



Canyon Capital Realty Advisors LLC

2000 Avenue of the Stars, 11th Floor, Los Angeles, California 90067

(310) 272 1500

www.canyonpartners.com

Brochure: Part 2A

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This brochure provides information about the qualifications and business practices of Canyon Capital Realty Advisors LLC. If you have any questions about the contents of this brochure, please contact Bari Sherman at (310) 272 1536. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Canyon Capital Realty Advisors also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The most recent update to this brochure was made in March 2012. Canyon Capital Realty Advisors has updated its brochure to more fully describe its policies and procedures regarding gifts and business entertainment and political contributions. This update also includes an updated description of our allocation process.

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Advisory Business

Canyon Capital Realty Advisors LLC (“CCRA” or “Adviser”) employs a value-added investment strategy in an effort to capture market inefficiencies resulting from a combination of factors that affect the value of real estate and mortgages or corporate securities collateralized by real estate. CCRA focuses on providing value added debt and equity capital to real estate owners, operators, developers, corporations and other real estate capital providers allowing them to meet their needs for time-sensitive and complicated transactions where reliable execution provides a substantial financial advantage.

CCRA is owned by The Turner Revocable Trust; The Joshua S. Friedman Family Limited Partnership, and The Julis Family Limited Partnership. CCRA has been registered with the SEC as an investment adviser, through its predecessor Canyon Capital Management, L.P., since 1994. CCRA provides discretionary advisory services to private investment vehicles (referred to hereinafter as a “Fund” or collectively as “Funds”) and managed accounts (together with Funds, collectively referred to as “Client(s)”). As of December 31, 2011, CCRA had 37 Clients and regulatory assets under management of approximately \$2.6 billion, all of which is managed on a discretionary basis.

Advisory services are generally not tailored to the individual needs of Fund investors and Fund investors are generally not permitted to impose restrictions on investing in certain securities or types of securities. However, with respect to managed accounts, Clients may obtain tailored advisory services and impose restrictions on investing in certain securities or types of securities, all of which would be detailed through a written investment advisory agreement. For example, managed accounts can be tailored to meet specific investor preferences including (a) investment type (senior secured or mezzanine loans), (b) portfolio diversification (loan size, property type and geographic location), and (c) loan maturity (minimum and maximum terms).

The principals of CCRA are K. Robert (“Bobby”) Turner, Joshua S. Friedman, and Mitchell R. Julis (collectively, the “Canyon Principals”). Mr. Turner leads CCRA and is responsible for the investment activities of CCRA’s Clients as well as CCRA’s research strategy and firm management. Messrs. Friedman and Julis are responsible for the investment activities of Canyon Capital Advisors LLC as well as Canyon Capital Advisors’ research strategy and firm management.

Fees and Compensation

Clients are typically charged an asset based fee and/or an incentive based fee (commonly referred to as a performance allocation or fee). The asset based fees are normally charged at an annual rate of between 1% and 1.5% of the value of the Client’s net assets under management (or committed capital) and are generally payable monthly or quarterly in arrears depending on the investment advisory agreement. The performance allocation or fee generally equals 20% per annum of the net profit in a Client’s account, typically subject to a loss carryforward adjustment, and is generally payable in arrears at the end of each calendar year but may be payable more frequently if provided for in the investment advisory agreement. Upon termination of the investment advisory services, any unpaid portion of fees will be determined and due on a pro rata basis. In certain circumstances the performance allocation or fee may be measured over a multi-year period and/or subject to a preferred return.

Performance based allocations or fees are charged in accordance with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as well as limitations applicable in California, and CCRA will not accept clients who do not satisfy the eligibility criteria of applicable law. Because CCRA is compensated based in part on capital appreciation, there may be an incentive for CCRA to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework. In addition, CCRA will receive performance based compensation on unrealized appreciation as well as realized gains.

Prepayment of fees is generally not required. In certain circumstances, fees may be individually

negotiated by Fund investors and/or managed accounts. Negotiated fees may be higher or lower than those discussed above. Similar services may be available from other investment advisers at a lower cost.

Clients and/or investors will also bear direct and indirect costs, fees and expenses incurred by or on behalf of such Clients including, among others, (i) all costs, fees and expenses of the Client directly related to the investigation, purchase, sale, preservation or retention of investments by the Client (including all fees and commissions of brokers and custodians, research expenses, quotation services, travel costs, all fees and expenses relating to the registration and qualification for sale of such investments and all transfer taxes); (ii) all federal, state and local taxes and filing fees payable by the Client; (iii) all fees and disbursements of the independent attorneys, accountants and consultants retained by the Client, or on behalf of the Client; (iv) all filing and recording fees; and (v) all interest expense of the Client. To the extent such expenses are incurred for the benefit of the multiple Clients, CCRA will make a good faith allocation of such expenses among its Clients.

In the event a Client invests in a transaction which includes break-up, standby, commitment, consent, waiver or similar fees, the Adviser may retain such fees and reduce the management fee or reimbursable expenses next payable by a like amount.

Investors should refer to each Fund's Offering Memorandum and other relevant documents for additional/supplemental information regarding a Fund as well as the fees and expenses associated with such Fund.

