



KILDARE PARTNERS US, LLC

2711 N. Haskell Avenue

Suite 1650

Dallas, Texas 75204

(214) 515-3404

www.kildarepartners.com

Form ADV Part 2A | Firm Brochure

August 1, 2013

This brochure provides information about the qualifications and business practices of Kildare Partners US, LLC and its advisory affiliates described herein. If you have any questions about the contents of this brochure, please contact Tiffany Ramirez, Chief Compliance Officer, at (214) 515-3404 or tramirez@kildarepartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Kildare Partners US, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

Kildare Partners US, LLC is a newly formed investment adviser. Therefore, this brochure does not contain any material changes from any previous brochure.

In the future, this Item 2 will discuss only specific material changes that are made to the previous brochure and will provide a summary of such changes. Subsequent versions will also reference the date of the Adviser's last annual update of its brochure.

Pursuant to SEC rules, the Adviser will ensure that clients receive a summary of any material changes to this brochure and subsequent brochures within 120 days of the close of the fiscal year. Clients may request the most recent version of the brochure by contacting Tiffany Ramirez, Chief Compliance Officer, at (214) 515.3404 or tramirez@kildarepartners.com.

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ITEM 4. ADVISORY BUSINESS

Kildare GenPar I, L.P., a Bermuda exempted limited partnership ("KGPI" or the "General Partner"), was formed in April 2013 to serve as the general partner of Kildare European Partners I, L.P., a Bermuda exempted limited partnership (the "Partnership"). The Partnership is a closed-end pooled investment vehicle that is privately offered to institutional investors, including but not limited to foundations and endowments, public and private pension plans, sovereign wealth funds, state and municipal government agencies, high net worth individuals and corporations. The Partnership intends to invest in real estate and real estate-related assets principally in Western Europe, with an initial focus on performing, sub-performing and non-performing loans ("NPLs") secured directly or indirectly by commercial and other real estate assets and control

positions in financial institutions and other operating companies that have significant real estate-related assets.

Kildare Holdings, Ltd., a Bermuda exempted company (“KHL”), is the general partner of the General Partner. KHL is controlled by The Kildare Holdings Trust, Ltd. The General Partner, on behalf of the Partnership, will enter into a management agreement (the “Advisory Agreement”) with Kildare Management, Ltd., a Bermuda exempted company (the “Adviser” or “KML” and, together with its subsidiaries and affiliates, “Kildare Partners”), to be responsible for the Partnership’s investment activities described above and to manage the Partnership’s day-to-day activities. In providing services to the Partnership, KML will rely on the resources of its subsidiaries, Kildare Partners US, LLC, a Delaware limited liability company (“KUS”), and Kildare Partners UK, LLP, a U.K. limited liability partnership (“KUK”) and its affiliate, Curzon Advisers, Ltd. (“CAL”). Both KUS and (subject to first obtaining authorization by the U.K. Financial Conduct Authority (the “FCA”)) KUK will provide investment advisory services to KML pursuant to advisory agreements. CAL will provide loan servicing and asset management services to the Partnership, pursuant to an advisory agreement with KML. CAL is centrally controlled and managed in the U.K. and intends to apply for authorization by the FCA. References to the Adviser herein shall include KHL, KGPI, KML, KUS, KUK and CAL, where applicable.

The Adviser and its affiliates were formed in April 2013 to service the needs of the Partnership. KHL is the sole shareholder of KGPI and KML. KHL is wholly owned by The Kildare Holdings Trust (“KHT”) which is controlled by its trustee, Kildare International, Ltd, a Bermuda exempted company (“KIL”). Ellis Short IV is the beneficiary of KHT.

KUS is registered with the SEC as an investment adviser.¹ Pursuant to applicable SEC guidance, affiliates of KUS are covered by KUS’ registration as relying advisers. As such, this Form ADV Part 2 is intended to cover the investment advisory activities of KHL, KGPI, KUS, KUK, KML, and CAL.

The Adviser does not currently provide investment advisory services to clients apart from the Partnership, although it may do so in the future. The Adviser tailors its investment advice for the Partnership in accordance with the investment objective and strategy of the Partnership, as set forth in the offering documents. In future, should the Adviser provide investment advisory services to clients other than the Partnership, it will tailor its investment advice for each client in accordance with the investment objective and strategy of the applicable client, as outlined in the client’s governing documents.

The Adviser does not tailor its advisory services to the needs of any particular investor in the Partnership.

As of August 1, 2013, the Adviser manages \$0 of client assets on a discretionary basis. The Adviser anticipates managing more than \$150 million in client assets, on a discretionary basis, within 120 days of this filing. The Adviser does not manage any client assets on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

COMPENSATION FOR ADVISORY SERVICES

¹ Registration does not imply a certain level of skill or training.

