

**PART 2A OF FORM ADV
INVESTMENT ADVISER BROCHURE**

SUMMIT PARTNERS CREDIT ADVISORS, L.P.

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Summit Partners Credit Advisors, L.P. (“SPCA”). If you have any questions about the contents of this Brochure, please contact us at (617) 824-1000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

SPCA is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding SPCA is also available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

The Brochure has been updated since the last version dated March 30, 2012 to reflect an update to the amount of assets under management.

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Summit Partners Credit Advisors, L.P. Brochure

Section 1. Advisory Business

SPCA, the registered investment adviser, is a Delaware limited partnership. SPCA and its affiliated investment advisers, Summit Partners Credit GP, L.P. (“**SPC GP**”) and Summit Partners Credit A-1 GP, L.P. (“**SPC A-1 GP**” and together with SPCA and SPC GP, the “**Managers**”), provide “investment supervisory services” to their clients, which consist of the following private investment-related funds (each a “**Fund**” and collectively the “**Funds**,” and together with any future private investment fund to which SPCA provides investment advisory services, the “**Private Investment Funds**”):

- Summit Partners Credit Fund, L.P. (the “**Onshore Fund**”)
- Summit Partners Credit Offshore Intermediate Fund, L.P. (the “**Offshore Intermediate Fund**”)
- Summit Partners Credit Offshore Fund, L.P. (the “**Offshore Fund**”)
- Summit Partners Credit Master, L.P. (the “**Master Fund**”)
- Summit Partners Credit Fund A-1, L.P. (the “**SPC A-1 Fund**”)

SPCA commenced operations in 2010. SPCA is principally owned by Summit Partners, L.P. (“**Summit Partners**”), which is controlled by its manager, Summit Master Company, LLC.

SPC GP and SPC A-1 GP, each a general partner of certain of the Funds (each a “**General Partner**” and collectively the “**General Partners**”), each have the authority to make the investment decisions for the applicable Funds. The General Partners have delegated the day-to-day investment advisory services for the Funds to SPCA. Each General Partner is registered under the Advisers Act pursuant to SPCA’s registration in accordance with applicable SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with SPCA. References contained in this Brochure to the strategy and operations of a General Partner should be read to include the activities of SPCA and other SPCA affiliates that collectively engage in the investment process and ongoing management of the Funds’ portfolio companies and other investments.

The Funds and any other Private Investment Funds that may be formed by a General Partner (or its affiliates) at a later date or that may otherwise become clients of a General Partner are expected to have primarily a leveraged credit focus and invest primarily in fixed-income instruments, while retaining flexibility to invest across a wide variety of industries and investment types. In addition, the Onshore Fund may originate or purchase loans and sell them to the Offshore Intermediate Fund. The Managers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions of investments.

The Managers’ advisory services for the Funds are further described in the Funds’ respective private placement memoranda and limited partnership agreements, as well as below under

“Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints or for other agreed upon reasons. The Funds or the Managers may enter into side letters or other similar agreements with certain investors that have the effect of establishing, altering or supplementing a Fund’s partnership agreement (the “**Partnership Agreement**”).

As of June 30, 2012, SPCA managed approximately \$433,399,864 in client assets on a discretionary basis.

Section 2. Fees and Compensation

The following is a general description of fees, compensation and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds may not charge the same fees, compensation or expenses that other Funds charge. The Partnership Agreements of the Funds describe fees, compensation and expenses in greater detail.

With respect to Onshore Fund and the Offshore Intermediate Fund (together, the “**Feeder Funds**”) and with respect to the SPC A-1 Fund, the applicable General Partner will receive a carried interest from investors in the Funds equal to a specified percentage of all realized profits (as more fully described in each applicable Partnership Agreement). The carried interest distributed to a General Partner typically is subject to a potential giveback at the end of the life of the applicable Fund if the General Partner has received excess cumulative distributions.

The Feeder Funds and the SPC A-1 Fund, either directly or indirectly, generally will pay SPCA an annual management fee (the “**Management Fee**”) in respect of each partner, payable quarterly in advance, equal to a specified percentage of the aggregate committed capital or capital contributions (including amounts deemed contributed), as applicable, to the applicable Fund by such partner in years 1 through 3. Following year 3, the Management Fee with respect to a limited partner for each of the Funds will equal a specified percentage the lesser of (i) the aggregate amount of investment contributions with respect to investments (or portions thereof) that have not been disposed of or the aggregate amount of capital contributions, as applicable, to such Fund by such partner (including, in each case, amounts deemed contributed) and (ii) such Fund’s net asset value attributable to such partner. The Management Fee with respect to a limited partner will be reduced by an amount equal to such partner’s pro rata share (based upon the partner’s respective commitments) of a specified percentage of any directors’ fees, consulting fees, investment banking fees, certain closing and origination fees, advisory fees, monitoring fees, commitment fees, break-up fees and similar fees paid to the applicable General Partner, its affiliates or personnel with respect to any Fund investment. To the extent the applicable General Partner, its affiliates or personnel receive any amendment fees with respect to any Fund investment, the Management Fee will be reduced by an amount equal to such partner’s pro rata share (based upon the partner’s respective commitments) of such amendment fees.

The General Partners and/or their affiliates may exempt certain persons from payment of all or a portion of Management Fees and/or carried interest, including personnel or owners of the General Partners or their affiliates, persons with family or other relationships with the General Partners or their affiliates, and service providers for the General Partners or their affiliates. Any

such exemption from Management Fees and/or carried interest may be made by a direct exemption, a rebate by the General Partners and/or their affiliates, or through private investment vehicles which co-invest with the Funds.

Investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the applicable Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund.

Managing Directors and certain other personnel of SPCA or its affiliates may receive a portion of the Management Fees or carried interest received by the General Partners or their affiliates.

