



Octagon Credit Investors, LLC
("Octagon" or the "Firm")

Form ADV, Part 2A
(the "Brochure")

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This Brochure provides information about the qualifications and business practices of Octagon. If you have any questions about the contents of this Brochure, please contact us at (212) 400-8400 or imarcus@octagoncredit.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Octagon also is available on the SEC's Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov.

The Firm may refer to itself as a "registered investment adviser." You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

ITEM 2: MATERIAL CHANGES

Not Applicable

IMPORTANT NOTE ABOUT THIS BROCHURE

This Brochure is not:

- ***an offer or agreement to provide advisory services to any person***
- ***an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund (as defined below)***
- ***a complete discussion of the features, risks or conflicts associated with any Fund***

As required by the Investment Advisers Act of 1940, as amended ("Advisers Act"), Octagon provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Fund, together with other relevant governing documents, such as the Fund's offering or private placement memorandum, prior to, or in connection with, such persons' investment in the Fund. Additionally, this Brochure is available through the SEC's Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of Octagon, persons who receive this Brochure (whether or not from the Firm) should be aware that it is designed solely to provide information about Octagon as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant governing documents. More complete information about each Fund is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by the Firm. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents, the relevant governing documents shall govern and control.

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ITEM 4: ADVISORY BUSINESS

Firm Overview

Octagon Credit Investors, LLC (“Octagon” or the “Firm”) is an investment adviser specializing in the management of below investment grade debt, including leveraged loans and high yield bonds. Octagon was founded in 1994 as a business unit of Chemical Bank (predecessor of JP Morgan Chase & Co.) to create an asset management capability for below investment grade debt investments. The Firm was incorporated in December 1998 and separated from The Chase Manhattan Corporation in 1999 and has been independently operated since 1999.

The Firm generally manages: (1) collateralized loan obligation vehicles (“CLOs”); (2) other pooled investment vehicles (the “Private Funds,” and, collectively with the CLOs, the “Funds”); and (3) separately managed accounts, structured in various entity types and forms, including trusts, partnerships or limited liability companies (the “Accounts”). As of February 29, 2012, Octagon managed client assets of approximately \$4,610,700,000, of which \$3,767,600,000 is in discretionary client accounts and \$843,100,000 is in non-discretionary client accounts.

The Firm’s investment advisory services focus on corporate debt investments, including, but not limited to, senior secured or unsecured term loans, letters of credit, corporate debt securities (including investment and non investment grade debt securities, high-yield debt securities and mezzanine debt securities) and structured finance securities. Octagon may also utilize total return swaps, credit default swaps, interest rate swaps, foreign currency swaps, options, money market funds and cash equivalents such as U.S. government securities and commercial paper.

Certain of the Private Funds employ a “master-feeder” structure for regulatory, tax or investment purposes. Generally, a master-feeder structure vests trading operations in one or more “master” funds while investors may typically access the master fund(s) only through one or more “feeder” funds. These feeder funds, in turn, invest (directly or indirectly) in the master fund(s).

Except as otherwise described herein, investments for the Accounts are managed in accordance with the client’s investment objectives, strategies, restrictions and guidelines as communicated to Octagon by the client or its representatives and as memorialized in an investment advisory contract or other materials (“Account Documents”). Investments for the Funds are managed in accordance with the pooled investment vehicle’s particular investment objectives, strategies, restrictions and guidelines and are generally not tailored to the individualized needs of any particular investor of a Fund. At inception, however, specific asset criteria (e.g., credit quality, diversification) may be established for certain CLOs, sometimes in consultation with prospective CLO investors. Information about each Fund, and the particular investment objectives, strategies, restrictions, guidelines and risks associated with an investment, is described in the governing documents (e.g., offering or private placement memorandum, limited liability company agreement,

indenture, investment advisory contract) of the Fund (“Governing Documents”), which are made available to investors only through the Firm or another authorized party. Since the Firm does not provide individualized advice to the investors (and an investment in a Fund does not, in and of itself, create an advisory relationship between the investor and the Firm), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

Firm Ownership

CCMP Capital, LLC, the parent company of CCMP Capital Advisors, LLC (“CCMP Capital Advisors”), a private equity investment firm, purchased a 50.1% ownership interest in the Firm in July 2008. CCMP Capital, LLC continues to own more than 50% of the Firm. However, Octagon is not a portfolio company of any private equity fund managed by CCMP Capital Advisors. Employees of Octagon currently own approximately 30% of the Firm.

ITEM 5: FEES AND COMPENSATION

Compensation and Billing

CLOs

As compensation for its service as the collateral manager of the CLOs, the Firm generally receives a Senior Management Fee, a Subordinated Management Fee and an Incentive Management Fee (collectively, the “Collateral Management Fees”). The Senior Management Fee has a higher priority in a CLO payment waterfall whereas the Subordinated Management Fee generally ranks below principal and interest payments to senior note holders in the payment waterfall. The Firm will generally earn a Subordinated Management Fee if over-collateralization and interest coverage tests have been satisfied for all senior CLO note holders. The Senior Management Fees and Subordinated Management Fees are typically paid by the CLO or its trustee quarterly in arrears, in accordance with its Governing Documents. Incentive Management Fees are typically paid later in a CLO’s tenor by the CLO or its trustee in arrears if specific internal rates of return thresholds are achieved. Please consult a CLO’s Governing Documents for additional information regarding such Collateral Management Fees.

Private Funds

As compensation for its service as the investment manager of the Private Funds, the Firm generally receives a Management Fee. The Firm may, but will not always, receive a performance-based fee with respect to a Private Fund. The Management Fees are typically paid quarterly in arrears. Please consult a Private Fund’s Governing Documents for additional information regarding such fees.

Accounts

As compensation for its service as the investment manager of the Accounts, the Firm receives a Management Fee. Management Fees, as well as the timing and manner of

payment, are established on a case-by-case basis by the Firm and each client at the beginning of the client relationship. To the extent fees are paid in advance, the client will receive a *pro rata* refund if the Firm is terminated as investment manager prior to the end of a billing cycle. Please consult an Account's Account Documents for additional information regarding such Management Fees.

Management fees for the Funds and Accounts may be reduced or waived with respect to certain investments by the Firm's or a related person's personnel.

For an additional discussion regarding performance-based compensation, please refer to Item 6 – *Performance-Based Fees and Side-by-Side Management*.

