

# ICE Canyon LLC

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Brochure: Part 2A

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This brochure provides information about the qualifications and business practices of ICE Canyon ("ICE Canyon" or the "Adviser"). If you have any questions about the contents of this brochure, please contact Doug Anderson at (310) 272 1360. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

**Additional information about ICE Canyon also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Material Changes

The most recent update to this brochure was made in March 2013. ICE Canyon has updated its brochure to more fully describe its policies and procedures regarding proxy voting, to clarify its gifts and business entertainment policy, and more clearly describe its policies regarding client referrals.

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## **Advisory Business**

ICE Canyon LLC (“ICE Canyon” or the “Adviser”) is a leading global investment management firm specializing in Emerging Markets and Global Credit investment strategies covering all sectors of the EM Fixed Income and Global Credit Universe: EM Sovereign, EM Local Currency, EM Corporate Credit, EM Bank Loans, EM Special Situations, EM Distressed, and other Global Credit opportunities.

ICE Canyon is equally owned by Range Capital LP and Canyon Capital Advisors LLC (“CCA”). Range Capital is ultimately controlled by Nathan B. Sander and CCA is ultimately controlled by Joshua S. Friedman and Mitchell R. Julis. ICE Canyon has been registered with the SEC as an investment adviser August 2007. ICE Canyon provides discretionary advisory services to private investment vehicles (referred to hereinafter as a “Fund” or collectively as “Funds”) and managed accounts (together with Funds, collectively referred to as “Client(s)”). As of December 31, 2012, ICE Canyon had nine (9) Clients and regulatory assets under management of approximately \$3.3 billion, all of which is managed on a discretionary basis.

Advisory services are generally not tailored to the individual needs of Fund investors and Fund investors are generally not permitted to impose restrictions on investing in certain securities or types of securities. However, with respect to managed accounts, Clients may obtain tailored advisory services and impose restrictions on investing in certain securities or types of securities, all of which would be detailed through a written investment advisory agreement.

The principals of ICE Canyon are Nathan B. Sandler, Joshua S. Friedman, and Mitchell R. Julis (collectively, the “ICE Canyon Principals”). Mr. Sandler leads ICE Canyon and is responsible for the investment activities of ICE Canyon’s Clients as well as ICE Canyon’s research strategy and firm management. Messrs. Friedman and Julis are responsible for the investment activities of CCA as well as CCA’s research strategy and firm management.

## **Fees and Compensation**

Clients are typically charged an asset based fee and/or an incentive based fee (commonly referred to as a performance allocation or fee). The asset based fees are normally charged at an annual rate of between 1% and 2% of the value of the Client’s net assets under management and are generally payable monthly or quarterly in arrears depending on the investment advisory agreement. The fee will be based on the account value on the last business day of the preceding calendar month or quarter, as applicable. The first payment, if based on less than a full period, will be pro-rated to cover the period from the date the account is opened through the end of that calendar year, quarter or month, as applicable. The performance allocation or fee generally equals 20% per annum of the net profit in a Client’s account, typically subject to a loss carryforward adjustment and a “high water mark”, and is generally payable in arrears at the end of each calendar year but may be payable more frequently if provided for in the investment advisory agreement. Upon termination of the investment advisory services, any unpaid portion of fees will be determined and due on a pro rata basis. In certain circumstances the performance allocation or fee may be measured over a multi-year period and/or subject to hurdle.

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

Prepayment of fees is generally not required. In certain circumstances, fees may be individually negotiated by Fund investors and/or managed accounts. Negotiated fees may be higher or lower than

those discussed above. Similar services may be available from other investment advisers at a lower cost.

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

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

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

## **Performance-Based Fees and Side-by-Side Management**

As noted above, ICE Canyon earns a performance allocation or fee. ICE Canyon Clients may or may not be charged a performance allocation or fee, and if charged, the actual performance allocation or fee charged to a specific Client may vary. As a result, there may be an incentive for ICE Canyon to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework or to favor those Clients with higher performance allocations or fees over Clients without or with lower performance allocations or fees. ICE Canyon seeks to mitigate this risk by, among other things, seeking to allocate investments in a fair and equitable manner over time among its Clients. For more information on ICE Canyon's allocation procedure, please see Brokerage Practices – Allocation of Investment Opportunities. In addition, ICE Canyon will receive performance based compensation on unrealized appreciation as well as realized gains with respect to certain Clients.

## **Types of Clients**

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

ICE Canyon will generally manage investment advisory accounts with a minimum size of \$50,000,000 and will further require that no withdrawal may be permitted if to do so reduces the account to less than \$25,000,000, unless the account is being terminated. However, ICE Canyon may, in its discretion, based upon its total client relationship and other circumstances, accept smaller accounts from time to time. Fund investors must meet the investor qualifications associated with each Fund.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

ICE Canyon seeks to generate attractive risk-adjusted absolute returns and long-term value from specialist strategies in Emerging Markets and Global Credit. ICE Canyon's investment philosophy aligns long-term value creation in global investing to the primary forces of global economic growth, corporate earnings, and new market opportunities - i.e., Emerging Markets.