Certain of the Funds will pay all organizational and start-up expenses of the Funds and the Managers from the proceeds of the offering, including legal, travel, accounting, filing, capital raising and other organizational expenses. The Managers will bear the cost (through an offset against the Management Fee or otherwise) of all organizational expenses in excess of a specified cap, if any, and of any placement fees payable to any placement agent in connection with the formation of the applicable Fund. The Funds will not ultimately bear any investment banking or private placement fee incurred in connection with the organization of the Funds.

In addition to the Management Fee and carried interest payable to the General Partners, the Funds will bear all other costs and expenses of the Funds that are not reimbursed by portfolio companies, generally including, without limitation, legal, auditing, consulting (including, without limitation, the costs of any third party valuation agents or pricing services), financing, accounting, asset administration and custodian fees and expenses; expenses incurred in connection with credit facilities; expenses of any portfolio tracking systems; out of pocket expenses incurred in connection with transactions not consummated, subject to certain limitations; expenses of the members of an advisory board composed of representatives of the Fund's limited partners ("**Advisory Board**"); other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Funds.

Subject to the Partnership Agreement, the Managers will generally bear the normal and recurring operating and administrative expenses of the Funds, including, but not limited to, compensation of all of the Managers' professional personnel and fees and expenses for administrative services, office space and facilities.

Brokerage fees may be incurred by the Funds in accordance with the practices set forth in Section 9 below.

Section 3. Performance-Based Fees and Side-By-Side Management

As discussed under Section 2 ("Fees and Compensation") above, the General Partners receive a carried interest allocation on certain realized profits in certain of the Funds. An affiliate of Summit Partners advises certain private investment vehicles formed to allow employees of Summit Partners and its affiliates, as well as certain other persons, to invest in certain portfolio investments made by the Funds and other Private Investment Funds (the "**Summit Employee Funds**"). Such private investment vehicles do not charge management fees and are not subject to carried interest. This practice could present a conflict of interest because SPCA has an

incentive to favor accounts for which it receives a performance-based fee. This potential conflict of interest is generally addressed by investing the Summit Employee Funds in each portfolio company that the applicable Funds that do charge performance-based fees invest in. Such investments are made on substantially the same terms. See Section 5, “Methods of Analysis, Investment Strategies and Risk of Loss,” for further discussion of conflicts of interest.

Section 4. Types of Clients

SPCA provides investment advice to Private Investment Funds, including the Funds. Private Investment Funds are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of SPCA and its affiliates.

The Funds generally have a minimum investment of \$5 million for third-party investors, which may be waived by the applicable General Partner. Generally, investors must be “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and may also be required to be either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act of 1940, as amended.

Section 5. Methods of Analysis, Investment Strategies and Risk of Loss

General

The investment strategy of the Managers is to seek attractive risk-adjusted total returns by focusing on proprietary investments sourced through Summit’s internal deal-sourcing network as well as through industry contacts. *There can be no assurance that the Managers will achieve the investment objectives of the Funds, and a loss of investment may be possible.*

The following is a summary of the investment strategies and methods of analysis generally employed by the Managers on behalf of the Funds and a summary of certain risks involved with the Managers’ investment strategy and an investment in the Funds. More detailed descriptions of the Funds’ investment strategies and methods of analysis and risks are included in the applicable private placement memorandum for each Fund.

Investment and Operating Strategy

The Managers seek to provide returns to investors by (i) conducting extensive due diligence on investment opportunities, (ii) applying their industry experience, (iii) monitoring portfolio positions and (iv) exiting investments in a disciplined manner.

Conduct Extensive Due Diligence. The credit analysis applied to investment opportunities follows a long and detailed proprietary evaluation process that begins with developing a view of a company's fundamental characteristics and then supplementing this view by engaging in additional diligence based on internal industry expertise, external resources and other publicly-

available information sources that can provide further insight into a particular portfolio company's enterprise value.

The Managers have a hands-on approach to evaluating a company, with a goal of confirming their investment thesis through independent analysis, ultimately creating base case and stress case scenarios in projecting the performance of the business. Decisions to make investments are approved by an investment committee (the “**Investment Committee**”).

Application of Industry Expertise. Potential investments are identified by reviewing sector fundamentals and comparing those metrics across and within industry sectors. The Managers make a determination as to which investments they believe are undervalued or overvalued and which securities or instruments within a particular capital structure they believe are undervalued or overvalued.

The Managers generally consider an issuer's entire capital structure and in analyzing an issuer's securities or debt obligations, the Managers generally review the terms of each instrument. The Managers typically compare their views of the instrument's value relative to the value of the other instruments in the issuer's capital structure, and relative to the value of instruments of other comparable issuers within the industry and across distinct industry groups, before making any investment decision.

Monitoring Portfolio Positions. The Investment Committee regularly reviews and discusses the Funds' investment strategy and considers investment recommendations as they relate to individual positions. The investment professionals monitor any news or updates pertaining to a portfolio company and communicate with the Investment Committee so that they may evaluate the position, including any potential actions to be taken.

Exiting Investments in a Disciplined Manner. Prior to making an exit decision, the Investment Committee reviews the team's expectation of the investment's incremental return potential relative to alternative investment opportunities. The team intends to maintain sell discipline once target returns are met or investment theses play out, and to exercise prudence in managing the risk/reward of each position; provided, however, original investment theses and target returns are subject to change based on new facts and circumstances that may arise during the course of an investment.

The development of an investment strategy is an ongoing process and the Funds' investment strategy and methods may therefore be modified from time to time, including the analytical models used by the Managers. The Managers are not restricted to implementing any specific investment process on behalf of the Funds, either in allocating to a particular investment or market or any combination of investments or markets or in the Managers' ongoing management of the Funds. Depending on conditions and trends in securities markets and the economy generally, the Managers may pursue other objectives or employ other strategies or techniques that it considers appropriate and in the best interest of the Funds.