Other Fees and Expenses

The Accounts and Funds (and, indirectly, any investors therein) may bear, in addition to the fees described above, other fees and expenses, including (1) costs and expenses with respect to any workout, restructuring, recapitalization, amendment, waiver or consent of or with respect to certain investments and the protection or enforcement of rights thereunder; (2) costs and expenses in connection with the acquisition of director and officer insurance; (3) legal, custodial, accounting and related costs and expenses; (4) pricing service costs incurred in valuing investments; (5) expenses incurred in obtaining credit ratings on investments; (6) out-of-pocket travel costs and related expenses incurred in connection with the management of certain investments or Fund offerings; (7) any other expenses actually incurred on behalf of the Funds and Accounts and paid by the Firm in connection with the management of certain investments; and (8) certain other fees and expenses that may be authorized under a Fund's Governing Documents or Account's Account Documents. For a more complete discussion of transactions costs, please refer to Item 12 – *Brokerage Practices*.

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

"Side-by-side management" refers to the simultaneous management of multiple types of client accounts and/or investment products. For example, as discussed above, Octagon manages the CLOs, Accounts and Private Funds, which may follow similar, complementary or competing investment objectives, policies or strategies. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for the Firm and its employees and affiliates, including, as discussed below, the incentive to favor certain accounts with performance-based fees or accounts in which Octagon and its related persons have a pecuniary interest.

Conflicts of Interest Associated with Performance Fees and Side-by-Side Management of Accounts

Octagon and its related persons have an incentive to allocate investment opportunities based on pecuniary interest. As discussed in Item 5 – *Fees and Compensation* and Item 11 – *Code of Ethics, Participation in Client Transactions and Personal Trading*, Octagon and its related persons may: (1) be entitled to a performance fee; and (2) directly or indirectly maintain investments in one or more Funds or Accounts. Accordingly, the

Firm and its personnel face a conflict of interest when considering how to allocate investment opportunities among accounts having different fee structures or pecuniary interests. Through its trade allocation policies and procedures and Code of Ethics, Octagon seeks to promote fair and equitable treatment of accounts, over time, based on considerations that are unrelated to pecuniary interests, which mitigate any actual or potential conflict of interest that may exist with respect to, for example, Octagon's allocation of time, resources and investment opportunities to the CLOs that have performance-based compensation arrangements over those client accounts that: (1) do not have performance-based compensation arrangements or, if applicable, (2) are not expected to pay performance-based compensation (e.g., with respect to a CLO, a specified internal rate of return has not been, or is not expected to be, achieved).

Octagon and its personnel have an incentive to take on more risk in accounts when compensation is based on performance. The existence of a performance fee may also create an incentive for Octagon to make more speculative investments on behalf of certain client accounts than it would otherwise make in the absence of such performance-based compensation. However, certain Funds' Governing Documents contain specific investment objectives, strategies, restrictions and guidelines, and, therefore, Octagon's investment discretion, if any, to select such speculative investments may be constrained. This is particularly true with respect to the CLOs, where the relevant Governing Documents contain specific risk limitations (e.g., diversification requirements, credit-quality limitations).

Performance-based compensation will also be paid in accordance with Section 205(3) of the Advisers Act or Rule 205-3 thereunder.

ITEM 7: TYPES OF CLIENTS

As discussed in Item 4 – *Advisory Business*, Octagon manages CLOs, Accounts and Private Funds. The terms and conditions of client accounts may vary depending on the type of services provided or the type of client, and these terms and conditions may also vary from client to client. In each case, however, the client is required to execute a written investment advisory contract with the Firm. Investors in the Funds are required to execute a subscription agreement that warrants to certain financial eligibility requirements. Furthermore, the Funds generally impose investment minimums for investors, as described in more detail in a Fund's Governing Documents. However, in certain circumstances, including with respect to certain investments by the Firm and the Firm's or a related person's personnel, such investment minimums may be reduced. Investment minimums for the Accounts are individually negotiated on a case-by-case basis.

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

Methods of Analysis and Investment Strategies

Octagon employs an investment process based on fundamental credit analysis and collaborative investment team input to identify relative value opportunities, while seeking to minimize downside risk and produce attractive risk-adjusted returns. Octagon's investment professionals identify investment opportunities in both the primary and secondary credit markets through industry and company analysis supplemented by information from issuers, underwriters, agents, and sales and trading desks, as well as discussions with company management from time to time. In evaluating potential investments, Octagon focuses on, among other things, industry dynamics and competitive environments, performance history and prospects, investment sponsors and management, projected cash flow generation, quality and value of underlying collateral, downside protection, and relative value opportunities within an issuer's capital structure. The investment decisions may also take into account the macroeconomic backdrop, technical supply and demand, liquidity, and political and regulatory influences. In connection with portfolio management decisions, portfolio managers take into account the investment guidelines of the Funds and Accounts, including monitoring tests and constraints, and the best interests of investors in conjunction with the investment views of the Firm. This can often lead to different investment decisions for the same asset among the Funds and Accounts.

Investment Risks

The Firm's investment activities involve a significant degree of risk of loss that you should be prepared to bear. This section contains a discussion of the primary risks associated with the Firm's investment activities. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to a Fund or Account will depend on the nature of the Fund or Account, its investment strategy or strategies and the types of investments held by the Fund or Account.

While Octagon seeks to manage the Funds and Accounts so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved.

Clients and investors should be aware that mandates may be limited to certain types of investments (e.g., leveraged loans, high-yield bonds) and may not be diversified. The Funds and Accounts are generally not intended to provide a complete investment program and the Firm expects that the assets it manages do not represent all of the client's or investor's assets. Clients and investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

Risks Related to Investment Strategy

Below is a table of risks where an “X” indicates that a particular type of risk may be material to a Fund’s or Account’s investment strategy. If a box does not have an “X,” it does not necessarily mean that a Fund or Account will not be subject to the corresponding risk.