Performance-Based Fees and Side-by-Side Management

As noted above, CCRA earns a performance allocation or fee. At this time, all CCRA Clients are charged a performance allocation or fee. However, because the actual performance allocation or fee charged to a specific Client may vary, there may be an incentive for CCRA to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework or to favor those Clients with higher performance allocations or fees over Clients with lower performance allocations or fees. CCRA seeks to mitigate this risk by, among other things, seeking to allocate investments in a fair and equitable manner over time among its Clients. For more information on CCRA's allocation procedure, please see Brokerage Practices – Allocation of Investment Opportunities.

Types of Clients

CCRA generally provides investment advice to "accredited investors" and "qualified purchasers", as such terms are defined in the federal securities laws, either directly or through private investment vehicles. Clients and Fund investors include individuals, trusts, pension plans, corporations, and public and private entities.

CCRA will generally manage investment advisory accounts with a minimum size of \$25,000,000. However, CCRA may, in its discretion, based upon its total client relationship and other circumstances, accept smaller accounts from time to time. Fund investors must meet the investor qualifications associated with each Fund.

Methods of Analysis, Investment Strategies and Risk of Loss

CCRA's real estate activities focus on providing value added debt and equity capital to real estate owners, operators, developers, corporations and other real estate capital providers allowing them to meet their needs for time-sensitive and complicated transactions where reliable execution provides a substantial financial advantage. CCRA endeavors to identify unrecognized opportunities through a proprietary network of local owner/operators and relationships with banks, brokers, title companies, trustees, law firms, portfolio servicers and other companies involved in the real estate field. CCRA also enjoys the benefit of an extensive network of corporate relationships maintained by CCRA's corporate funds.

The underlying objective of our real estate activities is to capture market inefficiencies resulting from a combination of factors that affect the value of real estate and mortgages or corporate securities collateralized by real estate. These investments cover a wide range of real estate property types including retail, multi-family, industrial, office, hospitality, medical office, mobile home and mixed use.

Our managed accounts are designed to (1) invest in a well diversified and high quality portfolio of mortgages and corporate debt collateralized by real estate and (2) capitalize on an unprecedented opportunity to originate and purchase mortgages with strong fundamentals and sound capital structures at significant discounts to value.

CCRA will focus its efforts on the following:

Loan Originations – CCRA looks to provide senior and mezzanine loans to developers, private equity real estate funds, REITs, corporations and mortgage lenders in need of liquidity who are unable to procure third party financing or unwilling to sell assets prematurely to satisfy ongoing capital commitments or obligations. Opportunities to originate new loans at advantageous rates include:

- the origination of loans resulting from banks, investment banks, hedge funds, CDOs, CLOs and insurance companies rescinding or re-trading terms of existing commitments;
- the origination of loans resulting from traditional lenders' unwillingness or inability to make new loans;
- the origination of loans enabling borrowers to buy back their debt at extraordinary discounts;
- the origination of construction loans to provide borrowers with the capital necessary to complete stalled projects or construct new projects; and,
- the financing of corporate real estate assets to finance mergers and acquisitions, consolidations and liquidity requirements.

Loan Purchase Opportunities – CCRA looks for opportunities to purchase performing and non-performing notes at considerable discounts to both the underlying collateral value and the outstanding principal balances. Many distressed lenders are looking to dispose of performing loans to meet their liquidity needs, particularly loans with unfunded commitments. Additionally, the pending wave of delinquencies may provide numerous opportunities to purchase non-performing loans from hedge funds, CDOs and mortgage REITs that are not equipped to manage impaired real estate and who will similarly face liquidity needs. Opportunities to purchase debt collateralized by real estate include:

- single and multiple asset dispositions, such as performing and non-performing loans, by banks, investment banks, hedge funds, mezzanine funds, mortgage REITS, CLOs and CDOs resulting from liquidity constraints;
- single and multiple asset dispositions, such as performing loans and non-performing loans, by banks, investment banks, hedge funds, mezzanine funds, mortgage REITS, CLOs and CDOs resulting from a downgrade or re-classification of a loan's credit rating;
- senior secured bonds or super senior Commercial Mortgage Backed Securities with strong fundamentals and sound capital structure trading at significant discounts to value; and
- the sale of construction loans that have fallen out of balance as a result of increased costs and/or a lack of additional sponsor equity.

While CCRA will consider investments secured by any property type, we will focus on the following underwriting criteria:

- Invest at a Discount: Focus on investments with an identifiable value enhancement strategy.

- Control the Events: Seek investments where CCRA can control the events necessary to create value and minimize downside risk through ownership or structure.
- Negotiate the Transaction: Focus on negotiated transactions instead of widely marketed opportunities.
- Perform Intensive Due Diligence: Seek investments where CCRA can perform multi-disciplined due diligence including financial, credit, legal, political, architectural, environmental and engineering.
- Avoid Financial Engineering: Rely on real estate fundamentals and not leverage or financial engineering to generate returns
- Identify an Exit Strategy: Seek investments that have an identifiable exit strategy; target investments with expected holding periods of one to five years.

General Risks

Possibility of Losses

Account values will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the issuers of property securing the debt obligations and/or the owners thereof, governmental intervention, market conditions, and local, regional, national and global economic conditions. Therefore, Clients and Fund investors may lose all or a portion of their principal invested with CCRA if the investment strategies are not successful.

Past Performance

Past performance of Clients managed by CCRA is not necessarily indicative of future performance. The markets in which CCRA operates have been severely disrupted in recent years, so results observed in earlier periods may have little relevance to the results observable in the current environment.