Types of Investments

The Offshore Fund intends to invest substantially of its assets in the Offshore Intermediate Fund. The Feeder Funds may invest a significant portion of their assets in the Master Fund. The Feeder

Funds, either directly or through their investment in the Offshore Intermediate Fund or Master Fund, as applicable, and the SPC A-1 Fund intend to invest primarily in privately originated loans and mezzanine debt sourced through the Summit Partners proprietary deal sourcing platform. The Feeder Funds and the SPC A-1 Fund may additionally make opportunistic investments in syndicated bank loan, high yield bond and other corporate credit markets.

While the Managers intend that the Funds will invest primarily in fixed-income instruments, the Managers have broad and flexible authority to make investments in a wide variety of securities and financial instruments, domestic and foreign, whether publicly traded or privately placed, including, without limitation, convertible securities, limited partnership interests, interests in other investment vehicles, options (purchased or written), warrants, common and preferred stocks, futures, derivatives (including swaps, forward contracts and structured instruments), currencies, monetary instruments, collateralized debt obligations, commercial mortgage-backed securities, other asset-backed securities and cash and cash equivalents. From time to time, the Managers may use derivative instruments or securities for hedging or investment purposes for the Private Investment Funds. The Managers are also permitted to make investments in commodity futures contracts.

From time to time, the Offshore Intermediate Fund may purchase participations in and/or assignments of loans (or interests therein) originated or purchased by the Onshore Fund. The decision to purchase a participation or assignment of loans for the Offshore Intermediate Fund is subject to a number of guidelines, including (i) that the participation or assignment not be sold until the expiration of a predetermined waiting period from the time of origination, (ii) that the sale of such participation or assignment be made at a price determined at the end of such waiting period, and (iii) that the price be supported by a third-party appraisal or opinion of valuation.

Risks of Investment

A Fund and its investors bear the risk of loss that a General Partner's investment strategy entails. The risks involved with a General Partner's investment strategy and an investment in a Fund are detailed in each Fund's private placement memorandum. In general, these risks with respect to each Fund and its General Partner include, but are not limited to:

1. General Investment Risks. All investments risk the loss of capital. The General Partner believes that the Fund's investment program and research techniques moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that the Fund's investment program will be successful. The Fund's investment program may use such investment techniques as margin transactions, short sales, leverage and the use of synthetic instruments, such as swaps, options on securities, forward contracts and other derivative instruments, which practices can, in certain circumstances, magnify the adverse impact that any losses may have on the Fund.
2. Effect of General Economic and Market Conditions on the Fund's Activities; Uncertain Environment. The success of the Fund's activities will be affected by general economic and market conditions such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in law (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and

national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and the liquidity of the Fund's investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

The current global economic and political climate continues to be one of uncertainty. A climate of uncertainty may reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, reducing the accuracy of the Managers' financial projections. Furthermore, such uncertainty may have an adverse effect upon the companies in which the Fund makes investments. Unpredictable or unstable market conditions may also make it more difficult for the Fund to exit and realize value from its investments. The current political environment could also create additional regulatory burdens applicable to the General Partner and/or Fund, which could have an adverse effect on the Fund.

It is important to understand that in light of the nature of certain investments the Fund may not be able to react quickly to changes in market conditions and the Fund could incur material losses even if it reacts quickly to difficult market conditions. There can be no assurance that the Fund will not suffer material adverse effects from broad and rapid changes in market conditions.

3. Public Company Holdings. The Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, and increased costs associated with each of the aforementioned risks.
4. Non-controlling Investments. The Fund anticipates that it will principally hold debt obligations and other non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect the Fund's position in such portfolio companies. However, the General Partner will seek appropriate creditor and shareholder rights to help protect the Fund's interest. The Fund may hold meaningful minority stakes in privately held companies. In addition, during the process of exiting investments, the Fund at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums afforded majority or controlling stakes.
5. Fixed-Income Securities and Loans. The Fund will invest in bonds or other fixed-income securities of U.S. and non-U.S. issuers, including, without limitation, bank debt, bonds, notes, debentures and commercial paper, as well as derivatives thereon. Fixed-income securities pay fixed, variable or floating rates of interest. The value of fixed-income

securities in which the Fund invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities and bank loans can fluctuate in response to perceptions of creditworthiness, foreign exchange rates, political stability or soundness of economic policies. Fixed-income securities and bank loans are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

To the extent that one or more borrowers default on a secured obligation held by the Fund, the Fund may receive equity issued by an entity reorganized through a bankruptcy or insolvency proceeding, or assets that such borrowers had pledged to secure such loans or obligations. Such assets may include real estate or other real assets, intellectual property rights, receivables, securities, other assets or direct or indirect interests therein. There is no guarantee that such assets will be liquid or of a value equivalent to the amount due and owing from the issuer or obligor of such defaulted obligation.

6. Bank Loans. The Fund's investment program may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations. In analyzing each bank loan, the General Partner compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Fund.

Certain newer loans use standardized documentation in an attempt to facilitate loan trading. Although this may improve market liquidity, there can be no assurance that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that any level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

7. Loan Origination. If the Onshore Fund desires to sell or assign a loan that it originates, but is unable to sell, assign or successfully close transactions for assignments or participations in such loans, the Onshore Fund will be forced to hold such a loan until such time as it can be disposed, during which time the Fund may be "overweighted" with respect to a particular borrower.
8. Future Funding Obligations. The Fund may from time to time incur funding obligations that may arise in the future in connection with an investment. For example, the Fund may purchase from a lender a revolving credit facility that has not yet been fully drawn.

If the borrower subsequently draws down on the facility, the Fund would be obligated to fund the amounts due.