Risk	CLOs	Accounts	Private Funds
Leverage Risk	X	X	X
Hedging Risk	X		X
Liquidity Risk	X	X	X
Foreign Exchange (FX) Risk	X	X	X
Sovereign Risk	X	X	X
Non-Diversification Risk	X	X	X
Participations Risk	X	X	X
Credit Risk	X	X	X
Counterparty Risk	X	X	X
Interest Rate Risk	X	X	X
Prepayment Risk	X	X	X
Market Volatility Risk	X	X	X
Risk Associated with Bankruptcy Cases	X	X	X
Public and Private “Side” Risk	X	X	X

Leverage Risk – Losses incurred on leveraged investments will increase in direct proportion to the degree of leverage employed. The Funds and Accounts will also incur interest expense on the borrowings used to leverage its positions. The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls, depending on a Fund’s or Account’s structure. To the extent the assets have been leveraged through the borrowing of money, the purchase of investments on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the

portfolio fail to cover such costs, the Net Asset Value of the leveraged instrument may decrease faster than if there had been no borrowings. Moreover, to the extent the Firm can adjust leverage levels, the Firm could increase (or decrease) leverage at times when it is not advantageous to do so and, as a result, the value of your investment can decrease.

- CLO funds: The leverage level is generally fixed at the outset of the respective CLO but varies during the life of the CLO based upon realized losses and gains.
- Accounts: Typically, Octagon's separately managed accounts do not utilize leverage but are not precluded from doing so.
- Private Funds: Certain Private Funds can adjust leverage levels based upon market outlook and other factors.

Hedging Risk – While the Funds are principally long, some CLO indentures require Octagon to occasionally enter into interest rate and FX hedging. Certain Private Funds hedge as permitted under the relevant Private Placement Memoranda. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of other investments or objectives of the Funds; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Funds; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen a fund's position; and (v) default or refusal to perform on the part of the counterparty with which a fund trades. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to applicable law.

Liquidity Risk –The Funds and Accounts may from time to time invest in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments, which are assets which are subject to Rule 144A). There may be no trading market for these securities and instruments, and the Funds and Accounts might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, funds may be required to hold such instruments and securities despite adverse price movements.

Foreign Exchange (FX) Risk – If a Fund or Account invests directly in non-U.S. currencies or in obligations of issuers that are denominated in, or receive revenues in, non-U.S. currencies, or in derivatives that provide exposure to non-U.S. currencies, such Fund or Account will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in non-U.S. countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or non-U.S. governments, central banks or supranational entities (e.g., International Monetary Fund), or by the imposition of currency controls or other political developments in the United States or abroad. Consequently, a Fund's or Account's

investment in non-U.S. currency-denominated obligations may reduce the returns of such Fund or Account.

Sovereign Risk – The Funds and Accounts may invest in certain non-U.S. debt instruments. Accordingly, the status, interpretation and application of the laws of a non-U.S. jurisdiction, or any changes thereto, may decrease the value of such investments. The value of these investments may also be adversely affected by the overall economy and financial market of a non-U.S. jurisdiction, as well as the actions or inactions of a governmental entity in such jurisdiction. Moreover, the conditions in one country or geographic region could adversely affect investments in a different country or geographic region, including the United States, due to increasingly interconnected global economies and financial markets.

Non-Diversification Risk – The concentration of investments in any one obligor would subject a Fund or Account to a greater degree of risk with respect to defaults by such obligor, and the concentration of investments in any one industry or country would subject a Fund or Account to a greater degree of risk with respect to economic downturns relating to such industry or country. Any concentration with respect to any particular obligor, industry or country could ultimately result in significant losses to a Fund or Account.

Participations Risk – The Funds and Accounts may acquire interests in loans indirectly by purchasing a participation interest from a selling institution. Holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan. Participations in a selling institution's portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the Funds and Accounts will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, the Funds and Accounts generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the Funds and Accounts will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan.

Credit Risk – Debt instruments are subject to credit risk. Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and debt instruments that are rated by rating agencies are often reviewed and may be subject to downgrade. The value of a debt instrument may decline because of concerns about an obligor's ability to make principal or interest payments.

Counterparty Risk – The Funds and Accounts are subject to credit risk with respect to the counterparties to certain derivative or other investment contracts, as well as other investments, such as loans. If a counterparty to such an investment becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, trade term disputes or other reasons, such Funds or Accounts may experience significant delays in obtaining any recovery under the investment. Moreover, the Funds and Accounts may obtain only a limited recovery or may obtain no recovery in such circumstances.

Interest Rate Risk – Debt instruments are subject to interest rate risk. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments may be negatively impacted by falling interest rates, depending on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Interest rate risk is generally greater for investments with longer duration.

Prepayment Risk – The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Floating rate issuers and borrowers tend to prepay their obligations when spreads narrow. In general, “premium” obligations (obligations whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” obligations (obligations whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. It may also be difficult to reinvest at similar risk-adjusted returns.

Market Volatility Risk – The value of a Fund’s or Account’s investments may decline due to changing economic, political, regulatory or market conditions. Economic, political, regulatory or market developments can affect a single obligor, obligors within an industry, economic sector or geographic region, or the market as a whole. Different parts of the market and different types of investments can react differently to these developments. Every investment has some level of market volatility risk.

Risks Associated with Bankruptcy Cases – Many of the events within a bankruptcy case are adversarial and 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 a bankruptcy court would not approve actions that may be contrary to the interests of our funds. Furthermore, there are instances where creditors lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor. Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and

negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the funds; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. Furthermore, certain CLO and Account documents may require the sale of a defaulted asset at a time that may not be advantageous to investors.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds and Accounts influence with respect to a class of investments can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests).

Public and Private "Side" Risk – Loans are negotiated, structured, administered and, as the situation arises, amended on the basis of the borrower providing its lenders with confidential information about the borrower's business. At times, such information may contain material, non-public information. As discussed in more detail in Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, under applicable law, Octagon and its related persons are prohibited from improperly disclosing or using material, non-public information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of the Firm. However, investors in loans may choose whether to receive borrower information that contains material, non-public information. Investors that choose to participate on the "private side" (i.e., investors that choose to obtain borrower information that contains material, non-public information) generally may not purchase or sell (but may continue to hold) the public securities of the borrower (e.g., high-yield bonds, convertibles, equities) until such time as the information in the Firm's possession is no longer deemed material, non-public information. The Firm may participate on either the "private side" or "public side" (i.e., choose to obtain borrower information that does not contain material, non-public information). However, if the Firm participates on the "public side" to avoid such trading restrictions, the Firm will not have access to borrower information that may be advantageous to a Fund or Account. Furthermore, other market participants could have possession of, and benefit from, such information.

