress, at discounts to their original value and by realizing gains through sales of restructured debt obligations or newly issued securities obtained through exchanges resulting from reorganizations and restructurings.

Our value opportunities strategy seeks to capitalize on opportunities for substantial capital appreciation without subjecting principal to undue risk of loss by investing mainly in distressed debt and other value-oriented investments for which there is a liquid market.

corporate debt

Our corporate debt asset class pursues investments in the following strategies: U.S. high yield bonds, European high yield bonds, U.S. senior loans, European senior loans, and mezzanine finance.

Our U.S. and European high yield bond strategies invest in U.S. and European below investment-grade fixed income securities or debt obligations. They seek to generate consistent superior risk-adjusted returns by investing in a diversified portfolio of high yield debt securities and obligations.

Our senior loan strategies seek to achieve an attractive total return without subjecting principal to undue risk of loss. The U.S. senior loan strategy seeks to achieve this objective primarily through investments in the U.S. dollar-denominated senior loans and other senior debt instruments of borrowers that are organized or have a substantial portion of their operations, assets or business located in the United States or Canada. Although not a primary focus, this strategy may also invest in companies which have a significant portion of their operations or assets outside of the United States or Canada. The European senior loan strategy seeks investments in senior loans and other senior debt instruments of borrowers that are organized or have a substantial portion of their operations, assets or business located in Europe.

Our mezzanine finance strategy seeks high current income and long-term capital appreciation without undue risk of loss through a diversified portfolio of mezzanine debt and equity investments. A significant portion of the total return is expected to be comprised of current income, with most of the balance coming in the form of capital gains from “equity kickers” typically attached to mezzanine debt.

Oaktree also manages various “global” strategies, which combines certain of the regional-specific strategies described in this asset class.

control investing

Our control investing asset class pursues investments in the following strategies: global principal investments, European principal investments, Asia principal investments and power opportunities.

Our global principal investments strategy seeks to make investments in equity, equity-related and debt obligations of companies globally that we believe are undervalued, offer an opportunity for growth if funded appropriately, and provide an attractive risk/return profile. The strategy will generally attempt to structure investments with a goal of obtaining control of, or significant influence in, companies. Our European and Asia principal investments strategies have similar investment objectives as our global principal investments strategy but focus their investments within Europe and Asia, respectively.

Our power opportunities strategy seeks to make controlling equity investments in companies providing equipment, software and services to aid in the generation, transmission, distribution, marketing, trading and consumption of power and natural gas.

convertibles

Our convertibles asset class pursues investments in the following strategies: U.S. convertible securities, non-U.S. convertible securities and high income convertible securities.

Our U.S. and non-U.S. convertible securities strategies seek total return from current income and capital appreciation through investments in convertible securities within their targeted regions.

Our high income convertible strategy seeks a high level of total return through a combination of current income, accretion to par and capital appreciation by investing principally in convertible securities that may fall within the category of high income (or “busted”) convertibles.

Oaktree also manages various “global” strategies, which combines certain of the regional-specific strategies described in this asset class.

real estate

Our real estate strategy seeks superior risk-adjusted returns through investments in real estate and real estate-related assets on a global basis. The strategy involves investing in a variety of real estate-related investments, including real property, real estate companies and other companies with significant real estate assets as well as real estate-related debt and equity securities.

listed equities

Our emerging markets absolute return strategy invests in the equity and, to a lesser extent, the debt and derivative securities of entities in emerging and developed markets in Asia and the Pacific region and emerging markets in other parts of the world. This strategy utilizes long and, to a lesser extent, short positions, without significant leverage, in its effort to achieve substantial total returns while reducing exposure to macro factors. Oaktree also manages a long-only emerging markets strategy in addition to its absolute return strategy. The long-only strategy has a geographic focus and investment objective that is similar to the absolute return strategy, but it will utilize only long positions in its effort to achieve its objective.

In addition to the funds within the six asset classes described above, Oaktree also manages certain funds within the following three strategies that are winding down and no longer accepting new clients: European credit opportunities, high yield plus and Japanese equities.

material risks

Each of the strategies we employ entails substantial inherent risks. Although we attempt to manage these risks through careful research, ongoing monitoring of investments, active participation in the bankruptcy process and appropriate hedging techniques, there can be no assurance that the securities and other instruments purchased which are the focus of our strategies will increase in value or that our accounts will not incur significant losses. The following discusses the material risks for each significant investment strategy or method of analysis we use. For a more complete description of the specific risk factors relevant to a decision to invest in one of our limited partnerships or other pooled vehicles, investors should refer to the confidential private placement memorandum for the relevant limited partnership or pooled vehicle.

investment environment

Our strategies could be materially adversely affected by instability in the U.S. or global financial markets, or changes in market, economic, political or regulatory conditions, as well as by other factors outside our control. Interest rates and general levels of economic activity may affect the value and number of investments we make or consider for prospective investment. In addition, disruptions in the global debt markets may affect the price of, as well as the ability to make, certain types of investments, and there can be no assurance that any such disruptions will not continue or worsen in the future. Moreover, the risk that such disruptions will affect an issuer’s ability to pay its debts and obligations when due is enhanced if such issuer in turn provides credit to third parties or otherwise participates in the credit markets. In addition, recent developments in the U.S. and global financial markets have illustrated that the current environment is one of uncertainty for financial services companies. The existence of such events has had, and the continuation or worsening of any

such events, or other similar or dissimilar events, may have or continue to have, a material adverse effect on the availability of credit to businesses generally and may lead to further overall weakening of the U.S. and global economies.

current market conditions and governmental actions

World financial markets have experienced extraordinary market conditions. In reaction to these events, regulators in the United States and several other countries have undertaken and continue to undertake unprecedented regulatory action to stabilize markets. Unstable markets and the possibility of a severe worldwide economic downturn may adversely affect investments, and there may be significant new regulations enacted to address such instability that could limit investment opportunities.

business and regulatory risks of alternative asset managers

Legal, tax and regulatory changes could occur that may adversely affect alternative investments, which are the focus of our strategies. The legal, tax and regulatory environment for alternative investments is evolving, and changes in such regulation may adversely affect the value of such investments in our strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and retain the right to suspend or limit trading in securities, which could expose our accounts to losses. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory change on Oaktree's business could be substantial and adverse.