9. Timing Risk. Many agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains the right to refinance the bond in the future if market interest rates decline below the coupon rate. There are certain disadvantages to the call provision, including, without limitation: (i) the cash flow pattern of a callable bond is not known with certainty; (ii) because the issuer will call the bonds when interest rates have dropped, the Fund is exposed to reinvestment rate risk—the Fund will have to reinvest the proceeds received when the bond is called at lower interest rates; and (iii) the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.
10. Zero-Coupon and Deferred Interest Bonds. The Fund may invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original issue discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.
11. Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). Due to the nature of the debt obligations, the Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.
12. Non-Performing Nature of Debt. It is anticipated that certain debt instruments purchased by the General Partner for the Fund will be non-performing and possibly in default at the time of such purchase. Furthermore, the obligor 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.
13. Low Credit Quality Securities. The Fund is permitted to invest in securities that may make particularly risky investments that also may offer the potential for correspondingly

high returns. As a result, the Fund may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to the Fund's investment in any security. The debt securities in which the Fund is permitted to invest may be rated lower than investment grade and hence may be considered to be "junk bonds" or distressed securities.

14. Distressed Credit. The Fund may invest in securities of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the U.S. Bankruptcy Court's power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (e.g., due to failure to obtain requisite approvals), will be delayed (e.g., until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security in respect to which such distribution was made.
15. Risks Associated with Bankruptcy Cases. The Fund may invest in financially troubled companies and companies either currently in, or that may enter into, Chapter 11 bankruptcy or insolvency proceedings. Many of the events within bankruptcy or insolvency proceedings are adversarial and are often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that bankruptcy courts would decide favorably toward, or consistent with the interests of, the Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and/or functional operating control of a debtor.

As the duration of bankruptcy cases can be only roughly estimated, the reorganization process can involve substantial legal, professional, and administrative costs to a company and/or the Fund, and is subject to unpredictable and lengthy delays. In addition, during the process a company's competitive position may erode, key management may depart, and the company may not be able to invest adequately. In some cases, a company may not be able to reorganize and may be required to liquidate assets. Decisions by the Fund to invest primarily in the debt of such companies may not be protective of the Fund's economic interests, as the debt of companies in the process of financial reorganization generally will not pay current interest, may not accrue interest during reorganization, and

may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

There exists a significant risk that the Fund's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, a class. In addition, certain administrative costs and claims (for example, claims for taxes) that have priority by law over the claims of certain creditors may be quite high.

The Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction or forfeiture by the Fund.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

16. Default Rates of Loans and High-Yield Securities. The Fund may invest in high-yield loans and other securities. The historical performance of the high-yield market or the leveraged loan market is not necessarily indicative of its future performance, and the numerous methods for calculating default rates leave a significant amount of uncertainty in the potential profitability of Fund's investment in such instruments. Should increases in default rates occur with respect to the securities in which the Fund invests, the actual default rates of the securities held by the Fund may exceed those of the calculation methodology used by the General Partner in determining to purchase such securities, resulting in substantial losses to the Fund.
17. Participation on Creditors' Committees. The Fund may serve on committees formed by creditors ("Creditors' **Committees**") to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. The Fund may also seek to negotiate directly with debtors with respect to restructuring issues. Even if the Fund chooses to join a Creditors' Committee, there can be no assurance that the Fund would be successful in obtaining results favorable to it in such proceedings, and the Fund may incur significant legal fees and/or other expenses in attempting to do so, as Creditors' Committees generally consist of many participants, each of which attempts to obtain an outcome that is in its individual best interests. As a result of the Fund's service on such Creditors' Committees, the Fund may be deemed to have duties to other creditors represented by the Creditors' Committees, which might thereby expose the Fund to liability to such other creditors who disagree with the Fund's actions.

The General Partner, on behalf of the Fund, may elect to serve on Creditors' Committees, equity holders' committees, or other groups to ensure preservation or enhancement of the

Fund's position as a creditor or equity holder. A member of any such Creditors' Committee or group may owe certain obligations generally to all parties similarly situated that the Creditors' Committee represents. If the General Partner concludes that its obligations owed to the other parties as a Creditors' Committee or group member conflict with its duties owed to the Fund, it will resign from that Creditors' Committee or group, and the Fund may not realize the benefits, if any, of the General Partner's service on the Creditors' Committee or group. Additionally, if the Fund is represented on a Creditors' Committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in the subject company while it continues to be represented on such Creditors' Committee or group.

18. Reliance on Corporate Management and Financial Reporting. In many cases, the General Partner will rely on the financial information made available by the borrowers or issuers in which the Fund invests. The General Partner generally will not have the ability to independently verify such financial information, and generally will be dependent upon the integrity of both the management of these borrowers and issuers and the financial reporting process in general. Material losses can occur as a result of corporate mismanagement, fraud and accounting irregularities.
19. "Widening" Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Fund invests may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk.
20. Uncertain Exit Strategies. Due to the illiquid nature of some of the positions which the Fund is expected to acquire, the General Partner is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available at an attractive price, or at all. Exit strategies which appear to be viable or profitable when an investment is initiated may be precluded or unprofitable by the time the investment is ready to be realized due to market, economic, legal, political or other factors.
21. Inside Information. From time to time the General Partner or its affiliates may be in possession of material, non-public information concerning the issuer of securities in which the Fund has invested, or in which it intends to invest. The possession of such information may limit the ability of the Fund to buy or sell such securities even if such information was obtained in the context of the investment activities of other Private Investment Funds. Accordingly, the Fund may be required to refrain from buying or selling such securities or other instruments at times when the General Partner might otherwise wish the Fund to buy or sell such securities or other instruments.
22. Inability to Vote Certain Positions. As a result of voting agreements or other arrangements relating to certain issuers, securities or instruments in which the Fund is invested, the General Partner or its affiliates may be subject to restrictions on their ability to vote or take other actions with respect to such issuers or securities. In such situations,

the General Partner may not be able to vote or take other actions with respect to such issuers or securities in the manner that it otherwise would believe to be in the best interests of the Fund.