Risks Related to Specific Types of Investments

Below is a table of risks where an “X” indicates that a particular type of investment may be material to a Fund’s or Account’s investment strategy. If a box does not have an “X,” it does not necessarily mean that a Fund or Account is precluded from investing in the type of investment indicated.

Investment Class	CLOs	Accounts	Private Funds
Leveraged Loans	X	X	X
Fixed Income Investments	X	X	X
High-Yield Investments	X	X	X
Zero-Coupon & Deferred Interest Bonds	X		X
U.S. Government Securities		X	X
Derivatives	X	X	X
Options			X
Futures			X
Non-U.S. Leveraged Loans	X	X	X
Structured Finance Obligations	X		X
Cash Equivalents	X	X	X
Debtor-in-Possession (DIP) Loans	X	X	X

Leveraged Loans – A Fund’s or Account’s investments are expected to consist of non-investment grade senior secured loans, notes, and bonds and interests therein that are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that any such investments will generally be subject to greater risks than investment grade corporate obligations. The prices of a Fund’s or Account’s investments may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, U.S. and non-U.S. economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of such Fund’s or Account’s investments.

Additionally, non-investment grade senior secured loans, notes and bonds and interests therein have significant liquidity and market value risks since they are not traded in organized exchange markets but are traded by banks and other institutional counterparties. Furthermore, because such loans are privately syndicated and the applicable loan agreements are privately negotiated and customized, such loans are not purchased or sold as easily as publicly listed securities.

While loans purchased by a Fund or Account are generally intended to be secured by collateral, the Fund or Account may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Firm cannot guarantee the adequacy of the protection of a Fund's or Account's interests. Furthermore, the Firm cannot assure a Fund or Account that claims may not be asserted that might interfere with enforcement of such Fund's or Account's rights. In the event of a foreclosure, a Fund or Account may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to such Fund or Account. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

If a Fund or Account invests in a derivative or other investment contract with economic exposure to non-investment grade senior loans, notes, and bonds and interests therein, the Fund or Account is unlikely to have voting rights with respect to the underlying borrower, depending on the financing terms of the contract.

Fixed Income Investments – Fixed-income investments pay fixed rates of interest. The value of fixed-income investments will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income investments can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed-income investments 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).

High-Yield Investments – The Funds and Accounts may invest in high-yield investments which may pay fixed, variable or floating rates of interest. High-yield investments face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt investments tend to reflect individual corporate developments to a greater extent than do higher-rated investments, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated investments. Companies that issue such investments are often highly leveraged and may not have available to them more traditional methods of financing. Major economic recessions could disrupt severely the market for such investments and may have an adverse impact on the value of such investments. In addition, it is possible that any such

economic downturn could adversely affect the ability of the issuers of such investments to repay principal and pay interest thereon and increase the incidence of default of such investments. As with other investments, there may not be a liquid market for certain high-yield investments, which could result in the Funds or Accounts being unable to sell such investments for an extended period of time, if at all. In addition, as with other types of investments, the market for high-yield investments has historically been subject to disruptions that have caused substantial volatility in the prices of such investments. Consolidation in the financial services industry has resulted in there being fewer market makers for high-yield investments, which may result in further risk of illiquidity and volatility with respect to high-yield investments, and this trend may continue in the future.

Zero-Coupon and Deferred Interest Bonds – Certain Funds may invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original 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 investment 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.

U.S. Government Securities – U.S. Government securities include a variety of securities that differ in their interest rates, maturities, and dates of issue. While securities issued or guaranteed by some agencies or instrumentalities of the U.S. Government (such as the Government National Mortgage Association) are supported by the full faith and credit of the United States, securities issued or guaranteed by certain other agencies or instrumentalities of the U.S. Government (such as Federal Home Loan Banks) are supported by the right of the issuer to borrow from the U.S. Government, and securities issued or guaranteed by certain other agencies and instrumentalities of the U.S. Government (such as Fannie Mae and Freddie Mac) are supported only by the credit of the issuer itself. Although Fannie Mae and Freddie Mac are now under conservatorship by the Federal Housing Finance Agency, and are benefiting from a liquidity backstop of the U.S. Treasury, no assurance can be given that the liquidity backstop will continue to be made available by the U.S. Treasury or that Fannie Mae and Freddie Mac will not be placed into receivership. If the U.S. Government fails to continue supporting Fannie Mae or Freddie Mac in the same manner that the U.S. Government currently is, or Fannie Mae or Freddie Mac are placed into receivership, the market price of securities issued by Fannie Mae or Freddie Mac may decline significantly and such securities may suffer losses. Investments in these securities are also subject to interest rate risk, prepayment risk, extension risk, and the risk that the value of the securities will fluctuate in response to political, market, or economic developments.

Derivatives – The Funds and Accounts may make use of various derivative instruments, such as options, futures, forwards and interest rate, credit default and total return swaps.

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

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (1) dependence on the ability to predict movements in the price of the investments hedged; (2) imperfect correlation between movements in the investments on which the derivative is based and movements in the assets of the underlying portfolio; and (3) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Options – Trading options is highly speculative and may entail risks that are greater than investing in other investments. Prices of options are generally more volatile than prices of other investments. In trading options, the Firm speculates on market fluctuations of investments and securities exchange indices while investing only a small percentage of the value of the investments underlying such option. A change in the market price of the underlying investments or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that the Firm purchases options that it does not sell or exercise, the funds will suffer the loss of the premium paid in such purchase. To the extent the Firm sells options and must deliver the underlying investments at the option price, the Private Funds have a theoretically unlimited risk of loss if the price of such underlying investments increases. If the Firm must buy those underlying investments, the Private Funds risk the loss of the difference between the market price of the underlying investments and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which the Firm can dispose of such an option may be less than in the case of an exchange traded option.

The Firm may cause the Private Funds to buy or sell over-the-counter options—options on investments that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The risk of nonperformance by the obligor on such an option may be greater, and the ease with which the Firm can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

Futures – Futures trading will have effects on the Private Funds similar to the effects of leverage. The Private Funds may participate in market price fluctuations of investments

underlying futures (or options on futures), while investing only a small percentage of the value of those underlying investments. The Private Funds may open a futures position by placing with a futures commission merchant an initial margin that is small relative to the value of the futures contract, making the transaction “leveraged”. If the market moves against a Private Fund’s position or margin levels are increased, the Private Fund may be called upon to pay substantial additional funds on short notice to maintain its position. If a Private Fund were to fail to make such payments, its position could be liquidated at a loss, and the Private Fund would be liable for any resulting deficit in its account. Futures positions may be illiquid because, among other things, exchanges may limit fluctuations in certain futures contract prices during a single day. Once the price of a contract for a particular future has increased or decreased by an amount equal to the “daily limit”, positions can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Such an occurrence could prevent the Firm from liquidating unfavorable positions and subject a Private Fund to substantial losses. In addition, the Firm may not be able to effect futures contract trades at favorable prices if trading volume in those contracts is low.

