

DISCLOSURE BROCHURE

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# Tall Tree Investment Management, LLC

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This brochure provides information about the qualifications and business practices of Tall Tree Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at 312-224-7800. 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 Tall Tree Investment Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Tall Tree Investment Management, LLC 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

The last update to Tall Tree Investment Management, LLC's Form ADV Part 2A (this "Brochure") was in March, 2012. A summary of material changes since the last annual update of this Brochure is as follows:

There have been no material changes since the last annual update of this Brochure.

Future Disclosure Brochure filings will address "material changes" since the date of this filing concerning Tall Tree Investment Management, LLC, which will either be delivered, or offered for delivery, to clients. A copy may also be downloaded from the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **IMPORTANT NOTE ABOUT THIS DISCLOSURE BROCHURE**

***This Disclosure 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 Issuer (as defined below)***
- ***a complete discussion of the features, risks or conflicts associated with any Issuer***

As required by the Investment Advisers Act of 1940, as amended ("Advisers Act"), Tall Tree Investment Management, LLC (the "Adviser") provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in an Issuer, together with other relevant governing documents, such as the Issuer's offering circular, prior to, or in connection with, such persons' investment in the Issuer.

Although this publicly available Brochure describes investment advisory services and products of the Adviser, persons who receive this Brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser 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 Issuer is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by the Adviser. 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

Tall Tree Investment Management, LLC (the “Adviser”) was founded in 2005 by the former Senior Loan Group of Morgan Stanley Investment Management Inc., which was largely responsible for the management of the Van Kampen series of funds. The Adviser is the collateral manager to three issuers of collateralized loan obligations, Founders Grove CLO, Ltd, Grant Grove CLO, Ltd, and Muir Grove CLO, Ltd, (collectively referred to herein as the “Issuers”). The Adviser is a specialty asset manager with extensive experience in secured lending and high yield securities, including senior loans, asset based lending, structured finance, fixed income securities, real estate, project finance, vendor finance and leasing, and distressed debt. The Adviser incorporates a sophisticated platform with an experienced team of investment professionals to identify opportunities in such assets while assessing and monitoring risk.

Investments for each Issuer are managed in accordance with the Issuer’s particular investment objectives, strategies, restrictions and guidelines and are generally not tailored to the individualized needs of any particular investor of the Issuer. Information about each Issuer, and the particular investment objectives, strategies, restrictions, guidelines and risks associated with an investment, is described in the governing documents (*e.g.*, offering circular, indenture, etc.), which are made available to investors only through the Adviser or another authorized party. Since the Adviser does not provide individualized advice to investors (and an investment in an Issuer does not, in and of itself, create an advisory relationship between the investor and the Adviser), investors must consider whether a particular Issuer meets their investment objectives and risk tolerance prior to investing.

Tall Tree Financial Partners, LLC is the managing member and majority owner of the Adviser. William Lenga is the majority owner of Tall Tree Financial Partners, LLC and founding member of the Adviser.

As of January 14, 2013, the Adviser has \$929,320,308 of discretionary assets under management. The Adviser provides investment advice with respect to the types of investments indicated above and its advice is limited to such investments.

## Item 5-Fees and Compensation

As compensation for the performance of its obligations as the collateral manager of the Issuers, the Adviser generally receives from the Issuer a Senior Collateral Management Fee, a Subordinated Collateral Management Fee and an Incentive Collateral Management Fee (collectively, the “Collateral Management Fees”).

The “Senior Collateral Management Fee” is generally 0.15-0.20% per annum of the aggregate principal amount of the Issuer’s collateral portfolio. The “Subordinated Collateral Management Fee” is payable at 0.10-0.30% per annum of the aggregate principal amount of the collateral portfolio. The “Incentive Collateral Management Fee”

is payable by only a certain class of Issuer securities and is charged at 0.25-50% applicable to a calculation of returns specific to that Issuer and its securities, and in some cases, is subject to a hurdle rate of at least 12.0%. A hurdle rate requires the Issuers' profits to exceed a specified rate of return before the Adviser receives its performance compensation.