Portfolio Concentration

Client accounts are not generally limited with respect to the amount of capital that may be committed to any one investment. Unless separately negotiated, no limit will be placed on the concentration of investments to be made in a single industry or geographic area.

Restricted Securities

CCRA may be prevented from buying or selling certain publicly traded securities if CCRA or its affiliates (see Other Financial Industry Activities and Affiliations section for information about affiliated entities) acquire material, non-public information with respect to such securities. In addition, with respect to a publicly traded security that a Client may already hold, such security will be placed on a “restricted securities list” and will not be traded until the material, non-public information becomes public or is no longer material.

Investment Risks

General Real Estate Risks

Investments in real estate will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets, including ownership resulting from a default of a loan secured by real property, which risk may be increased if the investment is leveraged. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result for instance of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent

control), changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond CCRA's or the Client's control. There can be no assurance of profitable operations for any real property or the repayment of any debt investment made by a Client. Accordingly, a Client's investment objectives may not be realized. The cost of operating a property may exceed the rental income thereof, and the Client may have to advance funds to protect an investment or forego the receipt of interest income on debt investments, or may be required to dispose of investments on disadvantageous terms if necessary to raise needed funds. In addition, if the Clients acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond CCRA's or the Client's control, such as the weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. Moreover, while CCRA generally intends to purchase or to cause to be purchased insurance to cover casualty losses and general liability, such insurance may not be available or may be available only at prohibitive costs to cover losses from ongoing operations and other risks such as earthquake, flood or environmental contamination.

Investments in Undervalued Securities/Loans

The identification of investment opportunities in undervalued securities/loans is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities/loans offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

CCRA will make certain investments in securities/loans which it believes to be undervalued. However, there are no assurances that the securities purchased will in fact be undervalued. In addition, Clients may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a Client's capital would be committed to the securities purchased, thus possibly preventing the Client from investing in other opportunities. In addition, a Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Non-Investment Grade Investments

CCRA may purchase financial instruments of, or make direct loans to, companies that are not of investment grade. As with other types of debt instruments, loans involve the risk of loss in case of default or insolvency of the borrower, particularly if the investment is not investment grade.

Corporate Debt Obligations and High-Yield Securities

CCRA may invest in corporate debt obligations and high-yield securities. The market value of debt securities generally tends to decline as interest rates increase and, conversely, increase as interest rates decline. Debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations, i.e., credit risk.

"High yield" bonds and securities, which are rated in the lower rating categories by the various credit rating agencies, are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be speculative. They are also generally considered to be subject to greater risk than securities with higher ratings because the yields and prices of such securities tend to fluctuate more than those for higher-rated instruments and the market for lower-rated securities is less liquid and less active.

Leverage of Portfolio Companies

CCRA investments may include securities of companies with leveraged capital structures, which could be subject to increased exposure to adverse economic factors such as an increase in interest rates, a downturn in the economy or further deterioration in the economic conditions of such company or its industry. Similarly, CCRA may invest in entities that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of a Client's investment in such an entity could be significantly reduced or even eliminated due to further credit deterioration.

Non-Performing Nature of Loans

It is possible that certain of the loans purchased by CCRA may be non-performing and possibly in default. Similarly, it is possible that certain of the loans originated by CCRA may become non-performing. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

Nature of Bankruptcy Proceedings

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

Contrarian Investing

CCRA has made or will make certain investments in the wake of a financial crisis which it believes to have depressed the price of many investments to the point that CCRA is of the opinion that such securities have lower downside risk than other investors may perceive (i.e., an investment will generally be made only if it is believed that the current market price is less than the intrinsic value of the security, based on assumptions as to asset values, total liabilities or claims, timing and the rate of return on the investment). Because of the substantial uncertainty concerning the outcome of transactions involving financially troubled companies undergoing fundamental changes, there is always the potential risk of a substantial loss.

Mortgage-Backed Securities

Investing in certain commercial and residential mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), and certain additional risks and special considerations, including the risk of principal prepayment and defaults as well as the risk of investing in real estate. Mortgage-backed securities generally provide for the payment of interest and principal on the mortgage-backed securities on a frequent basis, and there also exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. As a result of prepayments, CCRA may reinvest assets at an inopportune time, which may expose Clients to a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective average life beyond what was anticipated. Further, different types of mortgage-backed securities are subject to varying degrees of prepayment risk. The rate of principal payments on mortgage loans is influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner mobility. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the possibility of changes in the structure or effectiveness of the government sponsored enterprises, Fannie Mae and Freddie Mac, the ability of tenants/home owners to make payments, and the ability to attract and retain tenants. Increasing rates of delinquencies, foreclosures and other losses on mortgages could, in turn, adversely affect certain securities in which a Client may invest.

Interest Rate Fluctuations

The prices of portfolio investments can be sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions which were not initially anticipated. In addition, interest rate increases will generally increase the interest carrying costs to a Client of borrowed securities and leveraged investments.