Management Fees. For its investment advisory services, the Adviser or its affiliates will receive an annual management fee from the Partnership (the “Management Fee”), payable on a monthly basis. During the period in which the General Partner may call capital from the limited partners (the “Commitment Period”), the Partnership will pay a Management Fee equal to an annual rate of 1.00% of the partners’ aggregate commitments, payable monthly, in advance. Should the total commitments as of the final closing exceed the target of \$1.5 billion, the Management Fee to be applied during the Commitment Period will be adjusted downward, effectively capping the annual Management Fee at an amount equal to 1.00% times \$1.5 billion. Following the Commitment Period, the Partnership will pay a Management Fee equal to an annual rate of 0.65% of the partners’ net invested equity, payable monthly, in arrears. As used herein, “Net Invested Equity” shall mean the aggregate capital contributions of the partners to the Partnership allocated to investments that have not been disposed of (or the portion that has not been disposed of) or permanently written-off to zero by the Partnership.

Carried Interest. In addition to the Management Fee received by the Adviser, the General Partner will receive a percentage of the gains realized by the Partnership as incentive income after partners have received the return of all contributed capital plus an annual preferred return. For a further discussion on Carried Interest, see *Item 6: Performance-Based Fees and Side-by-Side Management*.

Other Types of Fees and Expenses. In addition to Management Fees, Kildare may seek reimbursement from the Partnership for expenditures designated as reimbursable under the terms of the offering documents. Such expenditures may include, but are not limited to, organizational and syndication expenses incurred in the formation and closing of the Partnership. The offering documents of the Partnership provide a cap on the organizational and syndication expenses chargeable to the Partnership. Pursuant to the terms of the Advisory Agreement, the Adviser has agreed to bear the economic burden of organizational expenses in excess of \$1.5 million. Any payments made by the Partnership in respect of organizational expenses in excess of \$1.5 million will reduce on a dollar for dollar basis the amount of unpaid Management Fees payable by the Partnership to the Adviser.

Subject to first obtaining authorization by the FCA, Curzon Advisers, Ltd., an entity under common control with KUK, intends to provide special servicing, loan servicing, underwriting, due diligence, and asset management services to the Partnership in exchange for fees, as set forth in the limited partnership agreement (“Partnership Agreement”). At no time will fees be charged in excess of current prevailing market rates for similar services.

The Partnership will generally bear all costs and expenses directly related to its investment program, including but not limited to: (1) brokerage commissions and settlement charges; (2) custody and clearing fees; (3) interest expenses and hedging costs; (4) any withholding or transfer taxes; (5) all expenses incurred in connection with locating, evaluating and implementing potential investments, including research related expenses; (6) expenses incurred in the operations of the Partnership, including administration, accounting, audit and tax; (7) loan servicing fees; (8) insurance premiums; (9) corporate secretarial and legal expenses; (10) costs of any litigation or investigation involving Partnership activities; (11) expenses related to consummated transactions, such as financing and consulting fees, property management fees and transaction fees; (12) third-party expenses related to unconsummated transactions; and (13) costs associated with reporting and providing information to existing and prospective investors.

Kildare Partners does not currently utilize the services of a third party placement agent, though it may do so in the future. Should a third party placement agent be engaged, the General Partner will assume responsibility for the payment of all fees and expenses related to such agent.

Clients will incur brokerage and other transaction costs. For further discussion of these and related items, please see *Item 12: Brokerage Practices*.

DEDUCTION OF FEES

Management Fees. Management Fees will be deducted out of the funds of the Partnership or paid pursuant to capital calls on the limited partners' unfunded commitments.

Carried Interest. Performance-based compensation will be allocated and paid to the General Partner or its affiliates from the assets of the Partnership.

Timing. Management Fees will be charged monthly.

FEES PAID IN ADVANCE AND REFUNDS

The Partnership is a closed-end fund; therefore investors generally do not have the ability to withdraw from the Partnership. To the extent that an investor were permitted to withdraw from the Partnership, no portion of the pre-paid Management Fee would be refunded.

Fees charged to the Partnership are non-negotiable.

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

The General Partner will receive a certain percentage of the actual returns in excess of specific performance hurdles of the Partnership ("Carried Interest"). Carried Interest is similar to a performance-based fee and may vary over time with the Partnership's performance. As more fully described in the Partnership's offering documents, the General Partner will be entitled to receive its Carried Interest at established payment levels within the Partnership's distribution hierarchy (i.e., waterfall). Carried Interest will be structured at the Partnership level and will not be paid on an investment-by-investment basis. Carried Interest payments will begin once the partners have received from the Partnership, on a cumulative basis, a return of all capital contributed and a specific preferred return on all capital contributed to the Partnership.

Carried Interest may create an incentive for the General Partner to make more speculative investments on behalf of the Partnership than it would otherwise make in the absence of such profits interest. The Partnership's investment approach, strategy and focus are defined in the offering documents and the Adviser will manage the Partnership's assets in accordance with these terms. Kildare Partners will seek to manage potential conflicts of interest in good faith, and subject to the provisions of the Partnership's governing documents, Kildare Partners will be guided by its fiduciary duties to the Partnership on any matter involving a conflict of interest.

ITEM 7. TYPES OF CLIENTS

The Adviser provides investment advisory services exclusively to Kildare European Partners I, L.P.

The underlying investors in the Partnership will typically be institutional investors, including but not limited to foundations and endowments, public and private pension plans, sovereign wealth funds, state and municipal government agencies, high net worth individuals and corporations.