All Collateral Management Fees are billed and payable according to the priority of payments described in the offering circular of an Issuer. The Adviser may, in its sole discretion, waive or delay all or part of such fees. Generally, the Issuers (and, indirectly, the investors therein) bear all expenses as defined in the offering circulars, including (i) legal, filing, auditing, consulting, administration, accounting and other professional fees and expenses; (ii) expenses associated with periodic reporting; (iii) expenses associated with financial statements and tax returns; (iv) insurance, interest and other expenses incurred in respect of borrowings, if any; (v) other expenses associated with the acquisition, holding, monitoring, settlement and disposition of an Issuer's investments (including, without limitation, any brokerage, transaction custody or hedging costs); (vi) the costs and expenses of any custodians, lenders, investment banks and other financing sources; (vii) any indemnity expenses; and (viii) the costs and expenses of any litigation involving an Issuer. For a more complete discussion of Issuer fees, compensation and other expenses, please refer to the Issuers' offering circulars and Item 12 – *Brokerage Practices*.

## **Item 6-Performance Based Fees and Side-By-Side Management**

As described in Item 5 – *Fees and Compensation*, the Adviser may be entitled to recover performance-based fees, or an "Incentive Collateral Management Fee", for certain classes of Issuer securities. The existence of such fees may create an incentive for the Adviser and its personnel to make more speculative investments on behalf of the Issuers than it would otherwise make in the absence of such performance-based fees. However, this risk is mitigated in some cases, because such fees may be subject to a hurdle rate of at least 12.0% based on the performance of an Issuer as a whole and not any single investment.

In addition, the existence of performance-based fees may create an incentive for the Adviser and its personnel to allocate investment opportunities to Issuers that have a greater performance-based fee. However, the Adviser has adopted a Code of Ethics and implemented other procedures designed to mitigate such incentives, including trade allocation policies and procedures, which require the Adviser to allocate investment opportunities fairly and equitably among the Issuers over time.

For a more complete discussion of Issuer fees and compensation, please refer to the Issuers' offering circulars.

## Item 7-Types of Clients

The Adviser provides investment advice to structured finance vehicles. The required minimum investment varied per Issuer and class of security issued, but ranges from \$100,000 to \$1,000,000. Lesser amounts may be accepted in the limited circumstances set out in the Issuers' indentures.

## Item 8-Methods of Analysis, Investment Strategies and Risk of Loss

### Our Investment Strategies

The Adviser has extensive experience, and targets investments, in various credit products, including senior secured and unsecured loans, floating rate notes, second lien loans, asset based loans, real estate lending, leasing and vendor financing, middle market loans, debtor-in-possession financing, discounted and distressed debt, re-organized company equities, and structured products. Such opportunities are sourced from a library of primary and secondary issues tracked by the Adviser, which are then reviewed for, among other things, suitability, value, risk, indenture compliance, potential returns, potential downside, obligor management, capital structure and ownership, agency ratings, structure (including obligation documentation and covenants), and prepayment/event risk. The Adviser executes this strategy through its experienced team, proprietary investment platform and robust monitoring process.

### Risk

The Advisor provides investment advisory services only to the Issuers, and the following is a summary of risks generally applicable to investors in those Issuers and the securities they issue (the "Securities"). The Adviser's investment activities involve a significant degree of risk of loss that you should be prepared to bear. Investors should reference the specific offering circular of each Issuer for a more complete description of all risks specifically applicable to that Issuer.

**Limited Liquidity and Restrictions on Transfer.** There is currently no market for the Securities. Consequently, an investor must be prepared to hold the Securities for an indefinite period of time or until a stated maturity date. Also, the Securities will not be registered under the Securities Act of 1933 ("Securities Act") or any state securities laws, and the Adviser has no plans, and is under no obligation, to register the Securities under the Securities Act, which may further limit their liquidity.

**Limited Recourse Obligations.** Certain Securities will be limited recourse obligations, meaning, among other things, that, though they contemplate periodic payments, no person or entity will be obligated to make such payments in the event default or unavailability of assets. Holders of the Securities must rely solely on distributions on the collateral underlying the Securities ("Collateral") as the return of their investment. If distributions on the Collateral are insufficient, no other assets will be

available for payment of the deficiency.