No Limitations on Strategies

There are generally no material limitations on the investment strategies which CCRA may use when investing assets on behalf of its Clients. CCRA will opportunistically implement whatever strategies or discretionary approaches it believes from time to time may be best suited to prevailing market conditions. For some of these strategies, no specific “risk factors” are provided. Nevertheless, such strategies should be considered to be speculative, volatile and, in general, no less risky than other strategies more fully described herein. Over time, the strategies implemented on behalf of a Client can be expected to expand, evolve and change, perhaps materially. CCRA will not generally be required to implement any particular strategies and may discontinue employing any particular strategy on behalf of a Client, whether or not such strategies are specifically described herein, and without notice to Clients or Fund investors. There can be no assurance that the various investment strategies which CCRA expects from time to time to develop and implement will be successful or that strategies that have been successful will continue to be profitable.

Uncertain Exit Strategies

While loans purchased or originated by CCRA have a stated maturity and/or duration, if CCRA takes possession of the property securing any such loan, CCRA is unable to predict with confidence the timing that an exit strategy for a given property will ultimately be available for a Client. Exit strategies that appear to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

The foregoing discussion of certain risk factors does not purport to be a complete explanation of the risks involved with investing with CCRA. Clients and Fund investors should read all documents

and agreements related to opening an account or investing in a Fund (including a Fund's Offering Memorandum and other relevant documents).

Disciplinary Information

There are no legal or disciplinary events that are material to a Client's, prospective client's, Fund investor's or prospective Fund investor's evaluation of CCRA's advisory business or the integrity of CCRA's management.

Other Financial Industry Activities and Affiliations

Broker-Dealer and Registered Representatives

CP Investments LLC ("CP Investments") is a registered broker-dealer and member of FINRA and is an indirect affiliate of CCRA. CCRA is ultimately controlled by Messrs. Turner, Friedman, and Julis, who control Canyon Partners, LLC. Canyon Partners, LLC owns 100% of CP Investments. CCRA and/or Clients will not use the services of or pay sales commissions to CP Investments.

Related Investment Advisers

Canyon Capital Advisors LLC ("CCA"), an affiliate of CCRA, is a registered investment adviser that is ultimately controlled and managed by the same principals that control and manage CCRA. CCA focuses primarily on distressed debt and structured products of domestic issuers. While the clients of CCA have different investment objectives than the clients of CCRA, a conflict of interest in rendering advice to CCRA's clients may arise because the benefits realized by the principals from managing CCA's clients' accounts in certain circumstances may exceed the benefit from managing CCRA's clients' accounts and, therefore, may provide an incentive to favor such other accounts. The principals of CCA and CCRA will not enter into transactions in which they knowingly and deliberately favor themselves or another client over the clients of CCRA; however, the principals have considerable discretion to trade for other accounts, and intend to do so to a significant extent.

In addition, the principals of CCRA may, from time to time, cause securities purchased on behalf of CCRA's clients and CCA's clients to be held in the name of a nominee affiliate in trust on behalf of CCRA's clients and CCA's clients. Such nominee holdings will be undertaken when the size of the investment, the nature of the co-investment or other considerations relating to the transaction militate in favor of holding the securities in the name of one person rather than subdividing the securities among CCRA's and the other related purchasers. In addition, CCRA's clients and clients of CCA may share, on a fair and equitable basis, in the legal fees and other expenses that CCA and CCRA incur in investigating and negotiating potential transactions for their clients, whether or not such transactions are consummated.

ICE Canyon LLC ("ICE"), an affiliate of CCA, is a registered investment adviser that is 50% owned by CCA. The remaining 50% is owned by Range Capital LP. ICE generally focuses on emerging market debt. While the clients of ICE have different investment objectives than the clients of CCRA, a conflict of interest in rendering advice to CCRA's clients may arise because the benefits realized by the principals from managing ICE's clients' accounts in certain circumstances may exceed the benefit from managing CCRA's clients' accounts and, therefore, may provide an incentive to favor such other accounts. The principals of CCRA and ICE will not enter into transactions in which they knowingly and deliberately favor themselves or another client over the clients of CCRA; however, the principals have considerable discretion to trade for other accounts, and intend to do so to a significant extent.

Other Entities Sponsored by CCRA and its Affiliates

CCRA and its affiliates (including CCA and ICE) currently sponsor a number of private investment vehicles, partnerships, and companies and act as the investment adviser to managed accounts, and trade on behalf of themselves and their affiliates, which may create certain conflicts of interest. CCRA may also have a conflict of interest in rendering advice to multiple Clients because the benefit from managing one Client account may exceed the benefit of managing another Client account(s) and, therefore, may provide an incentive to favor such other account(s). Moreover, if CCRA makes investment decisions for multiple accounts at or about the same time it makes decisions for other Client accounts, Clients may be competing for the same or similar positions. CCRA also must take into account the varying investment objectives and limitations, tax considerations, available cash, investment horizons and other factors which may affect its Clients. There can be no assurance that a single Client will receive as large an allocation in respect of limited investment opportunities as it might otherwise have absent these considerations. Please see Brokerage Practices – Allocation of Investment Opportunities which discusses CCRA’s allocation policy.

CCRA is not obligated by contract to buy, sell or recommend for one Client any security or other investment that may be bought, sold or recommended for other Clients or for CCRA’s own or related persons’ account, but CCRA will endeavor to fairly allocate the investment opportunity or dispose of the investment in the event of an actual conflict.