Each investor in the Partnership must be an “accredited investor” within the meaning of Regulation D promulgated by the SEC under the U.S. Securities Act of 1933, as amended, must be a “qualified purchaser” within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, and will be required to make certain representations and provide documentation to assure compliance by the Partnership with applicable anti-money laundering laws. The minimum initial commitment for an investor in the Partnership is \$50 million USD, although the General Partner reserves the right to accept commitments of lesser amounts.

The Adviser or its affiliates may, in the future, provide advisory services to additional clients, either directly or through another entity, including, but not limited to, other pooled investment vehicles, trusts, institutions, high net worth individuals, investment companies, pension plans, sovereign wealth funds, family offices, foundations and endowments.

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

The information included in this brochure does not include every potential risk associated with each investment strategy or security. Investors and prospective investors in the Partnership are urged to ask questions regarding risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the Partnership’s fund documents) and determine whether a particular strategy or type of security is suitable for his/her/its own account in light of his/her/its circumstances, investment objectives and financial situation. Investing in securities involves risk of loss that investors should be prepared to bear.

METHODS OF ANALYSIS

The Adviser and its affiliates will provide a variety of investment management services to the Partnership, including origination, underwriting and asset management. Various methods of analysis will be employed throughout the life of an investment.

Origination. The Adviser will be responsible for originating, pricing and closing the Partnership’s investments. The Adviser, through its subsidiaries and affiliates, intends to employ strategic investment professionals in the Partnership’s initial target markets of the U.K., Germany and Spain. By having investment professionals located in those markets, the Adviser believes origination opportunities for distressed debt portfolios and real estate assets can be readily identified and efficiently executed. These professionals will conduct extensive analysis and due diligence on each potential investment and utilize extensive relationships with counterparties to capture market share and negotiate transactions.

Underwriting and Due Diligence. The Adviser intends to engage Curzon Advisers, Ltd. (“CAL”) to perform diligence reviews and pricing evaluations. Beginning with a bottom-up individual asset valuation, CAL will apply differing valuation methodologies, depending on market conditions, which may include income capitalization, sales comparison and replacement cost. Once the underlying collateral is valued, CAL will overlay the projected costs associated with management and realization of the transaction, taking into consideration such factors as: (1)

due diligence costs; (2) portfolio level costs; (3) legal/foreclosure costs; (4) tax costs; (5) servicing costs; (6) senior liens; (7) resolution timing; (8) financing costs; and (9) hedging costs. Taking into account the results of the asset level valuation exercise and additional cost considerations, a price for the transaction will be established, that meets or exceeds the return profile of the Partnership, utilizing discounted cash flow methodology.

Approval. Upon completion of underwriting, due diligence and pricing, all proposed transactions will be documented in a memorandum (the “Investment Committee Memorandum”) and reviewed by the Investment Committee for recommendation to the Adviser. Each Investment Committee decision will require approval from at least two of its three members, consisting of Ellis Short, Jay McLennan and Paul Patel. The Adviser, acting through its independent board, will consider potential investments only if they have been recommended by the Investment Committee. Once approved by the Adviser, the investment will be deemed formally approved and the Adviser will engage CAL to proceed with closing the transaction.

Investment Management. During the critical period from the point at which an agreement for a potential transaction has been executed until the closing date of that transaction, CAL, the Partnership’s dedicated loan servicing and asset management company, will work closely with the counterparty’s staff concerning the potential investment, such as ensuring day-to-day loan servicing and asset management activities are performed in accordance with the Partnership’s business plan for each asset until the date of the closing. Once the transaction has been closed, CAL will create a detailed asset management plan (the “AMP”) that will be submitted to the Adviser for review and approval.

The Adviser will seek the advice of the Investment Committee in connection with its review of each AMP. Consistent with the disciplined approach to valuation of underlying collateral during underwriting, the creation of an AMP ensures that a comprehensive valuation analysis is likewise prepared to establish a benchmark for asset liquidation. This analysis includes an examination of the leasing and sales markets, a physical inspection of the collateral and a review of the property’s accounting records. Legal due diligence and industry research relevant to each individual or corporate borrower is also conducted. The AMP requires each asset manager to formulate an action plan that takes into account each aspect of the asset management process including cash collection, the enforcement of legal remedies and the targeted liquidation strategy. CAL will be responsible for implementing each approved AMP.

Each asset’s AMP will be submitted to the Asset Review Committee (the “ARC”) for review, modification and implementation. Upon approval by the Adviser, the AMP becomes the central mechanism for action and defines the parameters within which an asset management team is authorized to execute a transaction. This asset-by-asset decision making process is designed to create a streamlined approach that allows asset management teams to carry out business plans in an expedient, value-maximizing manner without being restrained by lengthy review and approval processes.