23. Non-U.S. Investments. The Fund may invest in securities of non-U.S. companies, in countries other than the United States and in securities of non-U.S. government entities. Investments outside the United States or denominated in non-U.S. currencies pose currency exchange risks as well as a range of other potential risks that could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the United States are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States, and there is greater difficulty in taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Fund's performance.
24. Derivatives. The Fund may invest in complex derivative instruments that seek to modify or replace the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the investor. These investments are all subject to additional risks that can result in a loss of all or part of an investment, in particular, interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. Derivatives may have very high leverage embedded in them that can substantially magnify market movements and result in losses greater than the amount of the investment. Some of the markets in which the Fund may effect derivative transactions are over-the counter ("OTC") or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty (See "Counterparty Risk" below).
25. Collateral. The Fund may have significant credit risk exposure and will have significant operational risk exposure to its counterparties, which will require the Fund to post collateral to support their obligations in connection with transactions involving forwards, swaps, futures, options, and other derivative instruments. Generally, counterparties will have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of the collateral posted by the Fund in connection with such transactions. This could increase the Fund's exposure to the risk of a counterparty default since, under such circumstances, such collateral could be lost or the Fund or

the Master Fund may be unable to recover such collateral promptly. Also, counterparties have an interest in maximizing the return from such collateral. This interest could conflict with the interests of the Fund in preserving and protecting its portfolio.

26. Options. The Fund may buy or sell (write) both call options and put options (either exchange-traded, over-the-counter or issued in private transactions), and when it writes options it may do so on a “covered” or an “uncovered” basis. A call option is “covered” when the writer owns securities of the class and amount of those as to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Fund’s options transactions may be part of a hedging tactic (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be large, depending on the circumstances. In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Fund may enter into.

When the Fund buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the security in the case of a put, would result in a total loss of the Fund’s investment in the option (including commissions). The Fund could mitigate those losses by selling short the securities as to which it holds call options or taking a long position (i.e., by buying the securities or buying options on them) on securities underlying put options.

When the Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. Theoretically, the risk is unlimited unless the option is “covered.” If it is covered, an increase in the market price of the security above the exercise price would cause the Fund to lose the opportunity for gain on the underlying security—assuming it bought the security for less than the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Fund might suffer as a result of owning the security.

27. Risks Associated With CDO Securities. The Fund may also invest in structured product CDO Securities. In case of a default, CDO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer (“**CDO Collateral**”) or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency will be extinguished. Many subordinate classes of CDO Securities provide that a deferral of interest thereon or a write-down does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of nonpayment or partial nonpayment, such non-paid interest will generally be capitalized and added to the outstanding principal balance

of the related security. Any such deferral will reduce the amount of current payments made on such CDO Securities.

CDO Securities are subject to operational, credit, liquidity and interest rate risks. Issuers of CDO Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; provided, however, its rights can be more restricted than those of the assigning institution. In purchasing participations, an issuer of CDO Securities will usually have a contractual relationship only with the selling institution, and not the borrower. The issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under U.S. federal and state laws, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

CDO Securities are also subject to interest rate risk and day count basis risk. The CDO Collateral of an issuer of CDO Securities may bear interest at a fixed or floating rate while the CDO Securities issued by such issuer may bear interest at the opposite kind of rate. As a result, there could be an interest rate mismatch between such CDO Securities and CDO Collateral, where the CDO Collateral bears interest that is, at certain times, insufficient to adequately collateralize the CDO Securities. There may be a timing mismatch between the CDO Securities and CDO Collateral assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate may adjust more frequently or less frequently and/or on different dates and/or based on different indices than the interest rates on the CDO Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Securities. In addition, hedges may have been acquired to manage the interest rate risk of such CDO Securities, making such CDO Securities also subject to the credit risk of the applicable hedge counterparty.

28. Credit Default Swaps. The Fund may invest in credit default swaps ("CDSs"). Generally, CDSs are contracts where termination may occur prior to the contract's scheduled maturity date if a credit event occurs. Credit events may include a ratings downgrade of the reference obligation below certain specified ratings levels, a writedown (including an implied writedown) of the reference obligation, a failure by the reference company to pay principal or interest with respect to the reference obligation, a restructuring of the final maturity date of the reference obligation, or an acceleration of the reference obligation so that it is due prior to its stated maturity date, among others. CDSs can be used to hedge a portion of the default risk on a single corporate bond or a

portfolio of bonds. In addition, CDSs can be used to implement the General Partner's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Fund may "write" credit default protection in which it receives spread income. The Fund may also "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of the General Partner, there is a high likelihood of credit deterioration.

Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock and debt of the company, and potential loss realized on the debt upon default, among other factors. As such, there are many factors upon which market participants may have divergent views. If the General Partner has a positive view of a company's credit outlook, it may enter into CDS transactions in which it assumes the risk of default of the company. It may also enter into an opposite transaction, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components determining the value of a swap.

Upon the occurrence of a credit event, CDSs may be physically settled or cash settled depending upon the terms of the particular CDS. In the event of physical settlement of a CDS, if the Fund is long the credit risk, the CDS counterparty may satisfy its obligations under the CDS by delivering to the Fund one or more deliverable obligations (which frequently are the reference obligation, although may instead be an obligation which is ranked *pari passu* with the reference obligation). Because the obligation is delivered after a credit event, it is likely that the delivered obligation is a defaulted or credit impaired security and will not be worth the same value as the reference obligation related to the CDS prior to the occurrence of any credit event. In the event of cash settlement, the CDS counterparty would, if the Fund is long the credit risk, obtain prices in the general credit market for the final principal value of the reference obligation subject to a credit event and the Fund would be obligated to pay the difference of the initial principal amount referenced in the CDS over the final principal value of the reference obligation as obtained by the CDS counterparty in the general credit market. It is likely that because the reference obligation may at the time of such settlement be a defaulted or credit impaired security, the final value of the reference obligation may be less than the initial principal balance referenced in the CDS.