In recent years, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the U.S. Congress and the SEC, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us and the accounts we manage, the markets in which our accounts trade and invest or the counterparties with which we do business may be instituted in the future. There can be no assurance that we or the accounts we manage will be able, for financial reasons or otherwise, to comply with future laws and regulations.

institutional risk

The institutions, including brokerage firms and banks with which our accounts directly or indirectly do business (including swap counterparties), or to which securities are entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. In addition, these financial institutions may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations of our accounts.

counterparty, settlement and local intermediary risk

From time to time, certain securities markets have experienced operational clearance and settlement problems that have resulted in failed trades. These problems could cause our accounts to miss attractive investment opportunities or result in such accounts incurring liability to third parties by virtue of an inability to perform their contractual obligation to deliver securities. In addition, delays and inefficiencies of the local postal, transport and banking systems could result in the loss of investment opportunities, the loss of money (including dividends) and exposure to currency fluctuations. To the extent we invest in securities, swaps, derivatives or other over-the-counter transactions, in certain circumstances our accounts may take a credit risk with regard to parties with whom they trade and may also bear the risk of transfer, clearance or settlement default. Transactions entered into directly between two counterparties may expose the parties to the risk of counterparty defaults. Such risks may be exacerbated with respect to non-U.S. securities or transactions with non-U.S. counterparties. Certain of our accounts' transactions may be undertaken through local brokers, banks or other organizations in the countries in which these accounts make investments, and these accounts will be subject to the risk of default, insolvency or fraud of such organizations.

dependence on oaktree employees

The success of each of our accounts depends in substantial part on the skill and expertise of the portfolio managers and other professionals employed by us. There can be no assurance that our portfolio managers and such other professionals will continue to be employed by us throughout the life of a specific account. The loss of a portfolio manager and other professionals could have a material adverse effect on the account(s) that they cover.

nature of bankruptcy proceedings

The main focus of Oaktree's distressed debt and value opportunities strategies is to take advantage of opportunities arising from financial distress. There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including the following.

- Many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond the control of the creditors.
- A bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.
- The duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective.
- Certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors.
- The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors.
- Creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions.
- Certain of our employees, representing our accounts, may seek representation on creditors' committees and as a member of a creditors' committee he or she may owe certain obligations generally to all creditors similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. Because our pooled investment vehicles will indemnify us and our affiliates or any other person serving on a committee on behalf of one of our pooled investment vehicles for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on such vehicles investment in a reorganization company.

illiquidity

Certain of our strategies may involve investing in relatively illiquid investments. A significant portion of these assets may consist of investments that are thinly traded, investments for which no market exists or investments that are restricted as to their transferability under applicable securities laws or documents governing particular transactions. Some securities or instruments that were liquid at the time they were acquired may, for a variety of reasons which may not be in our control, later become illiquid. This may have the effect of limiting the availability of these securities or instruments for purchase by our accounts and may also limit the ability of these accounts to sell such investments at their fair market value prior to termination of these accounts or in response to changes in the economy or the financial markets. Due to securities regulations governing certain publicly traded equity securities, these accounts' ability to sell securities could also be diminished with respect to equity holdings that represent a significant portion of the issuer's securities (particularly if an account has designated one or more directors of the issuer).

non-u.s. investments

Many of our strategies invest in non-U.S. investments which involve risks and special considerations not typically associated with U.S. investments. Such risks include:

- the risk of nationalization or expropriation of assets or confiscatory taxation,
- social, economic and political uncertainty, including war and revolution,
- dependence on exports and the corresponding importance of international trade,
- price fluctuations, market volatility, less liquidity and smaller capitalization of securities markets,
- currency exchange rate fluctuations and rates of inflation,
- controls on, and changes in controls on, non-U.S. investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars,
- governmental involvement in and control over the economies,
- governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies,
- differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers,
- less extensive regulation of the securities markets,
- longer settlement periods for securities transactions,
- less developed corporate laws regarding fiduciary duties and the protection of investors, and
- potentially less reliable judicial systems to enforce contracts and applicable law.

restrictions on non-u.s. investments and repatriation

Investment in the securities of issuers in certain nations is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude investment in such nations by outsiders and increase the costs and expenses of our accounts that invest in these nations. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by non-U.S. investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on, or altogether change its restrictions on, non-U.S. capital remittances abroad. Finally, repatriation of income from and investments in entities that are organized or domiciled in countries outside of the United States may be affected adversely by local withholding and other non-U.S. tax requirements.

senior loans and participations

Certain of our strategies' investment programs include investing in significant amounts of bank loans and participations. These obligations are subject to unique risks, including:

- the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws,
- so-called lender-liability claims by the issuer of the obligations,
- environmental liabilities that may arise with respect to collateral securing the obligations, and
- limitations on the ability of holders to directly enforce their rights with respect to participations.

subordination

Mezzanine debt and equity investments will typically be subordinated. Subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer.

short sales, options and swaps

A short sale of a security involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of the security that could result in an inability to cover the short position. The successful use of options depends principally on the price movements of the underlying securities, and if the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction

costs, the holder will lose part or all of its investment in the option. Certain of the strategies presented may also engage in swaps, including total return swaps and credit default swaps, which involve a contractual relationship with only the counterparty of such swap, and not the issuer, and are therefore subject to the credit risk of the counterparty.

investments in real estate

Certain of our strategies' investment programs involve investing directly in real estate that we believe is undervalued, non-recourse mortgages where the mortgagor is not a significant operating company and in the securities or obligations of single purpose companies whose primary asset is real estate. Some of the risks associated with real estate investments include:

- lack of demand for commercial or housing space in a locale,
- changes in general economic or local conditions,
- changes in supply of, or demand for, similar or competing properties in an area,
- uncertainty of cash flow to meet loan and other fixed obligations,
- changes in interest rates, unavailability of mortgage financing which may render the sale or refinancing of property difficult, and
- changes in tax, real estate, environmental and zoning laws.

Additionally, in connection with the ownership (direct or indirect) of real properties, owners may face potential costs and liabilities related to environmental laws, such as those related to the removal of hazardous and toxic substances.

risks relating to the power sector

For much of its history, the power sector, and particularly the utility industry within this broader sector, was characterized by institutional stability and predictability of financial performance. The advent of utility deregulation, privatization, technological change, environmental regulations, commodity price fluctuations, and market volatility has created a much less stable sector with substantially greater variability of company performance. There can be no assurance that the pace or direction of the change will be in accord with Oaktree expectations, nor that the industry changes will benefit investments made. Investing in power facilities and related assets and the companies that provide the equipment, services, and systems to such power facilities and related assets is subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks. There is no assurance that such investments will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

investments in the communications industry

Certain of our strategies' investment programs include investing in the communications and media-related industries. Certain companies in those industries are or may be subject to extensive U.S. federal, state and local regulatory requirements. Regulations that are intended to limit the concentration of ownership and control of communications and media companies may prevent one of our accounts from making certain investments that it would otherwise make. Other regulations may cause substantial additional costs or lengthy delays in connection with the completion or disposition of an investment. The governing documents of our pooled investment vehicles that invest in the communications industry contain provisions that are designed to conform to the requirements of the Federal Communications Commission. These provisions prohibit investors in such pooled investment vehicles from active involvement in such media companies, and may restrict such investors' ability to remove us or our affiliates from managing the pooled investment vehicle in certain circumstances.

non-payment of mortgages underlying cmbs

The collateral underlying commercial mortgage-backed securities (or CMBS) generally consists of commercial mortgages or real property that have a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels. With most commercial mortgage loans the bulk of the loan balance is payable at maturity with a one-time payment, commonly known as a "balloon payment" and are usually non-recourse in nature. The prospect of full repayment of the commercial mortgage loans underlying CMBS depends on the ability of the commercial borrower to generate current income from its commercial property. Also, the likelihood of the commercial borrower repaying the commercial mortgage loan at

maturity is heavily influenced by the commercial borrower's ability to secure subsequent financing in a difficult credit environment. If a commercial borrower defaults on the commercial mortgage loan underlying a CMBS, then the options for financial recovery are limited in nature. In the event of default, the lender will have no right to assets beyond collateral attached to the commercial mortgage loan. In certain instances, a negotiated settlement or an amendment to the terms of the commercial mortgage loan are the only options before an ultimate foreclosure on the commercial property. Foreclosures can be lengthy and expensive and borrowers often assert claims, counterclaims and defenses to delay or prevent foreclosure actions. At any time during the proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the process, and materially increasing the expense thereof, which expenses may not be recoverable. The ultimate disposition of a foreclosed property may also yield a price insufficient to cover the cost of the foreclosure process and the balance attached to the defaulted commercial mortgage loan, which would result in substantial investment losses, and ultimately a decline in the value of CMBS.

high yield, preferred and convertible securities and distressed debt

Certain of our strategies involve investing in "high yield" bonds, preferred and convertible securities and distressed debt that are rated in the lower rating categories by the various credit rating agencies or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk during periods of deteriorating general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid and less active than that for higher-rated or comparable non-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it difficult to sell such securities.

leverage

Certain of our strategies' investment programs include investing in companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

Furthermore, certain strategies involve the use of leverage, including through credit default swaps or total return swaps. While leverage presents opportunities for increasing total return, it may increase losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent leverage is used. The cumulative effect of the use of leverage in a market that moves adversely to investments held could result in a loss that would be greater than if leverage had not been used, including loss of the entire investment and also the possibility of loss exceeding the original amount of a particular investment.

high portfolio turnover

Our different strategies may require frequent trading and a high portfolio turnover. The more frequent the trading, the higher the commission and transaction costs and certain other expenses. These costs will be borne by the account regardless of the profitability of its investment and trading activities. In addition, a high portfolio turnover may increase the recognition of short-term, rather than long-term, capital gains.

board participation

The size of one or more account's equity holdings in a particular issuer, or contractual rights obtained by such account in connection with an investment, may enable the account to designate one or more directors to serve on the boards (or comparable governing bodies) of companies in which the account invests. While such representation may enhance the account's ability to manage its investments, it may also have the effect of impairing the ability of the account to sell the

related securities when, and upon the terms, it might otherwise desire, as it may subject the account to legal claims it would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other board-related claims.