***Subordination of the Class of Securities.*** Certain Securities are subordinated to other, more senior Securities, meaning their holders stand behind the senior Security holders in priority of payment. Therefore, in the event that there are insufficient proceeds to pay a senior Security, then the holders of subordinated Securities will receive no payment, and may be required to advance moneys to the holders of senior Securities, until the senior Security holders are paid in full.

Also, in the event of a default, certain senior Security holders may be entitled to determine the remedies to be exercised, including the sale and liquidation of the Collateral. Remedies pursued by those holders could be adverse to the interests of the subordinated Securities holders.

***Unsecured Subordinated Securities.*** Certain subordinated Securities are not secured by the Collateral. As such, the holders of the subordinated Securities will rank behind all of the secured creditors, whether known or unknown, of the Issuers, including, without limitation, the holders of the secured Securities and any hedge counterparties. No person or entity other than the Issuers will be required to make any distributions on the subordinated Securities. Except with respect to the obligations of the Issuers to make payments pursuant to the priority of payments, the Issuers do not expect to have any creditors. Any distributions on the subordinated Securities will be payable only to the extent funds are available in accordance with the priority of payments.

***Optional Redemption of Securities.*** An optional redemption of Securities could require the Adviser to liquidate positions, including in block transactions, more rapidly than would otherwise be desirable, thereby reducing their value.

***Redemption by Refinancing.*** In some cases, certain secured Securities may be subject to redemption by refinancing and their holders provided replacement Securities (which may accrue interest at a floating rate or fixed rate).

***Mandatory Redemption of Co-Issued Notes in Case of Failure of the Coverage Tests.*** In some cases, the failure of certain Collateral tests performed by the Adviser could result in principal and interest payments that would have been paid to the holders of subordinated Securities being used to redeem more senior Securities. This could result in an elimination, deferral or reduction in the funds available to make payments to the holders of the subordinated Securities.

***Effective Date Ratings Downgrade Event.*** The Issuers will request certain Securities to be rated by rating agencies at the Issuer's closing date. However, a portion of the Collateral portfolio will be purchased after the closing date and may suffer volatility in the market for such collateral obligations. This may result in a subsequent ratings downgrade, requiring the Issuer to accelerate payments to Securities holders, according to the priority of payments, until the Securities are paid in full or until the ratings are reinstated.

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***Use of Interest Proceeds to Purchase Collateral.*** In certain circumstances, interest proceeds that may have been available to certain subordinated Securities will instead be used to reinvest in Collateral.

***Nature of Non-Investment Grade Collateral; Defaults; Loans.*** The Collateral is subject to credit, liquidity and interest rate risks. Some Collateral shall carry lower credit ratings, including below investment grade (or of equivalent credit quality). These will have greater credit and liquidity risk than investment grade Collateral, and carry a greater possibility that adverse changes in the financial conditions may impair payments of principal or interest. Such investments may be speculative.

A portion of the Collateral portfolio may also consist of middle market loans, which tend to be less liquid than widely syndicated leveraged loans. Other Collateral may be second lien loans and may suffer reduced recovery and be less liquid than loans secured by a first lien.

The Issuers will acquire interests in loans and other debt obligations directly by way of sale, assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. In purchasing participations, the Issuers generally have only a contractual relationship with the selling institution and will have no right to directly enforce compliance by the borrower with the terms of the loan agreement.

Purchasers of loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new loans frequently contain standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Loans are not purchased or sold as easily as publicly traded securities are purchased or sold because, among other things, the holders of such loans are provided confidential information relating to the borrower, the loan agreement with respect to such loans is unique and customized and such loans are privately syndicated. In addition, historically the trading volume in the loan market has been small relative to the high yield debt market.

The market value of the Collateral will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets (including, particularly, the market for high yield debt obligations), international political events, developments or trends in any particular industry and the financial condition of the issuers of the Collateral. The public market for high yield debt obligations, in particular, has experienced periods of volatility and periods of reduced liquidity.