ICE Canyon's investment strategies seek to generate long-term value at the intersection of what ICE Canyon believes are the following secular forces:

- 1) Globalization: Deepening linkages between advanced economies and emerging markets;
- 2) Emerging markets: The primary force for global economic growth. High growth rates as the catalyst for strong corporate earnings, rising incomes, improving living standards, a rapidly expanding middle class, and the proliferation of new markets for products, services, and investments;
- 3) Emerging markets credit where financing meets growth: Global investment strategies financing EM growth opportunities - acquisition finance, project finance, infrastructure, rescue finance, recapitalization and restructuring; and
- 4) A Paradigm Shift: A paradigm shift is underway in global investing and the long-term balance of economic, financial, geopolitical power is shifting away from the advanced economies to the emerging markets. ICE Canyon's investment philosophy takes account of these paradigm shifts and their impact on asset allocation, investment strategy, and long-term value creation.

The Adviser uses an integrated, bottom-up, research-driven, value-seeking investment approach using probabilistic scenario analysis as the cornerstone to decision-making and asset allocation. The investment approach is designed to identify and exploit asymmetrical market opportunities – where the risk of any permanent loss of capital is well contained and the investment strategy is positively linked to significant upside catalysts. ICE Canyon's investment strategy targets core value, deep value, and event-driven investment opportunities. Core value positions are defined as long portfolio positions to generate high current income and potential for capital appreciation. Event-driven opportunities are defined as long or short positions where near-term credit fundamentals and investment outcomes are driven by exogenous or endogenous performance catalysts. Special situations are defined as long portfolio positions in deep discount or defaulted credit opportunities where downside outcomes are fully discounted and current market valuations are below expected post-restructuring valuations.

ICE Canyon utilizes a rigorous, bottom-up, research-driven, value-based investment approach. Scenario analysis is used to map the widest range of possible outcomes for each investment. Specific performance benchmarks are defined for each scenario. Actual outcomes are regularly measured against expected outcomes and this forms the basis for risk management. Through this analytical framework, a dynamic link is established between credit fundamentals, market valuations, and investment strategy.

This investment process consists of the following steps:

1. The Investment Universe. The investment universe defines the potential opportunity set for investment. This opportunity set is the “raw material” for investment strategy and product development. The scope of coverage encompasses: Emerging Markets Credit (as defined by the International Bank for Reconstruction and Development; International Credit (OECD countries, ex-US); and multi-sector asset classes, including bank loans, sovereign and corporate bonds,

structured finance, project finance, credit derivatives, distressed and special situations, convertible debt, and local currency debt.

2. Analysis of Investment and Credit Fundamentals. A formal analysis of sovereign investment and corporate credit fundamentals is used to isolate credit strengths and weaknesses and define key performance catalysts. Sovereign analysis includes GDP fundamentals, monetary policy, exchange rate policy, financial sector, debt dynamics, political, market liberalization, structural reforms, and geopolitical position. The Adviser's corporate analysis includes due diligence on the following: company background, competitive analysis, ownership structure, company operating fundamentals, cash flow analysis, enterprise valuation, capital structure and leverage, debt service capacity, management, reporting practices and covenants. Generally, the Fund's investment strategy targets countries and companies that most closely exemplify the convergence story of the emerging markets - that is, EM countries and companies building the deepest linkages to the developed markets.
3. Scenario Analysis. Potential outcomes and risk/return profiles are mapped for each investment under three scenarios: Best Case, Base Case, and Worst Case. The Best Case scenario describes outcomes that would generally give rise to stronger underlying credit fundamentals, and improving debt service capacity, and capital appreciation from tightening credit spreads. The Base Case describes the most likely outcomes for the key investment catalysts of a given investment, including macroeconomic, political, and financial variables. In contrast, the Worst Case scenario describes outcomes that would generally lead to an economic or financial crisis, deteriorating credit fundamentals, and eroding debt service capacity with higher corresponding default risks. Key performance benchmarks are defined for each scenario. Actual outcomes are tracked against expected outcomes and regularly evaluated as the basis for risk management.
4. Portfolio Selection and Asset Allocation. Global Macro overlays set portfolio parameters and a bottom-up selection process is used for asset allocation. Global Macro overlays include economic growth assumptions, interest rate duration, credit spread duration, credit quality, liquidity, and tail risks. These overlays are used in conjunction with the Adviser's investment approach to determine its portfolio construction, which is derived from a bottom-up asset allocation emphasizing global multi-sector diversification, low-expected correlation, and position limits. Under normal market conditions, the Fund will seek to implement a balanced investment strategy, diversified with respect to geography and industry sector.
5. Trading, Portfolio Rotation, Sell Discipline. All investment strategies are actively managed using a strategic investment approach. Investment strategy is regularly adapted to changing market conditions. The Adviser's exit strategy (portfolio rotation and sell discipline) is defined by the following inputs: changing market conditions, changing credit fundamentals, changing valuations, realization of targeted returns, relative quality swaps, and duration management.
6. Principles for Responsible Investment. In determining appropriate investments for the Fund, the Adviser intends to integrate environmental, social and governance ("ESG") factors into its investment analysis and decision making process using the framework provided by the Equator Principles and the Principles for Responsible Investment. The Equator Principles are a set of internationally recognized, voluntary project finance guidelines that establish social and environmental standards in the banking industry. The Principles for Responsible Investment are an initiative of the United Nations Secretary-General and provide a list of possible actions for incorporating ESG issues into mainstream investment decision making and ownership practices. The Fund's adherence to ESG criteria may affect the Fund's ability to take advantage of certain investment opportunities that, in the determination of the Adviser, do not meet such criteria.