Hedging Practices. The Partnership will be denominated in U.S. dollars but invest on a global basis. Therefore, there exists, certain risks associated with foreign currency and interest rate exposure. The Adviser will attempt to maintain a “currency neutral” position for the Partnership by hedging, directly or indirectly, certain currency risks. The Adviser will employ currency strategies that will attempt to eliminate the fluctuations of currency exchange rates. A committee consisting of senior members of the investment team (the “Hedging Committee”) will meet regularly to review cash flow and currency and interest rate exposure, make decisions related to

hedging, and selecting counterparties to execute the transactions. In connection with non-U.S. dollar denominated investments of the Partnership, the Adviser may use forward foreign exchange contracts and foreign currency options to manage foreign currency exposure. Should an investment have interest rate exposure, the Adviser may use interest rate swaps and interest rate options to manage the exposure.

VALUATION OF INVESTMENTS

The Partnership will report its investments at fair value in accordance with FASB SFAS 157, *Fair Value Measurements*, (“SFAS 157”). Pursuant to its advisory agreement with the Partnership, CAL will facilitate the valuation process by managing the flow of information received regarding investments. Once an investment acquisition has been closed, CAL will create an AMP that includes a detailed initial projected cash flow model for the investment.

Fair value is generally based on discounted cash flow methodology calculated using future cash flows provided by CAL, reviewed and approved by the Senior Managing Director in each respective region, as well as the Treasury/Accounting department, and approved by the Valuation Committee. For assets that have quoted market prices, fair value is calculated based on quoted prices unless the quoted price is not a true representation of the fair value at the measure date.

According to SFAS 157, financial assets and liabilities carried at fair value are classified and disclosed by the level of input defined in one of three categories:

LEVEL 1

Quoted prices (unadjusted) in active markets which are accessible at the measurement date for identical assets and liabilities.

LEVEL 2

Observable prices based on inputs not quoted on active markets but corroborated by market data.

LEVEL 3

Unobservable inputs used when little or no market data is available.

Where available, the Adviser will use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Initial fair value of an investment will be based on the Partnership’s equity portion of the purchase price in the quarter in which capital is called from the Partnership’s limited partners. Over the life of the investment, employees of CAL will monitor, track and analyze trends and projections of cash flows regarding each investment asset. The ARC, comprised of senior management of CAL and the investment team, will regularly review these findings to determine when amendments to an asset’s AMP are needed.

Each quarter, CAL will report the findings of the ARC reviews, along with amended cash flow projections, to the Treasury/Accounting department. The Fund Controller will perform a detailed analysis, including but not limited to, a comparison between projected cash flow and actual cash flow, and changes in IRR. Any material deviations will be noted and explanations will be obtained from CAL and the Senior Managing Director in the region in which the asset is located. The Fund Controller will use CAL’s quarterly reports to update valuation and create investor reporting. The Valuation Committee will review and approve reported cash flows, discount rates and valuation

of each investment on a quarterly basis. Only those figures approved by the Valuation Committee will be used in the reports distributed to the Partnership's investors.

For real estate assets, fair value will be calculated using one of the following three approaches: (1) Sales Comparison; (2) Income Capitalization; or (3) Cost. Assumptions used to value the asset will vary based on location, property type, etc. For performing loans and non-performing loans, the original value will be based on the underwritten value. Subsequent values will be based on appraisals, offers, contracts, verbal communication with the borrower, etc. The discount rates applied to expected future cash flows will be estimates of market rates based on the nature, location, risks and leverage inherent in the investments and underlying assets. The expected future cash flows will then be discounted to arrive at the estimated present fair value.

INVESTMENT STRATEGY

As discussed more fully in the offering documents, the Partnership will invest in real estate and real estate-related assets principally in Western Europe, with an initial focus on performing, sub-performing, and non-performing loans ("NPLs") secured directly or indirectly by commercial and other real estate assets and control positions in financial institutions and other operating companies that have significant real estate-related assets.

GENERAL RISKS

There are a number of general risks related to the intended investment strategy of the Partnership as applicable, including, but not necessarily limited to, the following:

General Investment Risk. Opportunistic investments in financial, real estate, and other investment assets including but not limited to, investments in secured and unsecured debt, financially oriented operating companies, real estate related operating companies and securities, including real estate portfolios, single asset acquisitions, CMBS, joint ventures, development opportunities, tax exempt bonds, and limited partnership interests, are subject to various risks, including adverse changes in national or international economic conditions, local market conditions, availability or terms of debt financing, interest rates, governmental rules and fiscal policies, and energy prices, as well as risks due to dependence on cash flow, acts of God, unforeseen events, uninsurable losses, and other factors which are beyond the control of the Adviser.

Global financial markets have experienced a variety of difficulties and changed economic conditions over the past several years. Several financial institutions have taken significant write-downs on their assets. These conditions have had significant adverse effects and may continue to have significant adverse effects on the global financial markets. In addition, many market participants have indicated that they expect further adverse developments in the near future. These developments, if continued, and new developments, if they occur, could have a significant effect upon the availability and terms of financing, as well as the liquidity of assets and the purchase and sale price of assets. Accordingly, such developments could adversely affect the Partnership's ability to make or dispose of investments, the type of investments that the Partnership may make, its ability to value assets, its ability to find sufficient investment opportunities and the returns received or loss of principal experienced by the Partnership with respect to its investments.