CCRA will not enter into transactions in which it knowingly and deliberately favors itself or a single Client over another Client; however, the Adviser is given considerable discretion to trade for other accounts, and intends to do so to a significant extent

To the extent permitted by the applicable governing documents for the Funds, CCRA, as general partner and/or investment adviser, in its sole and absolute discretion, has agreed to waive or modify the application of certain provisions of such governing documents with respect to certain investors, by side letter or otherwise, without obtaining the consent of any other investor. Such side letters may provide for the following modified terms: (i) various notification requirements (e.g., upon substantial withdrawals by other investors, legal or regulatory actions, or the receipt of any soft dollar commissions outside of the safe harbor provided in Section 28(e) of the Exchange Act); (ii) limitations on the fund’s ability to distribute securities in kind upon a withdrawal request; (iii) covenants for the provision of audited financial statements within certain periods of time; (iv) special withdrawal rights for key men changes and capital reductions; (v) covenants requiring the provision of portfolio holdings (subject to non-disclosure agreements); (vi) reduced fees or fee rebates; (vii) minor investment restrictions that do not materially affect the applicable fund; (viii) the provision of periodic pricing information; or (ix) the waiver or modification of withdrawal restrictions (such as withdrawal fees or lockup provisions), mandatory withdrawal terms or notice requirements

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CCRA has adopted a Code of Ethics (“Code”) that sets forth standards of conduct expected of employees and addresses potential conflicts that can arise from personal trading by employees. CCRA has designated every employee, with certain very limited exceptions, as an access person for purposes of its Personal Trading Policy. As such, all employees of CCRA are covered by the Personal Trading Policy. Under the Personal Trading Policy, employees must periodically report their personal securities transactions and holdings to the Chief Compliance Officer (“CCO”) and CCRA must review these reports. To this end, employees must arrange for CCRA to receive the employee’s investment account statements, which contain information regarding securities transactions in the accounts of the employee. In addition, employees must obtain written or electronic approval before making certain types of investments.

CCRA's Personal Trading Policy is governed by two overriding principles. First, client trades are always processed first. Second, CCRA and its employees must manage both real conflicts and the appearance of conflicts. If an employee doubts the propriety of any personal trade, such doubt is resolved in favor of not trading. The Code also contains policies involving the safeguarding of proprietary and non-public information by CCRA personnel along with restrictions on the use of material, non-public information and the use of non-public information regarding a client.

Any issues that arise under the Personal Trading Policy must be reported to CCRA's CCO and senior management immediately, but not less frequently than quarterly. Clients can obtain a copy of our Code of Ethics, which includes the Personal Trading Policy, free of charge, from our CCO upon request (Bari Sherman (310) 272 1536).

Interest in Client Investments

CCRA, its principals, employees and affiliates may trade securities for their own accounts. The records of such trading will not be made available to Clients. It is possible that principals, officers or employees of the Adviser may buy or sell securities or other instruments that the Adviser has recommended to Clients and may engage in transactions for their own accounts in a manner that is inconsistent with the Adviser's recommendations to a Client. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client. As described above, the Adviser has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. In compliance with the Adviser's Code of Ethics, transactions in certain securities described therein are required to be pre-cleared to allow for a review for any potential conflict of interest or insider trading. Employees of the Adviser are required to report personal securities transactions either electronically or via a monthly (or as generated, e.g. quarterly) duplicate statement sent directly from the corresponding brokerage firm.

The Investment Adviser as Principal

The Adviser does not act as principal, either buying securities for itself or its affiliates from a Client or selling securities it or its affiliates own to a Client. However, in the event that the Adviser decides to engage in any such principal transaction in the future, it will comply with the requirements of Section 206(3) of the Advisers Act and Section 25235(c) of the California Corporate Code by: (i) disclosing to the Client in writing the material terms of the transaction; and (ii) obtaining the written consent of the Client for such transaction. The Adviser will include in such disclosure: (1) its capacity as principal; (2) the cost to the Adviser of the security, in the case of a sale to a Client, or the price of the security in a resale, in the case of a purchase from a Client; and (3) the best price at which the transaction could be effected by or for the client elsewhere if such price is more advantageous to the Client than the purchase or sale with the Adviser. CCRA does not anticipate engaging in such transactions when the Adviser may make a trading profit.

Gifts and Business Entertainment

In the normal course of business, CCRA and its officers and employees may provide gifts or business entertainment to certain individuals and/or entities such as clients, investors, vendors, consultants, and service providers. Any such gift or business entertainment is not premised upon any specific client referral or any expectation of any other type of benefit to CCRA. CCRA has adopted formal policies and procedures requiring preapproval and recordkeeping of certain gifts and business entertainment.

Political Contributions

CCRA and its principals and employees may also make political contributions to persons who may serve or seek to serve in elected capacities with certain public entities. Any such political contributions are

permitted only to the extent such contributions are in accordance with CCRA's policies and procedures regarding political contributions and do not violate the SEC's rule prohibiting pay-to-play activities adopted under Rule 206(4)-5.

Co-investment with Affiliates

It is contemplated that Clients may "co-invest" with the Adviser and/or principals of the Adviser in respect of certain investment opportunities, and certain of a Client's arbitrage and hedging activities may be conducted through an investment in a Fund. Any such co-investments will be on the same terms as made available to Clients, and no additional fees will be incurred by virtue of such investments. On occasion, a Fund may acquire debt or equity interests in projects financed by other entities managed by affiliates of the Adviser. In addition, a Fund may loan to or invest in entities in which other clients of the Adviser are investors or lenders, either in similar investment positions or in different positions in the capital structure with different risk and return parameters. A Client may enter into transactions originated by, or issuers otherwise affiliated with, service providers to a Fund and their affiliates. In such event, disputes may arise between the two entities regarding the terms of the investments and the enforcement of the entities' respective rights therein. Furthermore, the Adviser is not precluded from causing a Fund to invest in the securities issued by companies represented in the investment portfolios of other Funds managed by the Adviser or its principals, affiliates or advisory clients. Any such purchases (or sales) will not be on a "principal-to-principal" basis and will only be offered where the Adviser is satisfied that the Fund's interests are not unfairly prejudiced.