29. Counterparty Risk. Some of the markets in which the Fund may effect transactions are OTC or "interdealer" markets. The participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such "over-the-counter" transactions. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. The General Partner is not

restricted from dealing with any particular counterparty or from concentrating any or all of the Fund's transactions with one counterparty. Moreover, the General Partner has no formal credit function which evaluates the creditworthiness of the Fund's counterparties. The ability of the Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

In addition, the counterparties with which the Fund effects transactions may, from time to time, cease making markets or quoting prices in certain of the instruments. In such instances, the Fund may be unable to enter into a desired transaction, or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, certain forward, spot and option contracts and swaps may not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts or swaps, the Fund may be required, and must be able, to perform its obligations under the contract.

30. Derivative Clearinghouses and Exchanges; Required Central Clearing for Derivatives. Currently, OTC derivatives (including, without limitation, CDSs and other swaps, forward contracts, certain options and other instruments) are typically settled on an individual basis by the counterparties to the derivative instrument. As a result, each party to an OTC derivative is subject to the risk that the other party will default on its obligations under the terms of the derivative instrument (See "Counterparty Risk" above). In the case of CDSs, a number of market participants have announced their intention to establish CDS clearinghouses and exchanges, which may have the effect of minimizing the risk of counterparty default with respect to CDSs traded on or cleared through such clearinghouses or exchanges. Other market participants may also propose other clearinghouses or exchanges for other types of derivatives instruments in the future. However, there can be no assurance that any such clearinghouses or exchanges will in fact be established, or that they will provide clearing facilities or a market of sufficient size or scope to benefit the Fund. In particular, in the case of CDSs, any such clearinghouses or exchanges are expected to be limited to CDSs with standardized terms, which are yet to be formulated; the same may also be true of any other clearinghouses or exchanges proposed in the future with respect to other types of derivatives instruments. There can be no assurance that the General Partner would deem any such standardized terms to be suitable for implementing the Fund's investment program in all cases or in any particular case. Accordingly, the Fund may not trade or clear some or all of its derivative instruments on or through any such clearinghouse or exchange even if one were to become available. In such cases, the Fund would remain subject to counterparty risk with respect to such instruments.

In addition, certain recently proposed legislation in the United States generally would require derivatives that currently are entered into on an OTC basis to be cleared through a central clearinghouse, subject to certain limited exceptions. Other similar measures may also be proposed in other jurisdictions. Should such legislation be enacted, or should any such other measures be adopted, it is expected that any such requirements would lead to

the standardization of the terms of any derivative instruments cleared in such manner. Any such standardized terms are yet to be formulated and, thus, it is not possible to assess the degree to which any such standardized terms might permit the General Partner to implement, or prevent the General Partner from implementing, the Fund's investment program. Accordingly, to the extent that the General Partner relies on the use of OTC derivatives incorporating specific terms in seeking to implement certain aspects of the Fund's investment program, and to the extent that such terms become unavailable as a result of any such standardization of terms, there can be no assurance that the General Partner would be able to utilize alternate methods to seek to implement such aspects of the Fund's investment program. In such cases, if the General Partner were unable to utilize such alternate methods, the impact on the Fund could be substantial and adverse.

31. Suspensions of Trading. Each securities exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible for the Fund to liquidate its positions listed on such exchanges and thereby expose it to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Fund to close out positions.
32. Futures. Investments in commodities, futures and options contracts involve risks including, without limitation, leverage (e.g., margin is usually only 5% to 15% of the face value of the contract and exposure can be nearly unlimited) and credit risk vis-à-vis the contract counterparty. The Fund's futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Fund from promptly liquidating unfavorable positions and subject it to substantial losses.
33. Failure of Futures Commission Merchants. Under the Commodity Exchange Act, as amended, futures commission merchants are required to maintain customers' assets in a segregated account. To the extent that the Fund engages in futures and options contract trading and the futures commission merchants with whom the Fund maintains accounts fail to so segregate the Fund's assets, the Fund will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. In certain circumstances, the Fund might be able to recover, even with respect to property specifically traceable to the Fund, only a pro rata share of all property available for distribution to a bankrupt futures commission merchant's customers.
34. Forward Trading. The Fund may engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required

to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have been unable to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Fund due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses to the Fund.

35. Illiquid Investments. The Fund may make investments that are subject to legal or other restrictions on transfer or for which no liquid market exists, such as private placements. Illiquidity increases risk and volatility and may make it impossible to close out positions against which the market is moving or to realize such positions' value at the time of sale.
36. Short Selling. The Fund may engage in short selling as part of its investment strategies. A short sale by the Fund involves the sale of a security that the Fund does not own in the hope of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Fund must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. The Fund realizes a profit or a loss as a result of a short sale if the price of the security decreases or increases, respectively, between the date of the short sale and the date on which the Fund covers its short position (i.e., purchases the security to replace the borrowed security). A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.
37. Highly Volatile Markets. The prices of securities and derivative instruments, including futures and options prices, may be highly volatile. Price movements of securities, forward contracts, futures contracts and other derivative contracts in which the Fund may invest are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly and/or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Fund also is subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses.
38. Currency Exchange Exposure. The Fund may make investments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Fund, however, values its investments in U.S. dollars. The Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that investments suitable for hedging currency or market shifts will be available at the time when the Fund wishes to

use them, or that hedging techniques employed by the Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

To the extent unhedged, the value of the Fund's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Fund's investments in their local markets and may result in a loss to the Fund. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Fund's non-U.S. dollar investments.

39. Other Hedging Strategies. The Fund, directly or indirectly, may opt to use a variety of financial instruments such as derivatives, options, swaps, caps and floors and forward contracts, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) protect the Fund's unrealized gains in the value of the Fund's investment portfolio, (iii) facilitate the sale of any such investments, (iv) establish a position as a temporary substitute for other securities, (v) enhance or preserve returns, spreads or gains on any investment in the Fund's portfolio, (vi) hedge the interest rate or currency exchange rate on any of the Fund's liabilities or assets, (vii) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date or (viii) for any other reason that the General Partner deems appropriate.