Investment in Troubled Assets. The Partnership may make investments in secured and unsecured non-performing loans or other troubled assets that involve a significant degree of legal

and financial risk and, particularly in the international context, political risks. Furthermore, investments in assets operating in workout modes or under Chapter 11 of the U.S. Bankruptcy Code, as amended, and other comparable reorganization laws may, in certain circumstances, be subject to certain additional potential liabilities that may exceed the value of the Partnership's original investment. In addition, under certain circumstances, payments to the Partnership and distributions by the Partnership to the partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Moreover, particularly with respect to international investments in secured and unsecured non-performing loans or other troubled assets, there are additional risks and uncertainties related to litigation, bankruptcy, and other laws and regulations affecting the rights and remedies of the Partnership, which can create additional financial risks to the Partnership.

Risks of Investing in Real Estate-Related Assets. The Partnership expects to make investments in real estate assets and real estate-related investments, including debt secured by real estate assets or operating companies with significant real estate assets. Such assets are subject to various risks associated with the real estate industry generally, including adverse changes in the financial conditions of tenants, buyers, and sellers of properties; the availability of financing and changes in interest rates; real estate taxes, interest rates, and other operating expenses; insurance; environmental laws and regulations, zoning laws, and other governmental rules and fiscal policies; the relative popularity of certain property types and locations; adverse changes in regional, national or international economic conditions; adverse local market conditions; adverse changes in underlying value of the investment; dependence on cash flow; potential limited recourse against prior owners or third parties with respect to unknown liabilities; uninsurable losses; acts of God; other factors beyond the control of the Adviser; and the presence of, or availability of, certain construction materials.

Developments in global and local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the value of real property interests. The real estate assets associated with the Partnership's investments may be or become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate investments may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial write-down of such loan or asset. However, even if an asset is performing as expected, a risk exists that, upon maturity of financing, replacement "takeout" financing will not be available or will not be available on attractive terms. It is possible that the Adviser would find it necessary or desirable to foreclose on some of the collateral securing one or more debt investments, but such remedy may not be available in the jurisdiction where the property is located, and may not be comparable to a foreclosure action in the U.S., if it is available. Even if foreclosure is an option, the foreclosure process can be lengthy and expensive. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, which may have the effect of further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Risks Associated with Commercial Mortgage Loans. The Partnership may invest in commercial mortgage loans. The value of the Partnership's commercial mortgage loans and the underlying commercial mortgage-backed securities will be influenced by the historical rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults, and loss severity include: (1) economic and real estate market conditions by industry sectors (e.g.,

multifamily, retail, office); (2) the terms and structure of the mortgage loans; and (3) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of the tenants to make lease payments, the ability of the property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses, and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees.

Commercial mortgage loans that may be acquired generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans and commercial mortgage-backed securities bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

If the Partnership elects to originate commercial mortgage loans, the Partnership will be subject to the laws, rules, and regulations of various federal, state, and local government agencies regarding the origination, processing, underwriting, sale, and servicing of mortgage loans. These laws, rules, and regulations, among other things, may limit the interest rates, finance charges, and other fees mortgage originators may charge, require mortgage originators to make extensive disclosure, prohibit discrimination, and impose qualification and licensing obligations and reporting and net worth requirements on mortgage originators. In addition, mortgage originators are subject to inspection by government agencies. A mortgage originator's failure to comply with these requirements could lead to, among other things, the loss of approved status, termination of contractual rights without compensation, demands for indemnification, or mortgage loan repurchases, class action lawsuits, and administrative enforcement actions. In addition, the Partnership's election to originate commercial mortgage loans could have significant tax consequences for the Investors in the Partnership. Potential investors in the Partnership are strongly urged to consult their own tax and legal advisors with respect to the tax and other legal aspects of an investment in the Partnership and the transactions contemplated hereby.

Global financial and real estate markets have experienced a variety of difficulties and changed economic conditions in recent years. In particular, delinquencies and losses with respect to mortgage loans (in particular, subprime mortgage loans and second-lien mortgage loans) and the leverage lending markets have increased and may continue to increase. These conditions have had significant adverse effects and may continue to have significant adverse effects on the global financial markets generally, including the commercial mortgage market. Numerous laws, regulations, and rules related to the servicing of mortgage loans, including foreclosure actions, have been, and continue to be, proposed by various governmental authorities. If enacted, these laws, regulations, and rules may result in delays in the foreclosure process, reduced payments by borrowers, or increased servicing expenses.

Credit Risks. The Partnership's investments could lose money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived by market participants, ratings agencies, pricing services, or others, as unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings. The downgrade of the credit of a security held by the Partnership may decrease its value. "Distressed" assets are generally considered to have significant credit risk. With respect to the financing strategies and hedging services described herein, the Partnership may also be subject to the risk that a counterparty to a financing arrangement or derivatives contract may be unable or unwilling to honor its obligations as a result of the counterparty's financial condition or insolvency.