The Adviser's general investment process seeks to maximize risk-adjusted returns from income and medium-term capital appreciation. The investment process generally targets five broad categories of opportunities: Convergence Themes, Event-Driven Situations, Turnaround Situations, Distressed Opportunities, and Special Situations.

- 1) Convergence Themes. Convergence plays attempt to exploit the secular improving credit story of the emerging markets. These opportunities target countries and companies most highly leveraged to globalization and deepening linkages to the developed markets and other emerging markets. For countries, the convergence story develops from a strong commitment to economic reforms. Economic reforms promote macroeconomic stability and unleash private sector productivity and efficiency. For private sector companies, the convergence story develops from increasing trade linkages, strategic alliances, cross-border acquisitions, major market equity listings, and leveraging international brands in local markets.
- 2) Event-Driven. Event-driven opportunities arise when credit fundamentals are transformed by endogenous or exogenous catalysts. The intersection of Convergence and Event-Driven opportunities are frequently the most interesting. In these situations, cross-border mergers & acquisitions creates new linkages to developed markets and (frequently) improving credit profiles. Key investment themes: early stage cross-border mergers & acquisitions targets in globally consolidating sectors, change in corporate strategy, and surprise financial disclosures.
- 3) Turnarounds. Turnaround situations attempt to capture the transformation from weak to strengthening credit fundamentals. Weakening credit fundamentals could be the result of unfavorable global commodity trends, poor operating or financial management, or exogenous shocks. Turnaround plays generate excess returns from improving credit profiles that lower associated risk premiums, leading to higher valuations. Key investment themes: asset coverage, recapitalization and financial flexibility, dominant competitive position, and a strategic position in a strategic sector.
- 4) Distressed. The best distressed opportunities arise when market valuations fully discount worst case outcomes. Where downside risks are mitigated by strong asset coverage and other factors, debt restructuring and other positive catalysts can work to unlock upside value. A related aspect to distressed investing involves maximizing the recovery value of positions that become distressed.
- 5) Special Situations. Special situations develop from special situations financing with attractive pricing, covenant structure, and collateral protection.

## **General Risks**

### **Possibility of Losses**

Account values will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the issuers of the underlying securities acquired, governmental intervention, market conditions, and local, regional, national and global economic conditions. Therefore, Clients and Fund investors may lose all or a portion of their principal invested with ICE Canyon if the trading strategies are not successful.

### **Past Performance**

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

### Portfolio Concentration

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

### Volatility

The prices of some of the instruments traded by ICE Canyon have been subject to periods of excessive volatility in the past, and such periods may continue. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

While volatility can create profit opportunities, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted; causing what should otherwise be comparatively low risk positions to incur significant losses. On the other hand, the lack of volatility can also result in losses for certain positions that profit from price movements.

### Possible Ineffectiveness of Risk Reduction Techniques

ICE Canyon may employ various risk reduction strategies designed to minimize the risk of Clients' trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement, and when possible will not always be effective in limiting losses. If ICE Canyon analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with Client investments, such risk reduction techniques could increase rather than mitigate losses. These risk reduction techniques may also increase volatility and/or result in a loss if the counterparty to the transaction does not perform as promised. Moreover, even though ICE Canyon may employ "stop loss" orders on individual positions, there is no assurance that any such order will be executed at or near the desired "stop loss" level.