third party litigation

Our accounts' investment activities subject them to the risks of becoming involved in litigation by third parties. This risk is somewhat greater where we exercise control of, or significant influence in, a company's direction. The expense of defending third party claims and paying any amounts pursuant to settlements or judgments would, absent certain conduct by us or our affiliates, increase the costs of the account holding the investment.

lack of diversification

Except as otherwise set forth in the governing documents of an account, Oaktree generally will not seek to diversify among a wide range of issuers or industries. Accordingly, returns may be subject to more rapid changes than would be the case if we were required to maintain a wide diversification among companies, industries and types of securities.

tax matters

The countries in which our accounts may invest may impose taxes on certain types of income such as dividends, interest and in some instances capital gains. Although such taxes may be subject to reduction to the extent that separately managed account clients or investors in our pooled investment vehicles are entitled to the benefits of an income tax treaty between their home jurisdiction and the other jurisdictions in which our accounts invest, there can be no assurance that treaty benefits will be available in any particular case, as this will be dependent on the terms of the treaty and the timely provision of certifications and other documentation. Furthermore, even if certain separately managed account clients or investors in pooled investment vehicles are entitled to treaty benefits, withholding taxes may still be deducted by the payers of income, with a material time delay before refunds of such withholding taxes can be obtained from the relevant taxing authority. In addition, changes in the tax laws or tax treaties (or their interpretation) of the countries in which our accounts invest may severely and adversely affect their ability to efficiently realize income or capital gains and may subject our accounts and investors in our pooled investment vehicles to tax and return filing obligations in such countries. There may be a series of complex tax issues related to an investment in our pooled investment vehicles or commencement of a separately managed account.

potential conflicts of interest

We manage a number of different investment strategies which present the possibility of overlapping investments, and thus the potential for conflicts of interest. If any matter arises that we determine in its good faith judgment constitutes an actual conflict of interest between accounts, we may take such actions as may be necessary or appropriate to prevent or reduce the conflict. Please see Item 11 of this brochure for a further discussion of possible conflicts of interest.

ITEM 9. DISCIPLINARY INFORMATION

In May, 2005, the SEC accepted Oaktree's offer to resolve an investigation into four alleged violations by Oaktree's Emerging Markets Fund of an SEC trading rule, Rule 105 of Regulation M, which prohibits the use of stock acquired in a public offering to cover a short position entered into in the five business days before the offering. Oaktree cooperated immediately and fully with the SEC's inquiry into this matter and readily agreed to enter into a cease-and-desist order requiring Oaktree to (a) implement written compliance policies and procedures reasonably designed to prevent violations of Regulation M, review those policies and procedures annually and require the Chief Compliance Officer to administer these policies and procedures; (b) pay disgorgement and prejudgment interest of \$175,928; and (c) pay a civil money penalty in the amount of \$169,773. In accepting Oaktree's offer of settlement, the SEC took specific note of the "remedial acts promptly undertaken by Oaktree and cooperation afforded the Commission staff." Our firm compliance manual now contains the requirements of Rule 105 of Regulation M and outlines the policies and procedures we employ to mitigate violations.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

OCM Investments, LLC, an affiliate of Oaktree, is a broker-dealer registered with the SEC. Certain Oaktree employees that are involved in marketing activities are registered representatives of OCM Investments, LLC.

Oaktree or its affiliates serve as the general partner or investment manager of certain limited partnerships or other pooled investment vehicles for which clients may be solicited to invest. Interests in them may be offered through OCM Investments, LLC. OCM Investments, LLC does not receive a commission on such sales. In addition, Oaktree may seek the services of its investment adviser affiliates outside of the United States with respect to these limited partnerships and other pooled investment vehicles and separately managed accounts. Further, certain of such investment adviser affiliates outside of the United States will also assist Oaktree in marketing activities.

Oaktree will occasionally establish a limited partnership or other entity to meet the needs of clients.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

code of ethics and personal trading

All Oaktree principals, partners, officers and employees (including certain temporary employees) and those of its affiliates are subject to Oaktree's Code of Ethics (the "Code"). The Code outlines Oaktree's policies and procedures regarding standards of conduct, personal investment transactions, handling of material, non-public information and other areas.

The Code contains several restrictions and procedures designed to eliminate conflicts of interest surrounding personal investment transactions including: (1) pre-clearance of non-exempt and non-reportable personal investment transactions; (2) quarterly reporting of non-exempt personal securities transactions which were transacted during the quarter; (3) filing of initial and annual holdings reports; (4) a prohibition against personally acquiring securities in an initial public offering; (5) a prohibition against purchasing securities of a private placement without prior approval; (6) a prohibition against portfolio managers, traders or investment analysts purchasing or selling any securities for his or her own account or any account in which he or she may have beneficial interest for a period of five business days prior or subsequent to an Oaktree transaction of the same security on behalf of an account for which they are involved in the decision-making process; (7) a prohibition, with respect to certain investment personnel that provide investment advice to a registered investment company sub-advised by Oaktree, from profiting from the purchase and sale, or sale and purchase, of the same (or equivalent) securities, within 60 calendar days; (8) a prohibition against acquiring any security which is subject to firm wide or, if applicable, a department restriction without prior approval; (9) a prohibition on entering into a short sale transaction or purchasing a put option on any security of an issuer for which a position is held long in an account; and (10) a prohibition on buying and selling, or selling short and buying to cover, the same security within thirty calendar days.