The offering of the Securities has been structured to withstand certain assumed losses relating to defaults on the Collateral. There is no assurance that actual losses will not exceed such assumed losses over any given time period. If any losses exceed such assumed levels, however, payments or distributions on the Securities could be adversely affected by defaults. To the extent that a default occurs with respect to any Collateral and the trustee sells or otherwise disposes of such Collateral, it is not likely that the proceeds of such sale or disposition will be equal to the unpaid principal and interest thereon and such default and/or sale/disposition may reduce, if not eliminate, the availability of funds that would otherwise be distributable to the holders of the Securities.

***Concentration Risk.*** The Issuers will invest in a portfolio of Collateral consisting of assignments or participations of loans, high yield debt securities, synthetic securities, finance leases and structured finance securities. Although no significant concentration with respect to any particular obligor, industry or country (other than the United States) is expected, the concentration of the portfolios in any one obligor would subject the Securities to a greater degree of risk with respect to defaults by such obligor, and the concentration of the portfolio in any one industry would subject the Securities to a greater degree of risk with respect to economic downturns relating to such industry.

***International Investing.*** A portion of the Collateral may be invested in obligations of non-U.S. obligors. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information, (ii) varying levels of governmental regulation and supervision and (iii) the difficulty of enforcing legal rights in a non- U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. 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. Moreover, if the sovereign rating of a country in which an obligor on Collateral is located is downgraded, the ratings applicable to such Collateral may decline as well.

***Synthetic Securities.*** Synthetic securities expose the Issuers to the credit risks associated with the reference obligations consisting of high yield debt securities and non-investment grade loans held in the name of the counterparty. Generally, the Issuers will have no right to directly enforce the obligations of the issuer of those reference obligations, will have no right to vote the obligations, will have no set-off rights against said issuer, will not directly benefit from any collateral that may support the reference obligation, and will not have the benefit of the remedies that would normally be available to the counterparty. Consequently, the Issuers will be subject to the credit risk of counterparty, as well as that of the obligation issuer. As a result, concentrations of synthetic securities in any one counterparty subject the Securities to an additional degree of risk with respect to defaults by such counterparty as well as by the obligation issuer.

***Structured Finance Securities.*** A portion of the Collateral may consist of structured finance securities, which may carry many of the kinds of risks associated with the Securities themselves, including prepayment risk, credit risk, liquidity risk, market risk,

structural risk, priority risk, legal risk, subordination risk and interest rate risk. In addition, certain structured finance securities may provide that non-payment of interest will not constitute an event of default in certain circumstances and the holders of such securities will not have available to them any associated default remedies. However, the Issuers will be subject to restrictions on the amount of structured finance securities they may hold.

***Securities Lending.*** The Collateral may be loaned to one or more counterparties, which exposes the Issuers to potential delays, costs, or even loss of value in recovering Collateral in the event of a default by the counterparty. Rating agencies may, in turn, downgrade certain Securities. Affiliates of the Issuers may participate in these lending arrangements, which may create certain conflicts of interest. In addition, the Issuers may be required to indemnify a collateral agent or any other person acting in a similar capacity in connection with the lending arrangement.

***Insolvency Considerations with Respect to Issuers of Collateral Obligations.*** In the event of the insolvency of an issuer or obligor of Collateral, payments made on such Collateral could be subject to avoidance under the laws of the United States and various foreign jurisdictions. Any shortfall in payments due to insolvency will be subject to the priority of payments.

***Lender Liability Considerations; Equitable Subordination.*** A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively, termed "Lender Liability"). Generally, Lender Liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although it would be a novel application of the Lender Liability theories, the Issuers may be subject to allegations of Lender Liability. However, the Issuer does not intend to engage in conduct that would form the basis for a successful cause of action based upon Lender Liability. In addition, under common law principles that in some cases form the basis for Lender Liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, such remedy called equitable subordination. Because of the nature of the Collateral, the Issuers may be subject to claims from creditors of an obligor that Collateral issued by such obligor that are held by the Issuers should be equitably subordinated. However, the Issuer does not intend to engage in conduct that would form the basis for a successful cause of action based upon the

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equitable subordination doctrine. The preceding discussion is based upon principles of United States federal and state laws. Insofar as Collateral that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws.