### Leverage

Although ICE Canyon has traditionally utilized limited leverage, it may in the future utilize more leverage as part of its investment strategy and process. Leveraging may arise by margin loans on a Client's securities, as well as through the use of hedging and put/call, long/short investment strategies. If the amount of leverage which a Client may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Client's portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains (in excess of borrowing costs) made with the additional monies borrowed will generally cause the net asset value of a Client account to rise more rapidly than would otherwise be the case. Conversely, any investment losses with respect to the additional monies borrowed (including the failure by the Client to cover their cost) will generally cause the net asset value of the Client's portfolio to decline faster than would otherwise be the case. To the extent that Client assets are deposited as margin and therefore not fully paid for, a bankruptcy of a prime broker may expose the Client to loss in that it may only be able to share as an unsecured creditor in that prime broker's assets.

### Investments in Restricted Securities

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



## **Investment Risks**

### **Emerging Markets**

ICE Canyon will trade in emerging markets. These markets tend to be inefficient and illiquid as well as subject to political and other factors which do not typically affect more developed economies. Clients may sustain losses as a result of market inefficiencies or interference in emerging markets which would not take place in more developed markets.

ICE Canyon will invest in sovereign debt issues by emerging market countries as well as in debt and equity investments of companies and other entities in emerging markets. Many emerging markets are developing both economically and politically and may have relatively unstable governments and economies based on only a few commodities or industries. Many emerging market countries do not have firmly established product markets and companies may lack depth of management or may be sovereigns vulnerable to political or economic developments such as nationalization of key industries. Investments in companies and other entities in emerging markets involve a high degree of risk and are speculative. Risks include (i) greater risk of expropriation, confiscatory taxation, nationalization, social and political instability (including the risk of changes of government following elections or otherwise) and economic instability; (ii) the relatively small current size of some of the markets for securities and other investments in emerging markets issuers and the current relatively low volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which may restrict ICE Canyon's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; (iv) the absence of developed legal structures governing private or foreign investment and private property; (v) the potential for higher rates of inflation or hyper-inflation; (vi) currency risk and the imposition, extension or continuation of foreign exchange controls; (vii) interest rate risk; (viii) credit risk; (ix) lower levels of democratic accountability; (x) differences in accounting standards and auditing practices which may result in unreliable financial information; and (xi) different corporate governance frameworks. In addition, custodians in these markets are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Client will not be recognized as the owner of securities held on its behalf by a custodian or sub-custodian. The emerging markets risks described above increase counterparty risks for the Client investing in those markets. In addition, investor risk aversion to emerging markets can have a significant adverse effect on the value and/or liquidity of investments made in or exposed to such markets and can accentuate any downward movement in the actual or anticipated value of such investments which is caused by any of the factors described above.

Emerging markets have market imperfections, analysis of which requires long experience in the market and a range of complementary specialist skills. These imperfections include (i) the effect of politics on sovereign risk and asset price dynamics; (ii) institutional imperfections in emerging markets, such as deficiencies in formal bureaucracies and historical or cultural norms of behavior at the level of individual economic factors; (iii) the fact that asset classes in emerging markets are still developing and the information driving markets is a small proportion of the available information, and underlying development and sovereign risk fundamentals may take days, months and sometimes years to impact asset prices; (iv) liquidity imperfections and the unpredictability of market concentration; and (v) information asymmetries, most typically the result of experience and local knowledge and the fact that some market participants have access to relevant market information that others do not. Whilst ICE Canyon will seek to take advantage of these market imperfections to achieve investment performance for its Clients, it is not guaranteed that it will be able to do so. A failure to do so could have a material adverse affect on the Clients' accounts. As the Client will be investing in emerging market investments, the performance of the Client's account will be closely related to the condition of emerging markets.

Clients should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate.

#### Investments made by ICE Canyon

ICE Canyon may invest in a broad array of financial instruments. These may include the financial instruments of foreign entities, which may be both public and private. In addition to the risks associated with investments of this kind in general, such investments may also involve the risks associated with currency fluctuations and various political factors, as described below. ICE Canyon may also invest in treasury securities and other cash equivalents when attractive opportunities for capital appreciation appear to be limited.

#### Investments in Undervalued Securities

The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Fund's investments may not adequately compensate for the business and financial risks assumed.

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

#### Hedging Transactions

The ability of ICE Canyon to hedge successfully will depend on the ability of ICE Canyon to predict pertinent market movements, which cannot be assured. ICE Canyon is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that Clients will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

#### Non-Investment Grade Investments

ICE Canyon may purchase financial instruments of, or make direct loans to, companies that are not of investment grade. ICE Canyon may purchase loans that are in default or are from issuers in financial distress and may also purchase trade or other claims against credit impaired companies, which generally represent money owed by the company to a supplier of goods and services. Loans or claims purchased by ICE Canyon may not have any maturity and may be secured or unsecured. As with other types of debt instruments, loans and trade claims involve the risk of loss in case of default or insolvency of the borrower, particularly if the borrowing is unsecured. In addition, trade claims may be subject to other defenses such as warranty claims or failure to provide the product or services. Such loans are also less liquid than are the debt instruments of publicly traded companies.