Non-U.S. Leveraged Loans – The Funds and Accounts may invest in obligations of non-U.S. obligors. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (1) less publicly available information; (2) varying levels of governmental regulation and supervision or changes in economic or monetary policy; (3) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws; (4) fluctuating currency exchange rates; and (5) less liquid, developed or efficient trading markets. Moreover, non-U.S. obligors may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies.

Structured Finance Obligations – Investing in structured finance obligations may entail a variety of unique risks, including prepayment risk. In addition, the performance of a structured finance obligations will be affected by a variety of factors, including its priority in the capital structure of the issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Rating agencies could also underestimate the default risks or the underlying receivables and how likely defaults could to be correlated. Moreover, rating agencies could have incomplete or insufficient data to adequately perform a credit analysis of the underlying receivables.

Cash Equivalents – Octagon may cause the Funds and Accounts to invest in cash and cash equivalents, which may include money market funds, U.S. government treasury bills, notes, bonds, bank deposits and commercial paper. However, investments in cash and cash equivalents do not necessarily protect you against the risk of loss and the value of your investment could decline. Furthermore, under adverse market conditions, a Fund or Account may not have immediate access to such investments. Because these investments provide relatively low income, a defensive or transition position may not be consistent

with achieving a Fund's or Account's investment objective. Furthermore, a Fund's or Account's fees and expense may exceed the return on such cash equivalents.

Debtor-in-Possession (DIP) Loans – DIP loans are generally senior secured loans to companies that have filed for bankruptcy. Although such loans contain certain contractual protections for lenders, investments in DIP loans are generally subject to all of the risks described under “*Leveraged Loans*,” above, and have additional heightened risks due to the financial distress of the borrower. DIP loans are also subject to the risk that the bankruptcy court could render decisions in a manner that is contrary to the intent of the borrower or lender, including the Firm, or commercial standards. In addition, DIP loans may be difficult to value.

ITEM 9: DISCIPLINARY INFORMATION

Not Applicable

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Firm is affiliated with other entities engaged in the financial services business. As discussed above, CCMP Capital, LLC, the parent company of CCMP Capital Advisors, a private equity investment firm, owns more than 50% of the Firm. CCMP Capital Advisors is registered as an investment adviser with the SEC. CCMP Capital Advisors (UK), LLP (“CCMP (UK)”), an affiliate of CCMP Capital Advisors, is registered with the Financial Services Authority in the United Kingdom. CCMP Capital Advisors and CCMP (UK) are under common control.

CCMP Capital Advisors' primary investment activity is, on behalf of the private equity funds it manages, making equity investments in privately owned companies, or making equity investments in publicly owned companies in connection with taking them private. CCMP Capital Advisors focuses on buyout and growth equity investments in North America and Europe. Octagon is not, however, a portfolio company of the private equity funds managed by CCMP Capital Advisors.

The Firm's investments consist of different investment asset classes than those that CCMP Capital Advisors generally invests in on behalf of its managed private equity funds. Moreover, Octagon does not participate in CCMP Capital Advisors' investment process and maintains a separate investment committee comprised of Octagon employees which is responsible for making the investment decisions on behalf of Octagon's clients in accordance with Octagon's investment strategy. While CCMP Capital Advisors has the right to appoint one additional member to the Octagon investment committee, such additional member would not be an employee of CCMP Capital Advisors.

The Funds and Accounts may invest in bank loans or high-yield securities of portfolio companies owned by the private equity funds managed by CCMP Capital Advisors. This could lead to conflicts of interest between CCMP Capital Advisors and Octagon. For example, if such a portfolio company were to experience financial difficulty, the interests of Octagon as a holder of debt could differ from the interests of CCMP Capital Advisors as a holder of the equity securities. If any conflict of interest were to arise, the conflict

would be resolved on a case-by-case basis with Octagon acting in a manner it believes to be in the best interests of the Funds and Accounts and CCMP Capital Advisors acting in a manner it believes to be in the best interests of the private equity funds it manages. However, Octagon believes that the amount of a portfolio company's bank loans or high yield securities owned by the Firm, on behalf of the Funds or Accounts, would typically be insufficient to create a material conflict of interest between Octagon and CCMP Capital Advisors, although some exceptions may occur.

Although Octagon and CCMP Capital Advisors share common areas within the same office space, Octagon and CCMP Capital Advisors personnel are otherwise separated from each other by physical barriers and access to non-common office space is strictly controlled. Octagon and CCMP Capital Advisors also maintain separate technology platforms and systems as well as hard documents and files. In addition, while Octagon and CCMP Capital Advisors may engage in discussions involving industry and sector trends as well as investment opportunities in the market, such discussions are subject to the compliance policies and procedures that have been implemented within and between their respective businesses, including the establishment of information barriers in order to mitigate the potential for any conflict of interest involving material, nonpublic information concerning an issuer of securities or a borrower of bank loans. As a result of such policies and procedures, it is possible that a Fund or Account may not be able to engage in certain transactions that it would otherwise find attractive, or may be able to engage in such transactions only during limited periods of time. For example, the Firm may be restricted from selling certain investments on behalf of the Funds or Accounts in a declining market due to the ownership of certain investments by CCMP Capital Advisors. Investors may be adversely affected by such restrictions. Moreover, notwithstanding the policies and procedures referred to above, Octagon and/or CCMP Capital Advisors may from time to time inadvertently or intentionally come into possession of material, non-public information concerning specific companies in the possession of the other, which, as discussed in more detail in Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, under applicable law, may limit the Firm's ability to buy or sell instruments issued by such companies on behalf of a Fund or Account.