***Volatility of Collateral Market Value and the Securities.*** The market value of the Collateral will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuers of the Collateral. The markets for high yield corporate debt securities and loans have in the past experienced periods of volatility and periods of reduced liquidity. During periods of limited liquidity and higher price volatility, the Issuers' ability to acquire or dispose of Collateral at a price and time that the Issuers deem advantageous may be impaired.

***Assignments of and Participations in Loans.*** The Issuers may purchase an interest in loans comprising Collateral either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the loan agreement with respect to the loan. In purchasing participations, the Issuers will usually have a contractual relationship only with the selling institution, and not the borrower. When the Issuers hold a participation in a loan it generally will not have the right to enforce compliance by the borrower with the terms of the loan agreement or have the right to vote to waive enforcement of any restrictive covenant breached by a borrower. However, most participation agreements provide that the selling institution may not vote in favor of any amendment, modification or waiver that forgives principal or interest, reduces principal or interest that is payable, postpones any payment of principal (whether a scheduled payment or a mandatory prepayment) or interest or releases any material guarantee or security without the consent of the participant (at least to the extent that the participant would be affected by any such amendment, modification or waiver). Selling institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of the Issuers, as such selling institutions are not required to consider the interests of the Issuers in connection with their votes. In addition, the Issuers will have no rights of set-off against the borrower. The Issuers may not directly benefit from the collateral supporting the related loan and generally will have no right to enforce directly compliance by the borrower under the loan agreements. The Issuers may also be subject to the credit risk of the selling institution as well as that of the borrower.

***Collateral Reinvestment Provisions; Restrictions on Acquisition and Disposition.*** In certain circumstances, the Adviser has the limited discretion to reinvest principal or interest proceeds, which will expose the Issuers to market conditions prevailing at the time of such sale and reinvestment. The limitation on the

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Adviser's discretion may, in turn, restrict its ability to act in the best interests of the Issuers and the holders of the Securities.

***Prepayment of Loans.*** Loans are generally pre-payable at any time at the option of the obligor, at par plus accrued and unpaid interest thereon. There can be no assurances of actual prepayment rates. Prepayments may be caused by a variety of unpredictable factors. Accordingly, there is a risk that loans purchased at a price greater than par may experience a capital loss due to prepayment. In addition, principal proceeds received upon prepayment are subject to reinvestment risk. Any inability of the Issuer to reinvest payments or other proceeds in Collateral may adversely affect the timing and amount of payments and distributions and of the yield to maturity of the Securities.

***Recoveries.*** To the extent that defaults occur with respect to any Collateral and the Issuers sell or otherwise dispose of such Collateral, it is unlikely that the proceeds of such sales or dispositions, together with the value of the remaining Collateral, will be equal to the unpaid principal of and interest on all of the Securities. In addition, the Issuer may incur additional expenses to the extent it is required to seek recovery upon a default on Collateral or participate in the restructuring of such Collateral. There also can be no assurance of the timing of any recoveries.

***Average Life and Prepayment Considerations.*** The average life of a Security may be shorter than the stated maturity of that Security, which may reduce recovery by the holder. The approximations of the average life of each class of secured notes set forth in any of Issuer's documents are not predictive and do not necessarily reflect historical performance and defaults for loans and high yield debt securities.

***Distribution of Principal Proceeds Prior to the End of the Reinvestment Period.*** Principal proceeds will be distributed to the holders of the Securities in accordance with the priority of payments, if the Adviser determines, in its sole discretion, not to reinvest them. Certain of such distributions may shorten the expected lives of certain Securities and affect the timing and amount of distributions on others. Also, the Adviser may distribute principal payments to holders of more senior Securities, which may result in reduced payments for, and/or longer lives of, less senior Securities.

***Interest Rate Risk; Floating Rate Indices for Collateral Obligations.*** Certain Collateral will bear interest based on LIBOR or another floating rate index. As a result, there may be a floating/fixed rate, basis, or timing mismatch between such Collateral and any fixed rate collateral. As a result of such mismatches, an increase in the level of LIBOR could adversely impact the ability to make payments on certain Securities, despite any hedging transactions the Adviser may enter to address this risk.