The General Partner is not required to attempt to hedge portfolio positions in the Fund and, for various reasons, may determine not to do so. Furthermore, the General Partner may not anticipate a particular risk so as to hedge against it. While the Fund may enter into hedging transactions in seeking to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transaction. For a variety of reasons, the General Partner may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. The success of the hedging strategy of the Fund is subject to the General Partner's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategy is also subject to the General Partner's ability to recalculate continually, readjust and execute hedges in an efficient and timely manner. Moreover, it should be noted that the portfolio always will be exposed to certain risks that cannot be hedged, such as certain credit risk (relating both to particular securities and counterparties with respect to which CDS protection is unavailable), "liquidity" risk and "widening" risk.

40. Other Trading Strategies. The Fund may employ investment strategies for which no "risk factors" are disclosed herein. Such strategies should not be considered to be less risky than the strategies disclosed herein, and should be viewed as speculative volatile. There

can be no assurance that the Fund will achieve its investment objectives or avoid total losses.

Conflicts of Interest

At any given time, Summit Partners and its affiliates will typically manage several other Private Investment Funds in addition to the Funds, which may include investments similar to those in which the Funds will be investing or have investments in portfolio companies in the form of securities or other investments that are not the principal focus of the Funds. Summit Partners and its affiliates may direct certain relevant investment opportunities to those Private Investment Funds. In the event such other Private Investment Funds have made investments in portfolio companies or other investments that the Funds may also be interested in, the Partnership Agreements of the Funds or the other Private Investment Funds may prohibit investments in such portfolio companies by the Funds without consent of the applicable Advisory Boards. If such consent is obtained, the Funds and such other Private Investment Funds may purchase different classes of debt and/or equity of the same portfolio company. In addition, the Funds may concurrently invest with other Private Investment Funds. Such concurrent investments will generally be in the debt of a portfolio company in which another Private Investment Fund concurrently purchases equity. Such debt investments are generally subject to specific contractual restrictions as set forth in the applicable Partnership Agreements. These and other investments may be deemed to create conflicts of interest, particularly because Summit Partners and its affiliates may take certain actions for some Private Investment Funds or affiliates with respect to one class of debt or equity that may be adverse to the Funds or other Private Investment Funds or affiliates who hold other classes of debt or equity of the same portfolio company. In such cases, the General Partners and their affiliates will seek to act in a manner they believe in good faith to be fair to the applicable Funds and other Private Investment Funds under the circumstances.

In addition, the Managers' principals (the "**Principals**") may spend a portion of their business time and attention pursuing investment opportunities for other Private Investment Funds and other than on behalf of the Funds. The Principals and the General Partners' investment staff will continue to manage and monitor such Private Investment Funds and investments. The General Partners believe that the significant investment of the Principals in the Funds, as well as the Principals' interest in the carried interest with respect to the Funds, operate to align, to some extent, the interest of the Principals with the interest of the Funds, although the Principals have economic interests in such other Private Investment Funds as well and receive Management Fees and carried interest therefrom. Such other Private Investment Funds that the Principals may control may compete with the Funds or companies acquired by the Funds. At such time as a General Partner is permitted to raise a successor investment fund to a Fund, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

Because a General Partner's carried interest is based on a percentage of realized profits of an applicable Fund, it may create an incentive for such General Partner to cause the applicable Fund to make riskier or more speculative investments than would otherwise be the case. However, the Managers believe that the carried interest does not create a conflict of interest with respect to the

Funds and instead operates to align, to some extent, the interests of the Principals with that of the Funds.

Since a General Partner is permitted to retain certain supplemental fees (as described under “Fees and Compensation”) (collectively, “**Supplemental Fees**”) in connection with Fund investments, it could have a conflict of interest in connection with approving transactions. This conflict may be mitigated to an extent by offsetting the Management Fee by a specified percentage of such Supplemental Fees and a General Partner’s interest in the carried interest of a Fund.

The Funds expect to hold securities and financial instruments that may not have readily available market quotes. In such instances, the General Partners generally will value such securities and financial instruments in good faith at fair value based on various factors, including, without limitation, external pricing sources (if any), recent trading activity (if any) or other information aimed at a relative value assessment process that incorporates, among other factors in the General Partners’ sole discretion, current market conditions, position size, trends and prices. Such valuations may vary from similar valuations performed by independent third parties for similar types of securities and financial instruments. Additionally, such valuations will directly correlate to the compensation paid or allocated by the Funds to the Managers and may, therefore, create conflicts of interest.

Section 6. Disciplinary Information

SPCA and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

Section 7. Other Financial Industry Activities and Affiliations

SPCA is affiliated with the General Partners, which are registered with the SEC under the Advisers Act pursuant to SPCA’s registration in accordance with applicable SEC guidance. The General Partners serve as general partners of the Funds and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

SPCA is also affiliated with Summit Partners, L.P. and its related advisory entities, each of which is registered or deemed registered as an investment adviser with the SEC under the Advisers Act. More information regarding Summit Partners, L.P. and its affiliated investment advisers can be found on Summit Partners, L.P.’s Form ADV Part 2A.

In addition, as noted above, certain affiliates of the Managers have an interest in a hedge fund complex. For more information see Summit Partners, L.P.’s Form ADV Part 2A.

Section 8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Managers have adopted the Summit Partners Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Managers’ principals and employees and addresses conflicts that arise from personal trading. The Code requires the Managers’ personnel to report their personal securities transactions and prohibits the Managers’ personnel’s direct or indirect acquisition of beneficial ownership of

securities in an initial public offering and, without first obtaining approval from the Managers' Chief Compliance Officer, in a limited offering. In addition, the Code requires the Managers' Principals and employees to comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any client or prospective client upon request to Robin W. Devereux at 617-824-1000 or RDevereux@summitpartners.com. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client-eligible investments.