Monitoring of employee personal securities transactions is handled by Compliance Department personnel. Records of personal securities trading and holdings reports are maintained by the Compliance Department. In addition, the Code provides for sanctions in the event of violations of the personal investment transaction policies and procedures.

Oaktree's Code of Ethics contains a Policy Statement on Avoidance of Insider Trading. Specifically, the Code of Ethics prohibits our officers, directors and employees from buying or selling securities either for themselves or on behalf of others while in possession of material, non-public information about the company that violate applicable securities laws. The Code of Ethics also prohibits the communication of material, non-public information about a company to others who have no official need to know. Depending on the circumstances surrounding the information received Oaktree may conclude to either (i) place the issuer on the firm-wide "Restricted Securities List," which would bar any purchases or sales of the issuer's securities by any Oaktree investment group or Oaktree personnel (including any related person), or (ii) in limited and

selective cases, elect to maintain an information wall with regard to the issuer, which would (x) place the issuer's securities on a "Watch List" for monitoring of trading activity, (y) bar any purchases or sales of the issuer's securities by any Oaktree investment group or Oaktree personnel (including any related person of such Oaktree personnel) that receives the information, but allowing other investment groups not in possession of the information to trade in the issuer's securities, and (z) bar the dissemination of the information beyond certain identified persons (the "Deal Team") responsible for managing the proposed investment in the issuer and impose appropriate safeguards against such dissemination. Where senior officers, or other persons who do not readily fit within a department, receive inside information, the General Counsel and/or a Legal Department Officer (subject to an analysis of the specific facts) will decide upon the appropriate restriction.

Additional provisions of the Code outline Oaktree's policies governing (1) gifts, meals, entertainment, and political activity, which include preapproval requirements and limitations on such activities; (2) employee activities outside their employment with Oaktree, including serving as a director and certain fiduciary appointments; (3) anti-corruption policy and (4) the confidentiality of certain information.

If you would like a copy of Oaktree's Code of Ethics please forward your written request to the attention of Thomas Smith, Managing Director/Chief Compliance Officer, at Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California, 90071 or via facsimile at (213) 830-6296.

participation or interest in client transactions

OCM Investments, LLC, and certain other affiliates of Oaktree, may recommend that its clients invest in limited partnerships or other pooled investment vehicles for which Oaktree or an affiliate acts as either general partner who has an ownership interest (and receives its applicable share of any profits or losses associated with that ownership interest) and/or receives a management and performance based fee or, manager, investment adviser, or sub-adviser who receives a management fee and performance based fee. In each case, at the time of such recommendation, disclosure will be made regarding Oaktree's relationship with such partnership and any potential conflict of interest that might arise out of such relationship.

Oaktree may recommend or effect the purchase or sale of securities for its clients that it or any of its affiliates buys or sells for itself. Oaktree or its affiliates may also purchase or sell securities in entities which either advise or are advised by a client or other entities whose securities are owned by a client. Oaktree or its affiliates may also cause clients to purchase or sell securities in entities which advise or are advised by entities whose securities are owned by Oaktree or its affiliates.

In addition, principals, partners, officers and employees (including certain temporary employees) of Oaktree and its affiliates ("Oaktree Representatives") may buy or sell securities or other instruments that Oaktree has recommended to clients. Such transactions in securities by Oaktree Representatives are subject to policies and procedures as outlined in Oaktree's Code of Ethics and which are described more fully above. Oaktree and eligible Oaktree Representatives may also invest in the various limited partnerships for which Oaktree or certain of its affiliates act as investment manager.

Oaktree provides a variety of services for, and advice to, various clients, including issuers of securities that Oaktree may recommend for purchase or sale by clients. In the course of providing these services, Oaktree and Oaktree Representatives may come into possession of material, nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Oaktree and Oaktree Representatives may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including Oaktree's clients.

In particular, in connection with investment in distressed debt instruments, Oaktree may seek representation on creditors' committees. As a member of a creditors' committee, Oaktree may owe certain obligations generally to all creditors similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. In addition, the size of an equity holding in a particular issuer, or contractual rights or arrangements obtained by an Oaktree managed account in connection with an investment, may enable the account to designate one or more directors to serve on the boards of entities in which the account invests. As a member of the board, Oaktree Representatives may come into possession of non-public information and may be subject to various trading or confidentiality restrictions either contractually or pursuant to applicable securities laws. While such board and committee representations may enhance Oaktree's ability to influence the outcome of the investments for its clients, it may also have the effect of impairing the ability of all Oaktree clients from

engaging in any transactions with respect to securities of such issuer. Oaktree's policies and procedures regarding the receipt and handling of material non-public information is outlined in our Code of Ethics and is more fully described above.

Oaktree or its affiliates may acquire interests in companies that provide services to Oaktree-managed funds. Oaktree's interest in such a company presents a conflict of interest as the Oaktree-managed funds will be paying such company for its services and Oaktree through its ownership interest will share in any profit. In order to ensure that Oaktree does not benefit at the expense of such Oaktree-managed funds, Oaktree will rebate (through an offset to its management fee or, if necessary, any carried interest distributions) Oaktree's estimate of any net income of such company attributable to any fees paid by an Oaktree-managed fund to the extent that such net income is received by Oaktree. Oaktree may nevertheless benefit from its ownership of such a company if the company's business is successful. For example, Oaktree may benefit from the sale of its equity interest in the company, or the company may provide services to third parties unaffiliated with Oaktree and, if that business is profitable, Oaktree would benefit as an owner of such company.