Risks Associated with High Yield Commercial Mortgage-Backed Securities. The Partnership may invest in commercial mortgage-backed securities and other mortgage-backed securities, including subordinated tranches of such securities. In general, risk factors discussed herein pertaining to mortgage loans (and the type of property securing such mortgage loans), would similarly pertain to any mortgage-backed security in which the Partnership invests. Some or all of the commercial mortgage-backed securities contemplated to be acquired by the Partnership may not be rated, or may be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. The majority of the mortgage-backed securities acquired by the Partnership are typically lower-rated or unrated, and the original ratings of many of these securities were withdrawn or downgraded to levels that are significantly below investment grade. Lower-rated or unrated commercial mortgage-backed securities in which the Partnership may invest have speculative characteristics that can involve substantial financial risks. Securities rated lower than "B" can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect the Partnership from loss. If the Partnership invests in subordinated commercial mortgage-backed securities in particular, the Partnership will be first in line among debt holders to bear the risk of loss from collateral delinquencies and defaults.

The value of commercial mortgage-backed securities and other mortgage-backed securities in which the Partnership may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans that underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments, while the principal on most residential mortgage loans generally may be prepaid at any time without penalty.

Leverage. The Partnership's ability to achieve or surpass target rates of return on the investments may depend on the ability to access sufficient financing sources on desirable terms. The Partnership may, directly or indirectly, utilize various types of financing, such as through the use of repurchase agreements, swaps, and multi-tiered credit arrangements many of which contain inherent risks. The Partnership's investments are typically financed by initially borrowing under the Partnership's line of credit and/or third party financings typically by a subsidiary of the Partnership, subsequently to be replaced with portfolio level financing that is secured by the specific investment that is being financed. This leverage will increase the exposure of such investments to adverse economic factors such as significantly rising interest rates, increased risk spreads, severe economic downturns, or deterioration in the condition of the investment or its

corresponding market. Generally, the presence of leverage in the Partnership's investments will magnify their volatility and may substantially increase the Partnership's risk profile. In the event a specific investment is unable to generate sufficient cash flow to meet a margin call or a principal or interest payment required to maintain the financing arrangement related to an investment, the value of the Partnership's equity position in that investment could be significantly reduced or even eliminated.

The current global financial market conditions have reduced the amount of, and decreased the favorability of the terms of, leverage available, which could adversely impact the amount and terms of financing available to the Partnership or its subsidiaries, which could, in turn, affect the returns generated by the Partnership and the ability to structure potential transactions. While the Adviser will take any such reduction in financing into consideration when identifying, conducting due diligence, and structuring potential investments, a decrease in the ability of the Partnership or its subsidiaries to leverage the investments could adversely affect the returns generated by the Partnership and could result in fewer investments being made, therefore reducing the diversification of the portfolio.

The Partnership and its subsidiaries may use a variety of financing sources including, without limitation, bank loans, and repurchase agreements. The repurchase agreements used by the Partnership or its subsidiaries for financing purposes may have various terms ranging from a month or less to five or more years. In the event that any given financing arrangement is terminated prior to its expected term, the Partnership or its subsidiaries may not be able to refinance the underlying investment in a timely manner, or on the same terms as the prior financing arrangement, or on any terms.

In addition to the enhanced portfolio volatility and risk that may arise from the use of leverage, each financing instrument is subject to credit risk with respect to the counterparty. Financing transactions typically involve the transfer of legal title, pledge, or other encumbrance of the underlying investment of the Partnership. Repurchase agreements may require the transfer of title to the underlying assets and may reduce the options available to resolve any issues with the counterparty involved in such repurchase agreements. In addition, the number of potential counterparties offering financing of the type desired by the Partnership and its subsidiaries may be very limited, which may result in less attractive terms and conditions, and concentrations of financings with such counterparties. Accordingly, the insolvency or bankruptcy of a financing counterparty may result in legal action that impairs the value or marketability of the underlying investment, or the Partnership's ownership rights. There can be no assurance that the Partnership will recover all or any of the economic value of the investment under such circumstances, and any such recovery may require the payment of substantial legal costs.

Foreign Investments. Subject to the parameters set forth in the Memorandum, the Partnership will predominately focus its investments in Western Europe, but as part of portfolio acquisitions may acquire assets in other regions or countries, some of which may prove to be politically or economically unstable. Risks to the Partnership's investments may result from differences between U.S. and non-U.S. countries, such as the absence of uniform accounting, auditing, and disclosure requirements; less government oversight and other legal and regulatory differences, including weaker investor protections and fiduciary duties; less advanced bankruptcy laws; and difficulty in enforcing contractual obligations. Further risks may involve a country's potential economic, political, or social instability, which can lead to expropriation or confiscatory taxation, higher inflation, nationalization, confiscation without fair compensation, or war and can

necessitate reliance on a country's diminished economic and physical infrastructure to support investment activity. Such instability may also lead to fluctuations in currency exchange rates that affect the value of the Partnership's investments, and foreign currency and other restrictions imposed to prevent capital flight, which may make it difficult or impossible to exchange or repatriate foreign currency. In addition, in the changing global political realm, what appears to be a stable political situation at the time of an investment may change significantly before such asset can be realized upon.