The Managers and their affiliated persons may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Managers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Managers. Accordingly, should the Managers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Managers would be prohibited from communicating such information to clients, and the Managers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Summit Partners personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Managers and their affiliates may directly or indirectly own an interest in Private Investment Funds, including the Funds or certain co-investment vehicles. The Managers believe that such interests do not create a conflict of interest and instead operate to align the interests of Principals and employees of the Managers with the Private Investment Funds. The Funds and other Private Investment Funds may invest together in the manner set forth in the applicable Partnership Agreement. The Managers will determine allocation of investment opportunities in a manner that they believe is fair and equitable to their clients consistent with the Managers' fiduciary obligations and consistent with the applicable Private Investment Funds' underlying documents.

The Managers and their affiliates, principals and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to other accounts or Private Investment Funds which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain funds sponsored by Summit Partners (the "**Referenced Funds**") may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of the Funds in issuers held by such Referenced Funds or may give priority with respect to investments to such Referenced Funds. Some of these restrictions could be waived by investors (or their representatives) in such Referenced Funds. However, the Managers and their affiliates may or may not, in their sole discretion, seek any such waiver and, in any event, there can be no assurance that any waiver sought would be obtained.

The Managers may recommend the purchase or sale of securities for Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates (“**affiliated persons**”), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the clients of the Managers or the Funds. Certain of these transactions may require the consent of the applicable clients or Funds.

Section 9. Brokerage Practices

The Managers may appoint one or more prime brokers to effect securities transactions for accounts managed by the Managers. The duties of any prime broker may include clearance and settlement of trades, margin financing, stock lending and borrowing, non-U.S. exchange facilities, effecting certain transactions on behalf of the Funds from time to time, and maintaining any custody accounts for assets custodied with such brokers. It is expected that any prime broker will be paid customary fees for its services as negotiated by the Managers from time to time.

The Managers select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Managers may consider a variety of factors, including: (i) execution capabilities; (ii) price; (iii) reputation; (iv) infrastructure; (v) reliability; (vi) financial resources; (vii) quality of research products or services; and (viii) other value-added services.

The Managers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Managers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Managers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Managers generally do not make use of such services at the current time and have not made use of such services in their history. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Managers’ Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Managers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Funds. Research services may be shared between the Managers and their affiliates.

The Managers will employ no agreement or formula for the allocation of brokerage business on the basis of research services; however, the Managers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Managers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Managers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

The Managers will periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Managers' goal to obtain best execution for their clients, the Managers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Managers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on their Private Investment Funds' interest in receiving most favorable execution.

The Managers do not anticipate engaging in significant public securities transactions; however, to the extent that the Managers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Managers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Managers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Managers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Fund.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

Section 10. Review of Accounts

The Managers intend to implement a process whereby members of the Funds' investment committee will meet at the beginning of each week and periodically throughout the week in

order to review the Funds' investments, review market developments and discuss investment opportunities.

The Funds generally provide to their limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return, and (iii) quarterly reports describing the status of each investment in the Fund's portfolio (including the applicable General Partner's estimate of the fair value of each investment determined as set forth in the Partnership Agreement).

Section 11. Client Referrals and Other Compensation

As discussed in the "Fees and Compensation" section, the Managers and/or their affiliates may receive certain Supplemental Fees from a Fund's portfolio companies or other investments. As described in the applicable Fund's Partnership Agreement, this compensation may, in certain circumstances, offset a portion of the Management Fees paid by the Funds. However, in other circumstances, these Supplemental Fees would be in addition to Management Fees.

From time to time, SPCA may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund or other Private Investment Fund. Any fees and expenses payable to any such third parties will be borne by SPCA directly or indirectly through an offset against the Management Fee.

Section 12. Custody

The Managers maintain custody of the Funds' assets held in the Funds' names with the qualified custodians listed below:

- Bank of America, N.A., located at 100 North Tryon Street, Charlotte, North Carolina 28255
- Merrill Lynch, Pierce, Fenner & Smith Incorporated, located at 600 California Street, 8th Floor, San Francisco, CA 94108

Section 13. Investment Discretion

The Managers have discretionary authority to manage investments on behalf of the Funds. As a general policy, the Managers do not allow clients to place limitations on this authority, provided that the Partnership Agreement of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the applicable Partnership Agreement, however, the Managers may enter into "side letter" or other similar arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons or for other agreed upon reasons. The applicable Manager assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of the Funds.

Section 14. Voting Client Securities

In accordance with SEC requirements, the Managers have adopted Proxy Voting Policies and Procedures (the “**Policy**”) to address how any Manager will vote proxies, as applicable, for the Funds’ portfolio investments. The Policy seeks to ensure that the Managers vote proxies (or similar instruments) in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies. The Managers generally believe their interests are aligned with the Funds’ investors through the Principals’ beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event, however, there is or may be a conflict of interest between the Managers and the Funds in voting proxies, the Policy provides that the Managers may address the conflict using several alternatives, including by seeking the approval or concurrence of the Advisory Board on the proposed proxy vote or through other alternatives set forth in the Policy. The Managers do not consider service on portfolio company boards by the Managers’ personnel or the Principals or the Managers’ receipt of management or other fees from portfolio companies or other investments to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Policy sets forth certain specific proxy voting guidelines the Managers follow when voting proxies on behalf of the Funds. A copy of the Policy or information regarding how the Managers voted proxies for particular portfolio companies will be provided to clients or prospective clients at no charge upon request to Robin W. Devereux at 617-824-1000 or RDevereux@summitpartners.com.

Section 15. Financial Information

SPCA does not require or solicit prepayment of management fees more than six months in advance and does not have any other events requiring disclosure under this item of the Brochure.