Oaktree and its employees may also receive certain benefits, such as discounts on products or services from companies in which an Oaktree-managed account holds a significant ownership interest.

ITEM 12. BROKERAGE PRACTICES

a. selection of broker -dealers

Oaktree's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution on transactions effected for accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors will be considered as they are deemed relevant.

These factors include, but are not limited to, Oaktree's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker or dealer selected and other brokers or dealers considered; Oaktree's knowledge of actual or apparent operational problems of any broker or dealer; the broker's or dealer's execution services rendered on a continuing basis and in other transactions; the reasonableness of spreads or commissions; and the research services and products furnished by the broker or dealer, if any.

In seeking to obtain best execution, Oaktree generally will not seek in advance competitive bidding for the most favorable commission rate or spread applicable to any particular portfolio transaction or to select any broker or dealer on the basis of its purported or "posted" commission rate. Oaktree will endeavor to be aware of the current level of the charges of eligible brokers or dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. Although Oaktree generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and would thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

research and other soft-dollar benefits

Consistent with obtaining best execution, brokerage commissions (including dealer spreads paid on certain principal transactions in accordance with SEC interpretations) on accounts' portfolio transactions may be directed by Oaktree to a broker or dealer in recognition of research services furnished by the broker or dealer or a designated third party (also referred to as "soft dollar benefits"), as well as for services rendered in the execution of orders by such broker or dealer. In considering such research, Oaktree first determines that the product or service will provide lawful and appropriate assistance in the performance of its investment decision-making responsibilities. A determination is then made that the amount of commissions paid is reasonable in light of the value of the brokerage and research services provided. Oaktree

does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research received is, in the aggregate, of assistance to Oaktree in fulfilling its overall duty to its clients. Oaktree notes that each and every research service may not be used to service each and every account managed by Oaktree and Oaktree may use research services to service these accounts that did not pay commissions to the broker-dealers providing such research services. Moreover, Oaktree may benefit from these services as it may not have to pay for such research services and products out of its own resources.

The receipt of investment research and information and related services permits Oaktree to supplement its own research and analysis and makes available to Oaktree the views and information of individuals and research staffs of other firms. The views and information include written materials on certain companies, industries, areas of the economy or market factors and other areas which might affect the economy or securities prices. Research services may also include statistical information; accounting and tax law interpretations that relate to an investment; political developments that may affect investments and the markets in which Oaktree invests; legal developments affecting portfolio securities; technical market actions; pricing and appraisal services; credit, risk measurement and performance analysis; analysis of corporate responsibility issues; portfolio strategy; and analytic computer software. They may also include advice from broker or dealers as to the value of securities, availability of securities, availability of buyers, and availability of sellers. In addition, they may include recommendations as to the purchase and sale of individual securities and timing of transactions.

These research services may be received through on-line information services provided by the broker or dealer or a designated third party. Due to the receipt of various research materials through on-line services, products may include software used in connection with gaining access to the information and may be considered a mixed-use item, having both research and non-research functions. When products or services, including on-line services, are used for both research and other purposes, Oaktree makes a good faith allocation of the cost of the product or service between the research and non-research functions. The non-research portion will be paid in cash by Oaktree, while the portion attributable to research will be paid through brokerage commissions. Brokers or dealers selected by Oaktree may be paid commissions for effecting transactions for Oaktree's clients in excess of the amounts other brokers or dealers would have charged for effecting these transactions if Oaktree determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by such brokers or dealers, viewed either in terms of a particular transaction or Oaktree's overall duty to its discretionary accounts.

During its last fiscal year, Oaktree did not direct any client transactions to a particular broker-dealer in return for soft dollar benefits.

directed brokerage

Oaktree may in certain circumstances permit separately managed account clients to direct Oaktree to use a particular broker or dealer to execute portfolio transactions for its account. Where a client directs the use of a particular broker or dealer, Oaktree may not be in a position to freely negotiate commission rates or spreads, or select brokers or dealers on the basis of best price and execution. Additionally, transactions for a client that directs brokerage may not be batched for execution purposes with orders for the securities or instruments for other clients managed by Oaktree. As a result, directed brokerage transactions may result in higher commissions, greater spreads or less favorable net prices than would be the case if Oaktree were empowered to select brokers and dealers to execute transactions for the client.

b. aggregation of purchases and sales of securities

When possible, trade orders are combined or "batched" to facilitate best execution, as well as for the purpose of negotiating more favorable brokerage commissions or spreads. These batched orders are then generally allocated on a pro-rata basis among each client participating in that specific trade, including limited partnerships and other pooled investment vehicles, subject to certain investment considerations. In instances where aggregation is not practical or possible, our investment professionals seek to follow our best execution policies, whereby we believe the costs of not aggregating client orders are either immaterial or marginal. See below for a discussion of our allocation guidelines.

c. investment allocations

One Oaktree managed account may share in investment opportunities presented to one or more other Oaktree account to the extent that Oaktree in good faith deems such allocation to be prudent or equitable based on the Investment Allocation Considerations (as defined below). The decision by Oaktree to allocate an opportunity to one account could cause another account to forego an investment opportunity it otherwise would have made.