#### Bank Loans and Participations

ICE Canyon may invest in 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 a Client to directly enforce its rights with respect to participations. In analyzing bank loans or participations, ICE Canyon compares the relative significance of the risks against the expected benefits. Successful claims by third parties arising from these and other risks, absent fraud, gross negligence, willful misconduct, violation of law or breach of a material term of the investment advisory agreement by ICE Canyon or affiliates, will be borne by the Client.

Clients may experience delays in the settlement of certain loan and/or bank debt transactions, particularly in the case of investments that are or become distressed. Until such transactions are settled, the Client is subject to counterparty insolvency risk. Pursuant to certain insolvency laws, a counterparty may have the ability to reject, or terminate an unsettled loan transaction. If a counterparty rejects an unsettled transaction, the Client might lose any increase in value with respect to such loan that accrued while the transaction was unsettled.

ICE Canyon may also invest in loan participations where it will be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, ICE Canyon generally would depend on the lender to enforce a Client's rights and obligations under the loan arrangements in the event of a default by the borrower on the underlying loan and will generally have no voting rights with respect to the issuer, as such rights are typically retained by the lender. Such investments are subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. There can be no assurance that the lender will not default on its obligations under such arrangements, resulting in substantial losses to the Client.

#### Corporate Debt Obligations and High-Yield Securities

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

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

#### Risk Arbitrage

Special risks are associated with the use of risk arbitrage, or "merger arbitrage," techniques. In addition to general risks of market behavior and currency fluctuations, merger arbitrage is subject to "deal risk" – the risk of non-consummation of the transaction. A number of factors may lead to deal collapse or delay, such as either party's inability to satisfy conditions to closing, failure to obtain shareholder approval, failure to meet regulatory or antitrust requirements, failure to obtain required financing, or other events that may change the target's or the acquirer's willingness to consummate the transaction.

#### Leverage of Portfolio Companies

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

investment in such an entity could be significantly reduced or even eliminated due to further credit deterioration.

#### Non-Performing Nature of Loans

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

#### Nature of Bankruptcy Proceedings

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

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.

#### Short Sales

ICE Canyon may make short sales in any type of securities for profit in anticipation of a change in the market price of a financial instrument or as a hedge against other positions held by a Client. Short sales that are not made "against the box" and are not part of a hedging transaction create opportunities to increase return but, at the same time, are speculative and involve special risk considerations. Since the seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may continuously increase, although ICE Canyon may mitigate such losses by replacing the securities sold

short before the market price has increased significantly. Under adverse market conditions, ICE Canyon might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

As a result of the financial disruptions which began in the second half of 2008, it appears likely that there may be significant additional restrictions imposed on short-selling (at least of certain issuers' securities).

#### Contrarian Investing

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

#### Interest Rate Fluctuations

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

#### No Limitations on Strategies

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

#### Uncertain Exit Strategies

ICE Canyon typically does not know the maximum — or, often, even the expected — duration of any particular investment at the time of initiation. Due to the illiquid nature of certain investments, ICE Canyon is unable to predict with confidence what, if any, exit strategy for a given investment will ultimately be available for a Client. Exit strategies that appear to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

#### Derivatives Risks

##### Derivatives

ICE Canyon uses derivative financial instruments, which may include, without limitation, warrants, options, equity and/or interest rate swaps, credit default swaps, forward contracts, futures contracts and options thereon, and uses derivative techniques for hedging and for other trading purposes. The use of

derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the actual and the theoretical value of a derivative, due to, e.g., nonconformance to anticipated or historical correlation patterns. In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out positions in order either to realize gains or to limit losses.

Some of the derivatives that may be traded by ICE Canyon will be “over-the-counter” contracts between a Client and third parties entered into privately, rather than on an established exchange. As a result, Clients will not be afforded the regulatory protections of an exchange or its clearinghouse, or of a government regulator that oversees the exchange or clearinghouse, if a counterparty fails to perform. In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

#### Convertible Securities, Rights and Warrants

ICE Canyon may invest in hybrid securities that may be exchanged for, converted into or exercised to acquire a predetermined number of shares of an issuer’s common stock at the option of the holder during a specified time period (such as convertible preferred stocks, convertible debentures, stock purchase rights, and warrants). Convertible securities generally pay interest or dividends and provide for participation in the appreciation of the underlying common stock but at a lower level of risk because the yield is higher and the security is senior to common stock.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The credit standing of the issuer and other factors may also affect the investment value of a convertible security. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security is increasingly influenced by its conversion value.

Convertible securities may also include warrants, often publicly traded, that give a holder the right to purchase at any time during a specified period a predetermined number of shares of common stock at a fixed price but that do not pay a fixed dividend. Their value depends primarily on the relationship of the exercise price to the current and anticipated price of the underlying securities.