***Changes in Tax Law; No Gross-Up.*** Though the Issuers will endeavor to purchase Collateral not subject to withholding tax (or such tax being set off by gross-up payments), there can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on certain Collateral would not in the future become subject to withholding taxes imposed by any

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jurisdiction. In that event, if the obligors of such Collateral were not then required to make or in fact failed to make gross-up payments that cover the full amount of any such withholding taxes, the amounts available to make payments on, or distributions to, the holders of the Securities would accordingly be reduced.

***Additional Tax.*** The Issuers expect to conduct their affairs so that their net income will not become subject to U.S. federal income tax. There can be no assurance, however, that their net income will not become subject to United States federal income tax as the result of unanticipated activities by the Issuers, changes in law, contrary conclusions by U.S. tax authorities, or other causes. Any future guidance issued by the U.S. Department of Treasury and/or the U.S. Internal Revenue Service may have an adverse impact on the tax treatment of the Issuer.

***Dependence on the Adviser and its Investment Professionals.*** The success of the Issuers will be highly dependent on the managerial expertise of the Adviser and its personnel. There is no guarantee that the Adviser or its personnel can achieve a particular result for the Issuers or the holders of Securities, or that they can reproduce their respective performance histories. There is also no guarantee that the Adviser can retain any or all of its personnel. The loss of the services of certain key personnel, including the Adviser's executives, could have a material adverse affect on the performance of the Adviser and the Issuers.

***Conflicts of Interest Involving the Adviser and Affiliates.*** Various potential and actual conflicts of interest may arise from the overall investment activities of the Adviser and its affiliates and their respective clients and employees, including, but not limited to their participation in investments similar to the Collateral for their own accounts or those of non-Issuer clients, service as, or relationship with, a general partner, adviser, officer, director, sponsor or manager of partnerships or companies of Collateral issuers.

By reason of the various activities of the Adviser and its affiliates, they may acquire confidential or material non-public information or be restricted from effecting transactions in certain Collateral. At times, the Adviser, in an effort to avoid restrictions for the Issuers may elect not to receive information that other market participants or counterparties are eligible to receive or have received. Neither the Adviser nor any of its affiliates have any affirmative obligation to offer any investments to the Issuers or to inform the Issuers of any investments before offering any investments to other funds or accounts that the Adviser or any of its affiliates manage or advise. The Adviser will endeavor to resolve conflicts with respect to investment opportunities in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances. Further, the Adviser is prohibited from directing the acquisition of Collateral from, or disposition of Collateral to, its affiliates or any other account managed by the Adviser except in a transaction conducted on an arm's-length basis and consistent with applicable law.

Although the professional staff of the Adviser will devote as much time to the Issuers as

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the Adviser deems appropriate to perform its duties, the staff of the Adviser may have conflicts in allocating their time and services among the Issuers and other accounts and activities of the Adviser and its affiliates.

***Changes in the Legislative and Regulatory Environment May Affect the Ability of the Issuers to Make Payments on the Notes.*** Recent changes in legislation, together with uncertainty about the nature and timing of regulations that will be promulgated to implement such legislation, may create uncertainty in the credit and other financial markets and create other unknown risks. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was signed into law on July 21, 2010, includes provisions that are expected to have a broad impact on credit and other financial markets. The ability of the Issuers to make payments on the Securities could be affected by the Dodd-Frank Act and other recent legislation, regulations already promulgated thereunder and uncertainty about additional regulations to be promulgated thereunder in the future.

***The Subordinated Notes are Highly Leveraged, Which Increases Risks to Investors in the Subordinated Notes.*** Certain Securities are highly leveraged. Therefore, the market value of these Securities may be significantly affected by, among other things, changes in the market value of the Collateral, changes in the distributions on the Collateral, defaults and recoveries on the Collateral, capital gains and losses on the Collateral, prepayments on Collateral and the availability, prices and interest rates of Collateral and other risks associated with the Collateral. Accordingly, they may not be paid in full and may be subject to up to 100% loss. Furthermore, the leveraged nature of those Securities may magnify the adverse impact of changes in the market value of the Collateral, changes in the distributions on the Collateral, defaults and recoveries on the Collateral, capital gains and losses on the Collateral, prepayments on Collateral and availability, prices and interest rates of Collateral.