The Adviser will analyze risks in the applicable countries before recommending investments for the Partnership, but no assurance can be given that a country's political, social, or economic climate, or a particular tax, legal, or regulatory risk might not adversely affect an investment by the Partnership. The Adviser will also attempt to maintain a "currency neutral" position for the Partnership by hedging, directly or indirectly, certain currency risks, but there is no assurance that the Adviser can minimize currency risk perfectly where the magnitude and timing of future cash flows can only be estimated and are not known with certainty. The Adviser's currency hedging procedures are conducted only as an attempt to minimize or reduce risk, and there can be no assurance that such hedges will be available, be available at a reasonable cost, or be sufficient to actually eliminate the risk of fluctuations in currency exchange rates. With any hedging transaction, there exists a risk that any counterparty to a hedging transaction will not perform as expected. For additional information on risks associated with hedging transactions, please see the section on "Hedging Transactions" below.

Laws and regulations of foreign countries may impose restrictions or approval requirements that do not exist in the U.S. and may require the use of financing and structuring alternatives that differ significantly from those customarily used in the U.S. Foreign countries also may impose taxes on the Partnership, the activities of the Partnership, and/or the partners. The Adviser will analyze risks in the applicable foreign countries before recommending investments therein, but no assurance can be given that a political or economic climate, or particular tax, legal, or regulatory risk might not adversely affect an investment by the Partnership.

Risks Associated with Investments in Finance Companies, Banks, Bank Holding Companies and other Regulated Institutions. The Partnership may invest in finance companies, banks, bank holding companies, or other regulated institutions that operate in highly competitive environments and are subject to extensive regulation. These institutions compete against one another for loans, deposits, and other financial services with commercial banks, savings and loan associations, credit unions, other finance companies, mutual funds, insurance companies, brokerage, and investment banking firms, and various other non-bank competitors, many of which may not be subject to a larger degree of governmental regulatory oversight and periodic examination than their competitors. Investments in certain types of institutions that provide secured and unsecured loans are highly speculative and subject to various risks, including adverse changes in national or international economic conditions; adverse local market conditions; changes in availability of debt financing; changes in interest rates, governmental rules, and fiscal policies; risks due to dependence on cash flow; risks and operating problems arising out of acts of God and other unanticipated events; uninsurable losses; and other factors that are beyond the control of the Adviser. In the event a finance company, bank, or similar institution forecloses on the properties, if any, securing its loans, the finance company would need to operate those properties, thus subjecting the finance company to environmental and other risks associated with the ownership and operation of real property. Furthermore, there can be no

assurance that such company would be able to sell its properties at a price that would result in a return on the loans.

Limited Current Return. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. Developments in global financial markets over the past few years and new developments in global and local markets, if they occur, may adversely impact the ability of the Partnership to dispose of investments at their expected returns. While current returns from investments may vary, the Adviser generally attempts to maximize realized returns on the disposition of the Partnership's investments, and as such, will generally not favor early liquidation of an investment or foregoing potential disposition upside to maximize current returns.

Lack of Liquidity of Investments. Most of the investments to be made by the Partnership are highly illiquid, and there can be no assurance that the Partnership will be able to realize these investments in a timely manner. It is unlikely that there will be a public market for most of the investments held by the Partnership. The Partnership generally will not be able to sell its investments publicly unless their sale is registered under applicable U.S. federal, state, or other securities laws, or corresponding laws of non-U.S. jurisdictions, unless an exemption from such registration requirements is available. In some cases the Partnership may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by the Partnership may be such that they require a substantial length of time to liquidate. In the event of a margin call or other loan repayment at a time in which the Partnership does not have sufficient cash assets to cover such call or payment, the Partnership may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds to the Partnership.

Market Risks. The Partnership may make investments that are publicly traded or traded in active private markets. The values of such investments are particularly susceptible to fluctuations based on market trends. Certain worldwide government bodies and central banks have responded to recent financial market turmoil with extraordinary intervention programs, the success of which has yet to be measured. As a result, credit availability has contracted and financing costs have increased, which have acted as barriers to new, sizeable, leveraged transactions. This reduced (or more expensive) credit availability, along with equity and debt security valuation declines, has negatively impacted the private equity sector. Further changes in stock prices, interest rates, currency exchange rates, or commodity prices could result in changes in the broader marketplace that adversely affect the value of publicly traded investments, particularly with respect to investments located in emerging markets or traded on relatively volatile exchanges. The Partnership, at the recommendation of the Adviser, may invest in publicly traded securities on markets that are relatively illiquid or volatile. The values of such investments are particularly susceptible to fluctuations based on market trends. The Partnership may have difficulty disposing of such investments at a price and on terms that are attractive to the Partnership.

Swaps and Derivative Investments. The Partnership may utilize swaps and other derivative transactions to obtain a desired exposure, and such transactions may expose the Partnership to risk of loss. To the extent the Partnership invests in repurchase agreements, swaps, and other "synthetic" or derivative instruments, counterparty exposures can develop and the Partnership takes the risk of nonperformance by the other party on the contract. Transactions such as these, which are entered directly between two counterparties, may expose the parties to the risk of counterparty default.