#### Futures Trading

ICE Canyon may trade futures contracts, including stock index futures. Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as changing supply and demand relationships, government trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and speculative frenzy and the emotions of the marketplace. In addition, governments from time to time intervene in certain markets, particularly currency and interest-rate markets.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the investor.

#### Options Trading

When purchasing or selling an option, the risks associated with the transaction will vary depending on the type of option (i.e., put or call). When purchasing an option, it is necessary to calculate the extent to which the value of the underlying security must increase (in the case of a call) or decrease (in the case of

a put) in order for a Client's position to become profitable, taking into account the premium and all transaction costs. The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased option expires worthless, the Client will suffer a total loss of the amount invested in the option that will consist of the option premium plus transaction costs.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option, and, upon such exercise, the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest, depending on the terms of the option. If the option is on a future, upon exercise by the purchaser of the option, the seller will acquire a position in a future with associated liabilities for margin. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited. In the case of an option on a future, certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

#### Forward Contracts

ICE Canyon may trade forward contracts in the inter-bank currency market. Such forward contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. Neither the CFTC nor any banking authority currently regulates trading in forward contracts, although they may in the future become subject to regulation under the Reform Act, a development which may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to the Reform Act might limit such forward trading to less than that which ICE Canyon would otherwise recommend, to the possible detriment of a Client.

**The foregoing discussion of certain risk factors does not purport to be a complete explanation of the risks involved with investing with ICE Canyon. Clients and Fund investors should read all documents and agreements related to opening an account or investing in a Fund (including a Fund's Offering Memorandum and other relevant documents).**

## **Disciplinary Information**

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

## **Other Financial Industry Activities and Affiliations**

#### Broker-Dealer and Registered Representatives

CP Investments LLC ("CP Investments") is a registered broker-dealer and member of FINRA and is an indirect affiliate of ICE Canyon. ICE Canyon is 50% owned by Canyon Capital Advisors LLC, which is 90% by Canyon Partners, LLC. Canyon Partners, LLC owns 100% of CP Investments. ICE Canyon

and/or Clients will not use the services of or pay sales commissions to CP Investments.

#### Related Investment Adviser

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

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

#### Other Entities Sponsored by ICE Canyon and its Affiliates

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

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

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

To the extent permitted by the applicable governing documents for the Funds, ICE Canyon may, in their sole and absolute discretion, agree to waive or modify the application of any provision of the offering terms of any Fund with respect to any investor, by side letter or otherwise, without obtaining the consent of any other investor. Such side letters may provide for the following modified terms: (i) various notification requirements (e.g., upon substantial redemptions by other investors, legal or regulatory



actions, or the receipt of any soft dollar commissions outside of the safe harbor provided in Section 28(e) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”)); (ii) limitations on a Fund’s ability to distribute securities in kind upon a redemption request; (iii) the provision of audited financial statements within certain periods of time; (iv) special redemption rights for key men changes and net asset value reductions; (v) the provision of information relating to a Fund’s portfolio holdings (subject to non-disclosure agreements and other confidentiality considerations); (vi) reduced fees or fee rebates; (vii) minor investment restrictions that do not materially affect a Fund; (viii) the provision of periodic pricing information; (ix) the waiver or modification of redemption restrictions (such as redemption fees, lock-up provisions or affiliated transfers), required redemption terms or notice requirements; or (x) provisions necessary to accommodate a particular investor’s legal, tax, sovereign or regulatory status, accounting considerations, contractual obligations, or internal guidelines or policies.

In certain cases, ICE Canyon may disclose portfolio holdings of a Fund to entities that evaluate portfolio risk for investors. ICE Canyon will provide this information to such entities as it chooses and may refuse to provide this information to any such entity at any time. Every effort is made to bind the recipients of this information to maintain the confidential nature of this information, including entering into non-disclosure agreements prior to providing this information to them. However, there can be no assurance that these entities will fulfill their confidentiality obligations to ICE Canyon. In addition, investors, in the course of conducting due diligence, may request information pertaining to their investments in a Fund (either verbally or in writing), including information that is not generally made available to all investors of such Fund. ICE Canyon may respond to such requests without providing relevant information to all other investors. ICE Canyon generally is available to receive reasonable information requests from investors concerning their investments in a Fund. However, ICE Canyon reserves the right to determine what information is appropriate to provide in response to inquiries from investors in a Fund.

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

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

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

Any issues that arise under the Personal Trading Policy must be reported to ICE Canyon’s CCO and senior management immediately, but not less frequently than quarterly. Clients can obtain a copy of our Code of Ethics, which includes the Personal Trading Policy, free of charge, from our CCO upon request (Doug Anderson (310) 272 1360).