Brokerage Practices

Execution Quality

CCRA does not typically effect securities transactions on behalf of its Clients. However, to the extent any such transaction is effected, CCRA's policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. In selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental factors, including the broker's efficiency in executing and clearing transactions, block trading capability, and the broker's financial strength and experience in the industry. Primary market makers are used for transactions in the over the counter market except in those instances where CCRA believes more favorable execution or price is obtainable elsewhere.

Each Client is responsible for the payment of standard custodian fees for the custody of its assets. Custodian fees are paid at market rates and are not material to the Fund. Each Client incurs standard transaction costs associated with acquiring and selling securities and the brokerage commissions are negotiated at arm's length on behalf each Fund. CCRA will not receive any rebates in respect of brokerage commissions or custody fees.

In allocating brokerage business for its clients, CCRA also takes into consideration research, analytical, statistical and other information and services provided by the broker. While CCRA believes these services have value, they are considered supplemental to its own efforts in the performance of its duties to its advisory clients.

Clients do not direct brokerage.

Trading and Soft Dollar Arrangements

CCRA does not intend to use soft dollars to pay for third-party research or other third-party products. Furthermore, CCRA will not enter into any third-party soft dollar arrangements without the express approval of its Chief Compliance Officer. CCRA's Clients do pay bundled commission rates and CCRA receives proprietary research from many of its executing brokers and prime brokers. As a result, CCRA may pay a broker a brokerage commission in excess of that which another broker might have

charged for effecting the same transactions, in recognition of the value of the brokerage and research services provided by the broker and used by a Client. In such circumstances, CCRA endeavors to do so in accordance with the criteria of Section 28(e) of the Exchange Act ("Section 28(e)"). CCRA may also occasionally direct transactions effected on a principal basis to brokers in recognition of the research services provided by that broker. CCRA believes that in certain circumstances it may be important to its investment decision-making processes to have access to independent research. Some research services furnished by brokers and dealers with whom CCRA effects securities transactions may be used in servicing all of its Clients and not all such services may be used in connection with all of the Clients who paid commissions to the brokers providing such services.

Generally, research services provided by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives.

Subject to best execution, CCRA may effect transactions with certain brokers primarily in consideration for providing research services. CCRA may allocate brokerage to such firms, provided that the value of any research and brokerage services is reasonable in relationship to the amount of commission paid. While CCRA tracks internally the amount of commissions paid to various brokers, in no case will CCRA make binding or informal commitments as to the level of brokerage commissions it will allocate to a broker.

If CCRA itself enters into a formal soft dollar arrangement to receive a mixed use product (a product that provides both Section 28(e) eligible research/brokerage functions as well as other functions), it will make a good faith allocation between the research/brokerage functions and non-research/brokerage functions, and will pay for any non-research/brokerage functions with cash. In making good faith allocations between such functions, a conflict of interest may exist by reason of CCRA's allocation of the costs of such benefits and functions between those that primarily benefit CCRA and those that primarily benefit its clients.

Trade Error Policy

As noted above, CCRA does not typically effect securities transactions on behalf of its Clients. However, to the extent any such transactions is effected, the Adviser attempts to minimize trade errors by taking the utmost care in making and implementing investment decisions on behalf of client accounts. The Adviser has controls and procedures in place designed to detect and correct in a timely manner any trade errors that may occur. Trade errors are documented and reported to the Adviser's supervisory personnel, and trade errors are reviewed to assess whether an error was a result of a weakness in internal procedures and controls. If it is determined that a weakness in internal controls caused or contributed to the error, mitigating controls are established to rectify the identified control weakness.

Unless the Adviser has specifically addressed trade errors in the investment advisory agreement with a client, it is the Adviser's policy generally not to reimburse clients for any errors or mistakes with respect to the Adviser's placing or executing trades for the client, as such errors are considered by the Adviser to be a cost of doing business. However, pursuant to the pertinent investment management agreement's exculpation of liability and indemnification provisions, the Adviser will be obligated to reimburse the client for any trade error resulting from the Adviser's gross negligence or willful misconduct. The Adviser, subject to its fiduciary obligations, will determine whether or not any trade error is required to be reimbursed in accordance with this policy. Any positive trade errors will be for the benefit of the client.

and not retained by Adviser.

Allocation of Investment Opportunity

CCRA attempts to act in a fair and reasonable manner in allocating investment and trading opportunities among CCRA's Clients. CCRA's allocation procedures seek to allocate investment opportunities among the accounts over time in the fairest possible way, considering both the best interests and specific restrictions of the accounts. CCRA intends to ensure that each investment is appropriate for each account in light of the characteristics of the specific security and the overall portfolio composition of such account. Although the allocation of investment opportunities among Clients may create potential conflicts of interest because of the interests of CCRA or because CCRA may receive different fees or compensation from its Clients, the allocation decisions will not be based on such interests, fees or compensation.