As discussed above, the Firm acts as the investment adviser to the Funds and Accounts and receives a management fee in the ordinary course of business. A Fund or Account may be a related person of Octagon because: (1) the Firm acts as a general partner or a managing member (or in a similar capacity) to the Fund; and/or (2) the Firm and its personnel and related persons may directly or indirectly maintain substantial investments in the Fund or Account. Additionally, although such a transaction would not be in the ordinary course of business, a CLO portfolio may invest in a portion of the liabilities of another CLO, where Octagon acts as collateral manager to each CLO. For a discussion of the investments by the Firm and its personnel in the Funds and Accounts, please see Item 6 – *Performance-Based Fees and Side-by-Side Management* and Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*.

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

Code of Ethics

Octagon has adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act covering such matters as (1) general standards of business and personal conduct; (2) the proper use and safeguarding of confidential information; (3) prohibitions against securities transactions when in possession of material, nonpublic information; (4) personal conflicts of interest, including outside activities and gifts; and (5) personal securities transactions policies.

Any client or prospective client may obtain a copy of the Code of Ethics upon request by contacting the Firm at the contact information that appears on the cover page of this Brochure.

Participation or Interest in Client Transactions

As discussed in Item 5 – *Fees and Compensation* and Item 6 – *Performance-Based Fees and Side-by-Side Management*, Octagon and its related persons may: (1) be entitled to a performance fee; and (2) directly or indirectly maintain investments in one or more Funds or Accounts. For example, certain key personnel of the Firm or CCMP Capital Advisors (including, but not limited to, the Firm's portfolio management personnel responsible for the management of the Funds) who are "knowledgeable employees" (as defined in Rule 3c-5 under the Investment Company Act of 1940) or who meet the Fund's financial eligibility criteria may invest, and have invested, in certain Funds. Octagon and its affiliates also directly or indirectly maintain investments in some or all of the Funds or Accounts.

These interests may create an incentive to favor a Fund or Account over other client accounts when, for example, placing trades, aggregating orders or engaging in cross or principal trades, as applicable. The Firm maintains policies and procedures, including the Code of Ethics and policies and procedures regarding the aggregation and allocation of investments (please see Item 12 – *Brokerage Transactions*), reasonably designed to ensure that Octagon and its personnel service all client accounts in a manner consistent with the duties an adviser owes to its clients and applicable law and without considering such persons' ownership, compensatory or other pecuniary or financial interests.

Cross Trades

A cross trade occurs where an adviser effects a transaction between two or more different funds or accounts over which the adviser exercises discretionary management authority. Although an investment adviser may find it advantageous to effect such cross trades (e.g., to minimize transaction expenses), these transactions may pose the potential for conflicts of interest because an adviser could effect a transaction on terms more favorable to one client than the other.

The Firm may cause a Fund or Account to acquire or dispose of an investment in cross trades between the Fund or Account and other clients advised by the Firm or its affiliates. For example, during the wind-down period of a CLO, the Firm may purchase assets of the CLO on behalf of a Fund or Account, provided such purchase is consistent with the Fund's Governing Documents or Account's Account Documents. Such trades will be effected at market value or, in the absence of a readily ascertainable market value, at "fair value" as reasonably determined by the Firm in accordance with its relevant policies and procedures. Although the Firm generally does not intend to engage in cross trades, the Firm will only effect cross trades if the trades are: (1) pre-approved by the Firm's Chief Executive Officer and Chief Compliance Officer; and (2) consistent with applicable law, industry standards, a Fund's Governing Documents or Account's Account Documents and the Firm's policies and procedures.

Principal Trades

Principal transactions are transactions conducted by an investment adviser with a client when the adviser or its affiliate is acting as principal for its own account and knowingly buys securities from, or sells securities to, a client. Principal transactions may pose the potential for conflicts of interest between an adviser and its client.

To the extent that a Fund or Account is deemed to be controlled by Octagon and its related persons (generally, if more than 25% of the Fund's or Account's assets are attributable to proprietary and personal investments by Octagon and its related persons), any transaction between the Fund or Account and another account advised by Octagon will be treated as a "principal transaction." The Firm may effect such trades at market value or, in the absence of readily ascertainable market value, at "fair value" as reasonably determined by the Firm in accordance with its relevant policies and procedures, provided that the Firm obtains consent to such transaction from the client following written disclosure prior to settlement of such transaction, in accordance with applicable law. Although the Firm generally does not intend to engage in principal trades, the Firm will only effect principal trades if the trades are consistent with applicable law, industry standards, a Fund's Governing Documents or Account's Account Documents and the Firm's policies and procedures.

Valuation

The Firm may have a role in determining asset values with respect to the Funds and Accounts and may be required to price an investment when the market price is

unavailable or unreliable. Investments that are fair valued in accordance with the Firm's valuation policies generally will not have reliable market values and the fair value assigned to such investments, as determined in good faith by the Firm in accordance with its policies and procedures, may not match the next available and reliable market price or, in retrospect, have been the price at which the investment could have been purchased or sold.

Inconsistent Investment Positions, Timing of Competing Transactions and Transactions with Other Clients

Octagon takes investment positions or actions for one or more Funds or Accounts that may be different from, or inconsistent with, an action or position taken for one or more other Funds or Accounts having similar or differing investment objectives and such actions may be taken at differing and potentially inopportune times. When a position is established or disposed for one Fund or Account ahead of, or contemporaneously with, similar portfolio decisions or strategies for another Fund or Account, market impact, liquidity constraints, or other factors could result in one or more Funds or Accounts receiving less favorable trading results, the costs of implementing such portfolio decisions or strategies could be increased, such Funds or Accounts could be diluted, the values, prices or investment strategies of another Fund or Account could be impaired or such Funds or Accounts could otherwise be disadvantaged. For example, one Fund or Account may sell an investment and the other Funds and Accounts may maintain or add to their position in the same investment. The initial sale may result in a decrease in the price of the investment which the other Funds and Accounts continue to hold, and, as a result, the value of an investment in the other Funds or Accounts may decrease, depending on the market impact of such sale.

It is also possible that an investment made for a client account may be *pari passu*, senior or junior in ranking to an investment in such issuer's obligations or securities held in another client account(s). If an issuer in which different Funds or Accounts hold different classes of securities (or other assets, instruments or obligations issued by such issuer) encounters financial problems, decisions over the terms of any workout will raise conflicts of interests. The Firm may, among other things and on a case-by-case basis, refrain from participating or may exercise the rights of all such Funds or Accounts to the fullest extent, even though doing so may disadvantage some Funds or Accounts.