### Interest in Client Investments

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

### The Investment Adviser as Principal

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

### Gifts and Business Entertainment

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

### Political Contributions

ICE Canyon and its principals and employees may also make political contributions to persons who may serve or seek to serve in elected capacities with certain public entities. Any such political contributions are permitted only to the extent such contributions are in accordance with ICE Canyon's policies and procedures regarding political contributions and do not violate the SEC's rule prohibiting pay-to-play activities adopted under Rule 206(4)-5.

### Co-investment with Affiliates

It is contemplated that Clients may "co-invest" with the Adviser and/or principals of the Adviser in respect of certain investment opportunities, and certain of a Client's arbitrage and hedging activities may be conducted through an investment in a Fund. Any such co-investments will be on the same terms as made available to Clients, and no additional fees will be incurred by virtue of such investments. On occasion, a Fund may acquire debt or equity interests in projects financed by other entities managed by

affiliates of the Adviser. In addition, a Fund may loan to or invest in entities in which other Clients of the Adviser are investors or lenders, either in similar investment positions or in different positions in the capital structure with different risk and return parameters. A Client may enter into transactions originated by, or issuers otherwise affiliated with, service providers to a Fund and their affiliates. In such event, disputes may arise between the two entities regarding the terms of the investments and the enforcement of the entities' respective rights therein. Furthermore, the Adviser is not precluded from causing a Fund to invest in the securities issued by companies represented in the investment portfolios of other Funds managed by the Adviser or its principals, affiliates or advisory clients. Any such purchases (or sales) will not be on a "principal-to-principal" basis and will only be offered where the Adviser is satisfied that the Fund's interests are not unfairly prejudiced.

## **Brokerage Practices**

### Execution Quality

In placing purchase and sale orders of securities for Clients, ICE Canyon's policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. In selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental factors, including the broker's efficiency in executing and clearing transactions, block trading capability, and the broker's financial strength and experience in the industry. Primary market makers are used for transactions in the over the counter market except in those instances where ICE Canyon believes more favorable execution or price is obtainable elsewhere.

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

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

### Trading and Soft Dollar Arrangements

ICE Canyon does not intend to use soft dollars to pay for third-party research or other third-party products. Furthermore, ICE Canyon will not enter into any third-party soft dollar arrangements without the express approval of its Chief Compliance Officer. ICE Canyon Clients do pay bundled commission rates and ICE Canyon receives proprietary research from many of its executing brokers and prime brokers. As a result, ICE Canyon may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage and research services provided by the broker and used a Client. In such circumstances, ICE Canyon endeavors to do so in accordance with the criteria of Section 28(e) of the Exchange Act ("Section 28(e)"). ICE Canyon may also occasionally direct transactions effected on a principal basis to brokers in recognition of the research services provided by that broker. ICE Canyon believes that in certain circumstances it may be important to its investment decision-making processes to have access to independent research. Some research services furnished by brokers and dealers with whom ICE Canyon effects securities transactions may be used in servicing all of its Clients and not all such services may be used in connection with all of the Clients who paid commissions to the brokers providing such services.

Generally, research services provided by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law

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

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

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

#### Trade Error Policy

The Adviser attempts to minimize trade errors by taking the utmost care in making and implementing investment decisions on behalf of client accounts. The Adviser has controls and procedures in place designed to detect and correct in a timely manner any trade errors that may occur. Trade errors are documented and reported to the Adviser's supervisory personnel, and trade errors are reviewed to assess whether an error was a result of a weakness in internal procedures and controls. If it is determined that a weakness in internal controls caused or contributed to the error, mitigating controls are established to rectify the identified control weakness.

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

#### Prime Brokers

ICE Canyon's Clients may have prime brokerage arrangements with one or all of the following: Credit Suisse, Deutsche Bank, JP Morgan, and Bank of America Merrill Lynch. These arrangements provide for the clearing and settlement of trades executed at brokers other than the prime brokers noted above. ICE Canyon's Clients may also execute trades through brokerage divisions of its prime brokers subject to best execution. The prime brokers may, at no additional cost, also provide additional services to ICE Canyon from time to time, including consulting services relating to technology requirements, infrastructure implementation, facilities management, property acquisition (purchase or lease), and refurbishment or build-out advice. While this may create a potential conflict of interest, ICE Canyon does not believe that these additional services are material and the receipt of such services was not a consideration when

selecting prime brokers. In addition to the services noted above, the prime brokers may also provide additional services, which are discussed in more detail in the **Client Referrals and Other Compensation**, below.

#### Allocation of Investment Opportunity

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

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

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

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

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

### Cross Trades between Investment Advisory Clients

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

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

## **Review of Accounts**

Client accounts are reviewed and monitored on routine basis Nathan B. Sandler and other members of ICE Canyon’s investment staff. Reviews may be triggered by, among other factors, changing market conditions, news concerning specific holdings, or at the request of a Client.