Within the overall parameters, consideration is given to account investment objectives, strategies and guidelines, account constraints and restrictions, account size, diversification, cash availability (including anticipated contributions and redemptions), tax issues, exposure to asset classes, ramp-up or ramp-down status, investment time horizon and other factors, including, where appropriate, the value of having round lots in the portfolio. CCRA will not be obligated to allocate an investment opportunity across all of its Clients and may at times sell a position of an investment for one or more of its Clients, while it continues to hold the same investment for other Clients. For example, if any Client is prohibited from purchasing a particular security due to any legal or other regulatory reason, such Client will not be allocated any portion of such security irrespective of the pre-existing formula described herein.

From time to time, CCRA may recommend securities to one or more accounts and it or its affiliates may purchase securities for their own accounts as well. Conflicts of interest may arise among the accounts, or among CCRA and the accounts, or as a result of some other securities investment activity or business in which one or more accounts may be engaged. In addition, CCRA is not obligated by contract to buy, sell or recommend for an account any security or other investment that may be bought, sold or recommended for any other accounts.

On occasions where a number of accounts and affiliates are attempting to purchase the same securities, CCRA may aggregate orders to purchase or sell securities with those of its other accounts in order to facilitate execution and minimize transaction costs. CCRA receives no additional compensation or remuneration for such aggregation. The manner of aggregation is consistent with CCRA's duty to seek best execution for its accounts and with the terms of its investment advisory agreements. Each account participates in aggregated orders at the average share price for each completed transaction in a security with a given broker on a given business day, with transaction costs borne by each account participating in the transaction. If all such orders cannot be fully executed under prevailing market conditions, CCRA allocates on an equitable basis among all of its accounts the purchases or sales which can be made after taking into account the size of the order placed for the various accounts and such other factors as it deems appropriate. In some cases, this procedure may adversely affect the price paid or received by CCRA's accounts or the size of the position obtained by such accounts. In addition, due to certain minimum investment thresholds, certain smaller accounts may not participate in all transactions. This may, over time, result in such accounts holding fewer overall positions than larger accounts.

In addition, CCRA may, from time to time, cause the record title to securities purchased on behalf of the accounts to be held in the name of a nominee affiliate in trust on behalf of the accounts. Such nominee holdings will be undertaken when the size of the investment, the nature of the co-investment or other considerations relating to the transaction militate in favor of holding the securities in the name of one person rather than subdividing the securities among the accounts. Any such nominee holdings will be held by a qualified custodian, for the sole benefit of the accounts, each of whom will retain full beneficial ownership.

CCRA and its affiliates may also cause the accounts to share on a fair and equitable basis in the legal fees and other expenses it incurs in investigating and negotiating potential transactions for the accounts, whether or not such transactions are consummated. In loan transactions sourced by CCRA and its affiliates, CCRA may serve as agent at no additional cost to the accounts.

Cross Trades between Investment Advisory Clients

From time to time, one Fund may sell or buy a security to or from another Fund. Such transactions would not be deemed principal transactions because the Adviser (including its controlling persons) owns less than 25% of the interests of each Fund. Nevertheless, the Adviser recognizes the conflict of interest such transactions may create. To mitigate such conflicts of interest, the Adviser will obtain an independent review of the fairness of the transaction to both Funds if the investment is private or an independent price (i.e., a pricing service or broker quote) if the investment is public.

Similarly, from time to time, one Fund may sell or buy a security to or from a Client. The Adviser also recognizes the conflict of interest such transactions may create. To mitigate such conflicts of interest, the Adviser will provide the managed account Client with the name of each security to be crossed for review and confirm approval by such managed account Client before executing the trade. Public securities will typically be “crossed” at the mid-point between the bid and the ask. Private securities will be valued by the Adviser, based on its valuation procedures, and such valuation will be reviewed and approved by the managed account Client.

Review of Accounts

Client accounts are reviewed and monitored on routine basis by Mr. Turner and Jonathan Roth. Reviews may be triggered by, among other factors, changing market conditions, news concerning specific holdings, or at the request of a Client.

Separately managed accounts receive transaction confirmations and monthly statements from brokers, as well as a monthly report listing the holdings, the market value, cost and other information concerning the account.

Fund investors receive monthly account statements listing the value of their investment. Fund investors also receive an annual K-1, if applicable, and a copy of the annual audit for each fund in which they are invested.

Taxable accounts receive an annual tax summary.

Also, due to legal/regulatory constraints that must be followed by some of our Clients/underlying Fund investors and/or the specific needs and requests by certain Clients/Fund investors, CCRA may, at its discretion, agree to provide certain Clients/Fund investors more frequent reports and/or certain other reports than those described above. Certain information is only provided after the Client/Fund investor has signed a confidentiality agreement.

Client Referrals and Other Compensation

From time to time, CCRA may enter into arrangements with third parties whereby such third parties receive fees for referring clients or investors to CCRA. CCRA undertakes this arrangement only if the client/investor is aware of the fee arrangement and the arrangement is in compliance with applicable rules and regulations. CCRA will furnish the client/investor with a current copy of the Adviser’s written disclosure statement and the solicitor’s written disclosure document and CCRA will receive from any such client a written receipt of such documents, to the extent required by applicable law.