Material Non-Public Information

The Firm and its related persons may, from time to time, come into possession of material, nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold an investment. Under applicable law, Octagon and its related persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of the Firm. Accordingly, should such persons come into possession of material, nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, their respective clients, and have no

obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, their clients when following policies and procedures designed to comply with applicable law.

As discussed above, Octagon's Code of Ethics establishes procedures, including information barriers, to prevent the misuse of material, non-public information by Octagon and its personnel.

ITEM 12: BROKERAGE PRACTICES

Selection of Broker-Dealers

Pursuant to the investment guidelines set in the relevant Governing Documents or Account Documents, Octagon may have the authority to determine, without obtaining specific consent of a client, the securities and loans to be bought or sold (and the amounts thereof) on behalf of the Funds and Accounts. Octagon is authorized to determine the broker or dealer to be used in each of such transactions, if any.

Octagon has a fiduciary obligation to seek to obtain "best execution" in executing portfolio transactions on behalf of its clients. However, Octagon does not typically pay commissions for each securities or loan transaction, but rather, it seeks to obtain the best overall terms at the time of execution. In a Private Fund, the Firm executes options trading through a prime broker pursuant to a fixed commission schedule. Such commissions are not expected to have a material impact on fees and expenses; however, such commissions may not be the lowest available. In addition, in many cases, the Firm's transactions on behalf of the Funds and Accounts are privately negotiated and do not involve the use of a broker or dealer. In those cases, Octagon seeks to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to the Funds and Accounts.

In executing transactions for a client and selecting brokers or dealers, the Firm shall use commercially reasonable efforts to seek the best overall terms available, and shall execute or direct the execution of all such transactions in a manner permitted by law and in a manner that it believes to be in the best interest of the client, taking into account all factors it deems relevant including, but not limited to, the timing for such purchase or sale, the breadth of the market in the relevant security or loan, market conditions, assignment fees, price, the financial condition and execution capability of the broker or dealer and the reasonableness of any basis. Pursuant to its investment determinations for a client, in placing orders with brokers and dealers, the Firm will use commercially reasonable efforts to obtain the best net price and the most favorable execution of its orders. If the Firm believes that the most favorable terms and executions are obtainable from more than one broker or dealer, it may give consideration to placing portfolio transactions with those brokers and dealers who also furnish research, execution and other services in a formal soft dollar arrangement to the client or to the Firm itself ("soft dollar services").

Octagon presently has no soft dollar service arrangements in place, although certain broker-dealers selected by the Firm may provide over-the-transom, proprietary research at no stated cost or requirement of executing a particular amount of transactions. In the event the Firm initiates a soft-dollar service arrangement, the Chief Compliance Officer and Operating Committee must first approve the arrangement. Soft dollar services, if any, might be used to service all of Octagon's clients, or just those clients paying for the service. Soft-dollar service arrangements could give rise to a conflict of interest because client brokerage commissions would be used to pay for research, execution and other services that the Firm would have otherwise been required to pay for out of its own expenses. Furthermore, the Firm would have an incentive to select a broker or dealer that provides such research, execution and other services over those that do not provide such services. However, notwithstanding such incentive, the Firm remains obligated to seek to obtain "best execution" in executing portfolio transactions on behalf of its clients.

In addition, the Firm may use a variety of broker-dealers to execute transactions, some of which may also refer clients or investors to the Firm or Funds. Such referrals can create a conflict of interest because they benefit the Firm without benefitting the Funds. As a matter of policy, the Firm does not allocate brokerage to compensate any broker for, or in recognition of, client or investor referrals; however, Octagon may select a broker-dealer that has referred, or may refer, business when doing so is consistent with its duty to seek best execution. To prevent brokerage commissions from being used to compensate brokers for past or expected referrals, the Firm will not allocate brokerage business to a broker that has referred or may intend to refer clients or investors unless the Firm determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to a Fund or Account.

Aggregation and Allocation of Orders

If it is determined that the purchase or sale of the same asset is in the best interest of more than one client, the applicable trader(s) may, but is not obligated to, aggregate orders placed simultaneously in order to seek to obtain best execution and reduce transaction costs to the extent permitted by applicable law. Such orders will be placed, and associated transaction costs allocated, in accordance with the applicable organizational documents for the clients involved. Clients participating in aggregated trades are allocated positions based on the average price achieved for such trades.

If the Firm is presented with an investment opportunity that falls within the investment objectives of more than one Fund or Account, the Firm will allocate the opportunity among one or more of such Funds and Accounts on a basis that the Firm determines in good faith is appropriate taking into consideration such factors as:

- the fiduciary duties owed to a client;
- the primary mandates of clients;
- the purchasing capacity available to clients;
- any restrictions or limitations on investment;

- the perceived liquidity of an investment;
- the relation of such opportunity to the investment strategy of the client;
- reasons of portfolio balance; and
- any other consideration deemed relevant by the Firm.

Allocation decisions will be made by the portfolio managers responsible for the purchase and sale of investments for the respective client accounts. Although such allocations may be *pro rata* as to participating clients, for a variety of reasons including but not limited to those reasons above, *pro rata* allocation of investment opportunities is unlikely. The Firm does not prescribe one specific manner in which assets will be allocated among clients, and the Firm may use rotational, percentage or other allocation methods, as permissible under a client's respective Governing Documents or Account Documents. In certain circumstances, the Firm may give special consideration to certain client accounts such as a new account (including, as discussed above, those in which the Firm and/or its personnel have a direct or indirect interest or those that pay a performance-based fee, as discussed in Item 6 – *Performance-Based Fees and Side-by-Side Management*) and/or an account with a substantial amount of purchasing capacity, taking into consideration the factors described above.

ITEM 13: REVIEW OF ACCOUNTS

Nature and Frequency of Client Account Reviews

Each Fund and Account has one assigned portfolio manager. On a daily basis, Octagon portfolio managers and analysts will monitor events relating to the investments held by such Funds and Accounts, including their performance and credit quality. The Governing Documents for the Funds and Account Documents for the Accounts contain certain investment restrictions and, with respect to the CLOs and Accounts, may contain other tests, such as detailed coverage tests, portfolio profile tests, and/or collateral quality tests, that will be monitored. For the CLOs, the trustee prepares schedules of fees and expenses, distributions and dividends (the "waterfall"), which are reviewed and agreed to by Octagon's finance group. On a monthly and quarterly basis (as applicable), Octagon's finance group reviews investment holdings for compliance with their respective investment guidelines. For those client accounts whose organizational documents require a trustee or administrator to produce monthly or quarterly compliance reports, the finance group also works with them to review and approve such reports. The applicable portfolio manager for each such account will receive and review a copy of the monthly and quarterly reports, as applicable. In addition, the Chief Investment Officer meets with portfolio managers as needed to review the trustee's or administrator's account reports, or to discuss riskier credits that may be held in an account.