1. Intra-strategy Allocation

As mentioned above under "B. Aggregation of Purchases and Sales of Securities", trade orders are combined or "batched" when possible. These batched orders are then generally allocated on a pro-rata basis among each account, including limited partnerships and other commingled vehicle accounts, within the same investment strategy. The pro rata allocation for both investments and sales may be overridden if Oaktree in good faith deems a different allocation method to be prudent or equitable in light of (1) the size, nature and type of investment or sale opportunity, (2) principles of diversification of assets, (3) the investment guidelines and limitations governing the accounts, (4) cash availability, including cash that becomes available through leverage, (5) the magnitude of the investment, (6) redemption/withdrawal requests received by such accounts, (7) a determination by Oaktree that the investment or sale opportunity is inappropriate, in whole or in part, for one or more accounts, (8) applicable transfer or assignment provisions, (9) proximity of an account to the end of its specified term, if any, (10) the investment focus of the accounts, or (11) such other factors as Oaktree may reasonably deem relevant (all of the foregoing factors being hereinafter referred to as the "Investment Allocation Considerations"). In some cases, Oaktree's observation or application of the Investment Allocation Considerations may affect adversely the price paid or received by an account or the size of the position purchased or sold by an account.

Oaktree manages accounts which have pre-determined investment and liquidation periods as detailed in each account's governing documents ("closed-end accounts"). In general, Oaktree will not draw down capital commitments for a new closed-end account within the same investment strategy until the earlier of (1) such time as the prior closed-end account in such strategy is at least 80% invested or committed for investment (other than closed-end accounts organized as parallel accounts with different inception dates) and (2) the end of the investment period of such prior closed-end account.

As a general matter and except as otherwise set forth below, if two or more closed-end accounts with the same investment focus are still in their investment periods, an available investment opportunity will be allocated pro rata among them on the basis of available capital, except that the opportunity will be first allocated entirely to the oldest account until that account is 80% invested, committed for investment, or reasonably reserved for follow-on investments unless the terms of that account provide that such account will not have priority; and provided, further, that such investment allocation may be changed in the event that Oaktree determines a different investment allocation to be prudent or equitable based on the Investment Allocation Considerations. Similarly, sales of an investment held by two or more such accounts generally will be allocated pro rata among them on the basis of their respective investments held, except that if opportunities to sell are limited, first priority will go to any account in its liquidation period (and, among accounts in their liquidation periods, to the oldest of such accounts) and provided, further, that such allocation may be changed in the event that Oaktree determines a different allocation to be prudent or equitable based on the Investment Allocation Considerations.

In addition, as a general matter, investment opportunities between a closed-end account and an open-end account (which typically does not have a limit on total size) with the same investment focus, and between two or more open-end accounts with the same investment focus, will be allocated between them based on Oaktree's reasonable assessment of the amounts available for investment by each fund, and sales of an investment will be allocated pro-rata between them on the basis of their respective investments held (disregarding for this purpose the age of the accounts or which of them is in a liquidation period).

2. Inter-strategy Allocation

Oaktree or its affiliates currently manage, and may in the future manage, a number of accounts requiring it to address potential conflicts of interest involving potentially overlapping investments. While Oaktree will seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one

account with respect to a particular investment or other matter conflict with the interests of one or more other accounts, Oaktree or one or more of their respective affiliates. For example, such conflicts may arise in situations where an Oaktree managed account has invested in the securities of an issuer, but due to changed circumstances, the investment opportunities with respect to such issuer subsequently fall within the investment focus of another account or accounts. Such changed circumstances might include, among others: a fall in the prices of the securities of the issuer to distressed levels; a decline in the issuer's business or financial condition; or consideration by the issuer of strategic alternatives or other fundamental changes. Subject to the provisions of the governing documents of the affected accounts, on any matter involving a conflict of interest, Oaktree will be guided by its fiduciary duties to its clients and will seek to resolve such conflict in good faith. However, if necessary to resolve such conflict, Oaktree reserves the right (subject to applicable laws) to cause one affected account to take such steps as may be necessary to minimize or eliminate the conflict, even if that would require such account to (1) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold or (2) otherwise take action that may have the effect of benefitting Oaktree, any of its affiliates, or another Oaktree account and may not be in the best interests of the affected accounts.

The classification of an investment opportunity as appropriate or inappropriate for an account is made by Oaktree, in good faith, at the time of purchase. This determination frequently is subjective in nature. Consequently, an investment that Oaktree determined was appropriate (or more appropriate) for one account may ultimately prove to have been more appropriate for another Oaktree account. Furthermore, the decision as to whether an account should make a particular follow-on investment, or whether the follow-on investment will be shared in the same proportion as the original investment, may differ from the decision regarding the initial purchase due to a changed determination on this issue by Oaktree. Where potential overlaps do exist, such opportunities will be allocated by Oaktree, in good faith, after taking into consideration the investment focus of each affected account and the Investment Allocation Considerations. Oaktree accounts do not purchase any securities from, or sell any securities to, any other Oaktree accounts (other than in certain limited circumstances in order to facilitate the allocation of an investment among related alternative investment vehicles, parallel funds or other related entities).

Oaktree anticipates that an account may make an investment in a company in which another Oaktree account holds an investment in a different class of such company's debt or equity. In such circumstances, Oaktree may face a conflict in making decisions with respect to such securities given their different rights and economic interest in the company. Generally speaking, Oaktree expects that accounts will make such investments only when, at the time of its investment, Oaktree believes that (a) such investment is in the best interests of the account and (b)(i) the possibility of actual adversity between the account and another Oaktree account is remote, (ii) either the potential investment by the account or the investment of such other Oaktree account is not large enough to control any actions taken by the collective holders of securities of such company or (iii) in light of the particular circumstances, Oaktree believes that such investment is appropriate for the account, notwithstanding the potential for conflict. In those circumstances where Oaktree accounts hold investments in different classes of a company's debt or equity, Oaktree may, to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between each of them, including causing the first account to take certain actions that, in the absence of such conflict, it would not take, such as (A) remaining passive in a restructuring or similar situations (including electing not to vote or voting *pro rata* with other security holders), (B) investing in the same or similar classes of securities as the second account in order to align their interests, (C) divesting investments or (D) otherwise taking an action designed to reduce adversity. Any such step could have the effect of benefiting one Oaktree account or Oaktree or its affiliates and might not be in the best interests of or may be adverse to another account.