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

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

Taxable accounts receive an annual tax summary.

Certain private funds advised by ICE Canyon have retained the services of a third party administrator to act as administrator, share registrar, and transfer agent. The Administrator is generally responsible for producing and distributing monthly account statements and other information as specified above to investors. Also, due to legal/regulatory constraints that must be followed by some of our Clients/underlying Fund investors and/or the specific needs and requests by certain Clients/Fund investors, ICE Canyon may, at its discretion, agree to provide certain Clients/Fund investors more frequent reports and/or certain other reports than those described above. Certain information is only provided after the Client/Fund investor has signed a confidentiality agreement.

## **Client Referrals and Other Compensation**

ICE Canyon has entered into arrangements with third parties whereby ICE Canyon compensates such third parties for referring clients or investors to ICE Canyon. To the extent required by applicable law or ICE Canyon’s internal procedures, ICE Canyon undertakes this arrangement only if the client/investor is aware of the fee arrangement and the arrangement is in compliance with applicable rules and regulations. ICE Canyon will furnish each such client/investor with a current copy of the Adviser’s written disclosure statement and the solicitor’s written disclosure document and ICE Canyon will receive from any such client/investor a written receipt of such documents, to the extent required by applicable law.

In addition, ICE Canyon’s executing and prime brokers may, from time to time, refer to ICE Canyon potential clients or arrange for meetings with potential clients/investors who are also often clients/investors of the broker. While this may create a potential conflict of interest, capital introduction

is not a consideration when selecting or retaining prime brokers or executing trades. While the meetings may be arranged by the brokers, there is no guarantee that the clients/investors will invest with ICE Canyon. Other than the standard commission rates paid by ICE Canyon's Clients, and customary prime brokerage fees, the brokers do not receive any compensation, directly or indirectly, for the meetings or the subsequent investments, if any. ICE Canyon does not select or recommend broker-dealers based upon client referrals from a broker-dealer or third party. Clients do not direct brokerage.

## **Custody**

ICE Canyon has custody of certain Client funds and/or securities as a result of it, or an affiliate, serving as the general partner, or similar, to the Funds. Investors and Clients should carefully review any statements or reports provided by the fund Administrator as well as the fund's audited financial statements. The Funds are audited annually and Fund investors receive a copy of the annual audit within 120 days' of a Fund's year-end. With respect to such funds and/or securities held by managed account Clients or a Fund that does not have an annual audit, such Clients and/or investors will have access to account statements prepared by a qualified custodian. Such Clients and/or investors will also receive accounts statements from ICE Canyon, and Clients and/or investors should compare the account statements received from the qualified custodian with those received from ICE Canyon.

## **Investment Discretion**

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

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

## **Voting Client Securities**

Generally, ICE Canyon has authority to vote its Client's proxies (unless a Client retains authority pursuant to its advisory agreement with ICE Canyon). ICE Canyon has adopted formal written Proxy Voting Policies and Procedures (the "Proxy Policy"). Clients and investors may obtain a copy of ICE Canyon's proxy voting policies and procedures and information on how the Client's securities have been voted upon the Client's request, free of charge from our CCO upon request (Doug Anderson (310) 272 1360).

Most of the securities held for ICE Canyon's Clients constitute a small percentage of the ownership of the issuer of such securities, therefore ICE Canyon does not expect such issuers to be impacted by its Clients' proxy votes related to such securities. Accordingly, ICE Canyon has determined that its Clients' interests will not be impacted by such proxy votes and that the benefits to its Clients related to any such vote would be small and the costs associated with investigating how best to vote such proxies would exceed such benefits. Consequently, ICE Canyon will not vote or evaluate proxies relating to a security if its Client is a beneficial owner of no more than one percent (1%) of the outstanding securities of such issuer.

If, however, ICE Canyon believes that the subject matter of a proxy for any such security may nonetheless be material to a Client's account and that the vote may impact the outcome of such vote, ICE Canyon will vote the proxy in a manner that is in the best interest of its Client. Notwithstanding anything to the contrary in the forgoing, ICE Canyon will vote a proxy as dictated by any Client's written instructions. Additionally, certain of its Clients have securities lending agreements with their prime broker/custodian and for purposes of determining whether Clients are a beneficial owner of more than 1% of the outstanding securities of an issuer, ICE Canyon will not include securities that are on loan as ICE Canyon does not have the ability to vote such proxies.

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

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

ICE Canyon will also exercise voting and/or consent rights with respect to fixed income securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures, consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, redemption and Dutch auctions.

With respect to the exercising of such voting and/or consent rights, ICE Canyon considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant financial implications, contractual obligations as well as other relevant facts and circumstances at the time of the vote.

## **Financial Information**

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