For the Private Funds, the accounting group or administrator generates a daily flash profit and loss report based on daily third-party mark-to-market fund positions. This report is reviewed by the finance group and portfolio managers.

Octagon's Investment Committee consists of the Chief Investment Officer and the portfolio managers. The Strategic Review Committee (which includes the Investment Committee and Heads of Business Development and Investor Relations) meets monthly to review current macro-economic trends. As necessary, the Investment Committee will meet to approve new investments. The Investment Committee also meets at least quarterly to review all securities and loans that are held in each Fund's or Account's portfolio. If special developments occur, the Investment Committee will meet as necessary.

The Operating Committee (which includes the Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer, the Head of Collateral Administration, and the Head of Investor Relations) provides oversight over all trading, including, but not limited to, best execution, trade errors, valuation, allocation and aggregation, adherence to investment guidelines and related issues. The Operating Committee meets at least quarterly.

Frequency and Content of Client Account Reports

The Firm will provide written reports (at such frequency) as will be required by the applicable agreements with each client. As a general matter, however, investors in the CLOs receive monthly trustee reports and quarterly note valuation reports from each CLO's Trustee. These reports are reviewed for accuracy and completeness by Octagon.

Investors in the Accounts receive monthly trustee reports from their account's trustee. The Private Funds and certain Accounts also receive an annual audit of their account pursuant to their respective organizational documents. Other reports may be given as per the terms of each particular investment advisory agreement. Investors in the Private Funds receive reports as provided for in such fund's Governing Documents.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Not Applicable

ITEM 15: CUSTODY

Due to certain arrangements, Octagon may be deemed to have "custody" of client accounts within the meaning of Rule 206(4)-2 under the Advisers Act because the Firm may have access to or authority over client funds and securities for purposes other than issuing trading instructions. If the Firm is deemed to have custody over your account, your custodian will send you periodic account statements (generally on a quarterly basis) indicating the amounts of any funds or securities in your account as of the end of the statement period and any transactions in the account during the statement period. You should review these statements carefully. Additionally, you should contact us immediately if you do not receive account statements from your custodian on at least a quarterly basis. If you should discover any discrepancy between the account statements, please contact us immediately.

With respect to the Private Funds, the Firm may comply with Rule 206(4)-2 under the Advisers Act by providing investors with audited financial statements within 120 days following the Private Fund's fiscal year end. Investors should review these audited financial statements carefully. If you have not received audited financial statements timely, please contact us immediately.

As noted in Item 13 – *Review of Accounts*, above, the Firm may provide you, separately, with reports or account statements providing information about the account. You should compare these carefully to the account statements you receive from your custodian or the audited financial statements you receive from the Firm.

ITEM 16: INVESTMENT DISCRETION

As discussed in Item 4 – *Advisory Business*, the Firm generally provides advisory services on a discretionary basis to the Funds and Accounts. The limits upon the Firm's investment discretion are established with the investors in the Funds and Accounts, and are ultimately reflected in the Governing Documents for a Fund or Account Documents for an Account. These limits are established on a case by case basis and will vary from Fund to Fund or Account to Account.

ITEM 17: VOTING CLIENT SECURITIES

The Firm has adopted written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. Under these policies and procedures, the Firm will vote proxies in the best economic interests of its clients over the long term and will not place its interests above those of the Funds and Accounts. These policies and procedures also include how Octagon addresses material conflicts that may arise between its interests and those of the Funds and Accounts. However, due to the nature of Octagon's business, it is very rare that the Firm will be asked to vote a proxy for a publicly traded equity security held on behalf of a Fund or Account. The following is a brief summary of the Firm's proxy voting guidelines.

All proxy materials received by Octagon for the Funds and Accounts are forwarded to the Firm's Chief Compliance Officer or his or her designee. The Chief Compliance Officer records on a log the name of the company to which the proxy materials relate, the date the proxy materials are received and the date by which the proxy needs to be voted.

Upon completion of a reconciliation process, the Chief Compliance Officer forwards the proxy materials to the appropriate Investment Committee member for voting. The Investment Committee or its designee shall vote all proxies in the best interests of Octagon's clients pursuant to the goals of the client's investment strategy. The Investment Committee will follow the procedures set forth in the policies and procedures in order to ensure that proxies are voted in the best economic interests of the Firm's clients.

Prior to exercising voting authority on any other matter, the Investment Committee shall review the proxy materials and undertake a reasonable investigation to determine whether

any of the matters to be voted on present a material conflict of interest between the Firm and the interests of the Funds or Accounts.

Where the Investment Committee's investigation determines that a material conflict of interest may exist, it shall take reasonable steps to ensure that the conflict does not influence the Investment Committee to vote a proxy in a manner that is not in the best interests of the Funds and Accounts. These steps may include, but are not limited to any one or a combination of the following: (1) consult with Octagon's outside counsel to determine how to vote in a manner that will be in the best interests of the Funds and Accounts; and (2) erecting information barriers around conflicted Firm personnel to ensure that they do not influence the voting decision.

The Investment Committee shall make and maintain a record describing any steps taken to prevent a potential material conflict of interest from causing a proxy to be voted in a manner that is not in the best economic interest of the Funds and Accounts. Where the Investment Committee determines that no material conflict of interest exists, the matter shall be analyzed based on its specific facts and circumstances and the Investment Committee shall vote on the matter in the best interests of the Funds and Accounts.

Clients of the Firm, as well as investors in the Funds, may obtain (1) information about how Octagon voted proxies on their behalf; and (2) a copy of the Firm's proxy voting policy and procedures, by contacting Investor Relations, at the following information:

Octagon Credit Investors, LLC
Attn: Head of Investor Relations
245 Park Avenue, 16th Floor
New York, New York 10167
(212) 400-8400
gduarte@octagoncredit.com
www.octagoncredit.com

ITEM 18: FINANCIAL INFORMATION

Not Applicable