***The Issuers May Form Blocker Subsidiaries That Would Be Subject to Tax.*** To reduce the risk that the Issuers will be engaged in a U.S. trade or business, in certain circumstances, certain obligations may be owned by one or more “Blocker Subsidiaries” wholly owned by an Issuer. Income on such obligations will be subject to U.S. federal income tax, and possibly state and local tax, at regular corporate rates, and distributions by such subsidiaries to the Issuer (or, in the case of non-U.S. Blocker Subsidiaries, amounts distributed to the Blocker Subsidiary) attributable to such income may also be subject to U.S. withholding tax.

***Securities Issued in Additional Offerings by the Issuers May Not Be Fungible for U.S. Federal Income Tax Purposes with the Securities Issued in the Original Offering.*** Whether any new Securities would be fungible for U.S. federal income tax purposes with the Securities issued on the closing date would depend on whether the issuance of such new Securities would be treated as a “qualified reopening” within the meaning of U.S. Treasury regulations. This determination will depend on facts that cannot be determined at this time, including the date on which such

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issuance occurs, the yield of the outstanding Securities at that time (based on their fair market value) and whether any outstanding Securities are publicly traded or quoted at that time.

***Significant Restrictions on the Adviser's Ability to Advise the Issuer.*** Certain agreements place significant restrictions on the Adviser's ability to advise the Issuers to buy and sell Collateral. The Issuers may be unable to buy or sell Collateral or to take other actions which the Adviser might consider in the interests of the Issuers and the holders of the Securities and the Adviser may be required to make investment decisions on behalf of the Issuer that are different from those made for its other clients. In addition, the Adviser may pursue any strategy consistent with the its agreements, and there can be no assurance that such strategy will not change from time to time in the future, in its sole discretion.

***Holders of the Notes Will Receive Limited Disclosure About the Collateral.*** The Issuers and the Adviser will not be required to provide the holders of the Securities with financial or other information (which may include material non-public information) either receives pursuant to the Collateral and related documents. The Adviser also will not be required to disclose to any of these parties the contents of any notice it receives pursuant to the Collateral or related documents. In particular, the Adviser will not have any obligation to keep any of these parties informed as to matters arising in relation to any Collateral, except with respect to certain information required to be reported under the collateral management agreement and the indentures.

The holders of the Securities and the trustee will not have any right to inspect any records relating to the Collateral, and the Adviser will not regularly be obligated to disclose any further information or evidence regarding the existence or terms of, or the identity of any obligor on, any Collateral.

***Participation on Creditors' Committees.*** The Issuers may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Issuers may seek to negotiate directly with the debtors with respect to restructuring issues. The participants on such a committee will attempt to achieve an outcome that is in their respective individual best interests and there can be no assurance that results that are the most favorable to the Issuers will be obtained in such proceedings. By participating on such committees, the Issuers may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Issuers to liability to such other creditors who disagree with the Issuers' actions.

## Item 9-Disciplinary Information

There are no disciplinary disclosures to report.

## Item 10-Other Financial Industry Activities and Affiliations

The Adviser has no other financial industry activities or affiliations that are required to be disclosed.

## Item 11-Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has a fiduciary responsibility to treat the Issuers fairly and avoid actual or potential conflicts of interest. The employees of the Adviser have an obligation to act solely in the best interests of the Issuers, and to make full and fair disclosure of all material facts, particularly where an Issuer's interests may conflict with the interests of the Adviser or its employees.

### Code of Ethics

Tall Tree Investment Management, LLC has adopted a Code of Ethics which describes the general standards of conduct that the Adviser expects of all employees and focuses on three specific areas where employee conduct has the potential to adversely affect the Issuers: misuse of confidential information, personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination of an employee by the Adviser. Any client or prospective client may request a copy of the Adviser's Code of Ethics by contacting the Adviser at the contact information that appears on the cover page of this Brochure.

### Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Adviser. Employees may not convey nonpublic information nor depend upon it in placing personal securities trades.

### Participation or Interest in Client Transactions

The Adviser may, in appropriate circumstances, cross-trade certain assets between client accounts provided that no client is disfavored. In the event that there is a cross-trade between the Issuers, the Adviser has adopted policies and procedures to comply with Section 206(3) of the Advisers Act. To facilitate best execution, the Adviser uses an independent pricing mechanism to ensure objectivity. In addition, the Adviser documents the various reasons for the transaction and suitability for each Issuer involved.

## Personal Securities Trading

The Adviser has adopted personal trading policies and procedures to prevent conflicts of interest with its clients. The Adviser maintains a restricted list of securities that the Adviser and its employees may not trade and certain personal trade requests must be preapproved in order to avoid the misuse of material non-public information or confidential client information. The Adviser's Chief Compliance Officer or his designee periodically reviews the personal accounts of the Adviser's employees for compliance with these policies and procedures.

## Outside Business Activities

The Adviser's Chief Compliance Officer or his designee must pre-approve all outside activities conducted by an Adviser employee. If any activities are deemed to be in conflict with the Adviser's clients, such conflicts will be fully disclosed.

## Item 12-Brokerage Practices

### In General

Most of the investment activity in the Issuers accounts will not require the involvement of a broker-dealer. However, the Adviser is required under various agreements to seek best execution in its purchase and sale of credit products from various trading desks. In either case, the Adviser will seek to obtain best execution by taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the Issuers' risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria.

### Research and Soft Dollar Benefit

In the event that the Adviser's investment activity does involve a broker-dealer or a trading desk offers such arrangements, the Adviser is authorized by the Issuers to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with investment and research information, or to pay higher commissions to such firms if the Adviser determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or

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industry consultants. The Adviser is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by the Adviser, and the Adviser's fee is not reduced as a consequence of the receipt of such supplemental research information. The Adviser has also determined to stay within the so-called 28(e) safe harbor for such "soft dollar" benefits.

The availability of these benefits may influence the Adviser to select one broker or trading desk rather than another to perform services for the Issuers, because the proprietary and third-party research received through soft dollar arrangements relieves the Adviser from having to produce or otherwise pay for such research itself. This creates an incentive for the Adviser to select a broker-dealer or a trading desk based on its interest in receiving research or other services rather than on any particular Issuer's interest in receiving best execution. Nevertheless, the Adviser will attempt to assure either that the fees and costs for services provided to the Issuers by brokers or desks offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers or desks not offering such services or that the Issuers also will benefit from the services.

### Order Aggregation

To the extent that the Adviser in its sole judgment believes that such aggregation will result in an overall economic benefit to participating Issuers (taking into consideration the transaction price and other expenses), the Adviser will aggregate purchase and sales.

### Item 13-Review of Accounts

The Adviser is required to prepare and deliver written reports and other data required by the Issuers' indentures, in sufficient time to the parties entitled thereto.

### Item 14-Client Referrals and Other Compensation

The Adviser does not pay inside or outside parties for referring investors to the Funds.

### Item 15-Custody

U.S. Bank, as trustee, will have custody of client funds and send quarterly account statements to investors. Investors should carefully review these account statements, and compare them against the reports prepared by the Adviser.

### Item 16-Investment Discretion

The Adviser has investment discretion over the collateral portfolios of the Issuers. However, the indentures of those Issuers, and the Collateral Management Agreements between the Issuers and the Adviser, contain significant restrictions on the type of

collateral purchased or sold and the timing of those purchases or sales. The Adviser exercises its discretion in a manner consistent with those indentures and agreements.

### **Item 17-Voting Client Securities**

The Adviser does not generally manage assets that come with proxy voting rights. To the extent it does, it shall vote all such proxies in the best interest of its clients. The Adviser's written voting policies and procedures, and history of votes are available for review by existing clients upon request.

### **Item 18-Financial Information**

There is no financial condition that is reasonably likely to impair Adviser's ability to continue to meet its contractual commitments and provide services to its clients.