In addition, CCRA’s executing brokers, prime brokers and other service providers (collectively “Service Providers”) may, from time to time, refer to CCRA potential clients/investors or arrange for meetings with potential clients/investors. While this may create a potential conflict of interest, such services are

not a consideration when selecting or retaining service providers. While the meetings may be arranged by the Service Providers, there is no guarantee that the clients/investors will invest with CCRA. Other than the standard commission rates and/or fees paid by CCRA's Clients, the Service Providers do not receive any compensation, directly or indirectly, for the meetings or the subsequent investments, if any. CCRA does not select or recommend Service Providers based upon client referrals.

Custody

CCRA has custody of certain Client funds and/or securities. Investors and Clients should carefully review any statements or reports provided by a qualified custodian as well as the Fund's audited financial statements. The Funds are audited annually and Fund investors receive a copy of the annual audit within 120 days' of a Fund's year-end. With respect to such funds and/or securities held by managed account Clients, such Clients will have access to account statements prepared by a qualified custodian. Such account statements will be available at least quarterly. Managed account Clients will also receive accounts statements from CCRA, and Clients should compare the account statements received from the qualified custodian with those received from CCRA.

Investment Discretion

CCRA provides (accepts) advisory services on a fully discretionary basis. Clients (but generally not investors) are permitted to place limits on this discretion or with respect to certain investments and/or investment types. Prior to accepting this authority, CCRA will enter into an advisory agreement with the client.

Neither CCRA nor any of its affiliates, principals or employees is required to devote full time to managing any single Client. They may conduct other businesses and provide investment advisory services to other clients, including, without limitation, other affiliated investment funds and managed accounts (such as corporate or governmental benefit plans, institutional investors and high net worth individuals), some of whom may have objectives similar to those of other Clients. They may give advice and make recommendations to such other Clients, which may be the same, similar to or different from those rendered to another Client. The compensation arrangements with other clients may create incentives for CCRA or its principals or employees to favor such other clients. However, CCRA will not knowingly or deliberately favor any Client over another Client as result of different compensation arrangements. Decisions affecting one Client may be made independently from such other Clients.

Voting Client Securities

As discussed above, CCRA does not expect to invest in securities which would give rise to voting proxies. However, generally, CCRA has authority to vote its Client's proxies (unless a Client retains authority pursuant to its advisory agreement with CCRA). CCRA has adopted formal written Proxy Voting Policies and Procedures. Clients and investors may obtain a copy of CCRA's proxy voting policies and procedures and information on how the Client's securities have been voted upon the Client's request, free of charge.

Most of the securities held for CCRA's Clients constitute a small percentage of the ownership of the issuer of such securities, therefore CCRA does not expect such issuers to be impacted by its Clients' proxy votes related to such securities. Accordingly, CCRA has determined that its Clients' interests will not be impacted by such proxy votes and that the benefits to its Clients related to any such vote would be small and the costs associated with investigating how best to vote such proxies would exceed such benefits. Consequently, CCRA will not vote or evaluate proxies relating to a security if its Client is a beneficial owner of no more than one percent (1%) of the outstanding securities of such issuer. If, however, CCRA believes that the subject matter of a proxy for any such security may nonetheless be material to a Client's account and that the vote may impact the outcome of such vote, CCRA will vote the proxy in a manner that is in the best interest of its Client. Notwithstanding anything to the contrary in the

forgoing, CCRA will vote a proxy as dictated by any Client's written instructions. Additionally, certain of its Clients have securities lending agreements with their prime broker/custodian and for purposes of determining whether Clients are a beneficial owner of more than 1% of the outstanding securities of an issuer, CCRA will not include securities that are on loan as CCRA does not have the ability to vote such proxies.

CCRA will evaluate proxies relating to a security if the Client is the beneficial owner of more than one percent (1%) of the outstanding securities of such issuer and has the right to vote securities (which it may not possess if the securities are loaned out). CCRA will vote these proxies in a manner that is in the best interest of the Client. CCRA shall consider only those factors that relate to the Client's investment or dictated by the Client's written instructions, including how the result of the requested vote will economically impact and effect the value of the Client's investment (keeping in mind that, after conducting an appropriate cost-benefit analysis, avoiding further expense and investigation and not voting at all on a presented proposal may be in the best interest of the Client). In voting on each and every issue, CCRA will vote in a prudent and timely fashion and only after a careful evaluation of the issue(s) presented on the ballot.

In exercising its voting discretion, CCRA and its employees will avoid any direct or indirect conflict of interest raised by such voting decision. CCRA will provide adequate disclosure to its Clients if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest to CCRA or any of its affiliates. After informing a Client of any potential conflict of interest, CCRA will either request such Client's consent to CCRA's vote recommendation or request that such Client vote the proxy directly or through another designee. If the Client is unreachable or the Client has not affirmatively responded before the response deadline for the matter being voted upon, CCRA may: (a) engage a non-Interested Party to independently review its vote recommendation if the vote recommendation would fall in favor of its interest (or the interest of its affiliate), to confirm that the vote recommendation is in the Client's best interest under the circumstances; (b) cast its vote as recommended if the vote recommendation would fall against its or its affiliate's interest and such vote recommendation is in the Client's best interest under the circumstances; or (c) abstain from voting if it determines that such action is in its Client's best interest under the circumstances.

Financial Information

CCRA does not require or solicit pre-payment of advisory fees. There are no financial conditions that are reasonably likely to impair CCRA's ability to meet its contractual commitments to clients.