ITEM 13. REVIEW OF ACCOUNTS

Responsibility for managing Oaktree's accounts is spread among Oaktree professionals who are best suited and skilled to manage the particular types of clients. These professionals review and monitor these accounts on a daily basis. On an ongoing basis, these professionals review current market prices of securities and instruments held for clients, review relevant

financial markets and are involved in all major portfolio decisions. Oaktree professionals also monitor performance as appropriate. All client accounts are reviewed by the applicable strategy group, and by the Compliance Department.

Depending on the investment strategy, each of Oaktree's separately managed account clients generally receives a monthly report describing each investment in the account, summarizing the month's account activities and comparing the market value of the account for that month against the prior month's market value, unless otherwise agreed that a different type of monthly statement will be provided. Limited partners in Oaktree's closed-end and evergreen funds receive unaudited financial statements on a quarterly basis as well as audited financial statements annually. Limited partners or participants in our open-end funds receive reports as often as called for in the governing documents of the partnership or other pooled investment vehicle, in addition to audited financial statements annually.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Oaktree may enter into arrangements with, and compensate, solicitors for client referral activities. These solicitation arrangements will be fully disclosed to affected clients and will comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, where applicable.

Representatives of Oaktree from time to time speak at conferences and programs sponsored by brokers or dealers that are directed at investors interested in investing in alternative investment funds. These conferences and programs may be a means by which funds managed by Oaktree can be introduced to prospective investors. In addition, brokers or dealers may refer such Oaktree-managed funds to, or arrange for meetings with, potential investors who are also often clients of such brokers or dealers. While these conferences, programs, references and meetings (collectively, a "Capital Introduction Program") may be arranged by brokers or dealers, there is no guarantee that any potential investor participating in a Capital Introduction Program will invest. Generally, other than the standard commission rates and customary brokerage fees paid by an account (which Oaktree believes are paid solely for trade execution and brokerage services), the brokers or dealers do not receive any compensation, directly or indirectly, for such participation in a Capital Introduction Program or any subsequent investments which may result from such participation. Furthermore, the participation in a Capital Introduction Program is not a consideration when selecting or retaining brokers or executing trades. The Compliance Department monitors the broker or dealer review process.

ITEM 15. CUSTODY

Clients will receive account statements from the qualified custodian for their separately managed accounts and they should carefully review those statements. Separately managed account clients that receive account statements from Oaktree are urged to compare the account statements they receive from the qualified custodian with those that they receive from Oaktree.

ITEM 16. INVESTMENT DISCRETION

Oaktree buys and sells securities and other instruments for its accounts, on a discretionary basis in a manner consistent with each client's investment objectives and restrictions. These investment objectives and restrictions, if any, will be determined at the commencement of the account. The investment objectives and restrictions for limited partnerships and other pooled investment vehicles will be set forth in the governing documents of those vehicles. The investment objectives and restrictions for separately managed accounts are generally set forth in an investment management agreement negotiated between Oaktree and the client. The authority for Oaktree to exercise discretion is generally contained within such governing documents or investment management agreements.

Generally, Oaktree will be authorized to make all discretionary determinations in accordance with client investment objectives and restrictions without client consultation or consent before a transaction is effected. These include, but are not limited to the following:

- which securities or instruments to buy or sell;
- the total amount of securities or instruments to buy or sell;
- the broker or dealer through whom securities or instruments are bought or sold;
- the commission rates or dealer spreads at which transactions in securities or instruments are effected;
- the timing of when to execute the trade to buy or sell the security;
- proxy voting;
- allocations;
- determinations relating to potential conflicts; and
- soft dollars and other research-related issues.

ITEM 17. VOTING CLIENT SECURITIES

Rule 206(4)-6, “Proxy Voting by Investment Advisers” requires all investment advisers who exercise voting authority over client proxies to: (1) adopt policies and procedures for voting proxies in the best interest of the client; (2) describe the procedures to clients; and (3) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Oaktree has always taken seriously its responsibility to exercise voting authority with respect to the securities that form part of its clients’ portfolios. We believe the right to vote such proxies is a valuable asset, and we have always sought to vote such proxies in a manner that would maximize the value of our clients’ holdings.

We have policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interests of our clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. Proxies will be voted in accordance with our proxy voting guidelines by our investment staff unless an exception is warranted. All such proxies will be reviewed by our Legal and Compliance Department prior to submission. The receipt of each proxy, the communication of the votes to third parties, and the maintenance of all supporting documentation will be coordinated by our Accounting and Operations staff.

Separately managed account clients may retain the right to vote on proxies. However, they may not direct us to vote proxies for them.

If you would like additional information regarding how we have voted on specific proxies, or a copy of our proxy voting policies and procedures, please forward your written request to the attention of Thomas Smith, Managing Director/Chief Compliance Officer, at Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California, 90071 or via facsimile at (213) 830-6296.

ITEM 18. FINANCIAL INFORMATION

Oaktree has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.