Derivatives are a financial contract whose value depends on, or is derived from, an underlying product. Some of the risks generally associated with derivatives include the risks that: (1) the value of the derivative will change in a manner detrimental to the Partnership; (2) another party to the derivative may fail to comply with the terms of the derivative contract; (3) the derivative may be difficult to purchase or sell; and (4) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations. Derivatives markets can be highly volatile. The profitability of investments by the Partnership in derivatives depends on the ability of the Adviser to analyze correctly these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial, and trade programs and policies designed to influence world political and economic events, and changes in interest rates. In addition, the assets of the Partnership may be pledged as collateral in derivatives transactions. Thus, if the Partnership defaults on such an obligation, the counterparty to such transaction may be entitled to such collateral.

Opportunistic Investment Strategy. The opportunistic investment strategy utilized by the Adviser on behalf of the Partnership generally does not incorporate consideration of other investments held in the Partnership's investment portfolio. Accordingly, portfolio risk controls such as value at risk metrics, investment diversification across regions or industries, or avoidance of risk concentration at the investment portfolio level are typically not considered when assessing the merits of a potential investment. Instead, the Partnership's opportunistic investment strategy focuses on the expected returns of each potential investment on an individual basis. This opportunistic investment strategy may result in a significantly higher risk profile of the Partnership compared to a strategy that actively diversifies investments across type, sector, location, and/or other risk factors.

Risk of Limited Number of Investments. The Partnership may participate in a limited number of investments and, as a consequence, the aggregate return of the Partnership may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, the diversification of the Partnership's investments could be further limited and proportionately more capital employed to the extent the Partnership invests a significant portion of its capital in a limited number of transactions. The Partnership's assets may be concentrated in a particular industry, asset category or financial or economic market from time to time and for substantial periods of time. As a result of any such concentration, the Partnership's assets may be subject to more rapid changes in value than would be the case if the Partnership's assets were less concentrated and the economic returns of the Partnership may thereby be materially adversely affected.

Currency Risk. The Partnership expects to make investments in assets denominated or valued in non-U.S. currencies. To the extent that the Partnership invests in securities or assets denominated in or indexed to foreign currencies, changes in currency exchange rates bring an added dimension of risk. Currency fluctuations could negatively impact investment gains or add to investment losses. Although the Partnership may attempt to hedge against currency risk, the hedging instruments may not always perform as the Partnership expects and could produce losses.

Expedited Transactions. Investment analyses and decisions by the Adviser may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities.

In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to detailed information regarding the investment opportunity, such as physical characteristics, structural, or environmental matters, zoning regulations, or other local conditions affecting an investment. With respect to real estate-related investments, the Adviser may not be able to undertake all appropriate inquiries into the previous ownership and uses of a property consistent with typical commercial or customary practice. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment. In addition, the Adviser may rely upon independent consultants in connection with its evaluation of proposed investments; however, no assurance can be given that these consultants will accurately evaluate such investments and the Partnership may incur liability as a result of such consultants' actions.

Risks of Environmental Liabilities. Under various laws, ordinances, and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances and other environmental pollutants (including, without limitation, petroleum products, asbestos, and polychlorinated biphenyls) released on, about, under, or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances or other environmental pollutants. The presence of hazardous substances or other environmental pollutants, or the failure to remediate hazardous substances or other environmental pollutants properly, may adversely affect the owner's ability to sell or use real estate or to borrow outside funds using real estate as collateral. In addition, some environmental laws create a lien on contaminated property in favor of the government for costs it incurs in connection with the contamination. In addition to cleanup actions brought by governmental agencies and private parties, the presence of hazardous substances or other environmental pollutants on a property may lead to claims of personal injury, property damage, or other claims by private plaintiffs. Environmental liabilities with respect to a specific real estate asset may exceed the value of such asset, and under certain circumstances, subject the other assets of the Partnership to such liabilities.

Hedging Transactions. In connection with its management of the Partnership's assets, the Adviser may recommend that the Partnership enter into hedging and similar transactions with respect to foreign currency, interest rate, and other risks where deemed appropriate and cost effective by the Adviser, however there is no assurance that foreign exchange risk and/or interest rate risk can be perfectly hedged or minimized where the magnitude and timing of future cash flows can only be estimated and not known with certainty. Thus, prudent currency and interest rate hedging policies only serve to minimize or reduce these risks, but not to eliminate them completely. There can be no assurance that the Partnership will have sufficient liquidity or credit capacity to support the hedging services, and no assurance that hedging techniques will be available, be available at a reasonable cost, or be sufficient to eliminate these risks. In addition, the Adviser may recommend that the Partnership hedge the investment's currency or interest rate exposure at an amount less than the expected value of that investment. In such cases, the Partnership may suffer losses from changes in foreign exchange rates or interest rates that may have been recouped through hedging transactions if the investment had been fully hedged. With any hedging transaction there exists a risk that any counterparty to a hedging transaction will not perform as expected. There may also be complications in the enforcement of hedging transactions in the event of partial or total dissolution of a currency block such as the Euro, the imposition of currency controls, or similar currency market disruption to a hedged currency, and litigation

between the Partnership and the hedging counterparty may result from such complications. Such a disruption to the currency markets may also cause the Partnership to be unable to implement hedging transactions in the affected markets for an indefinite period of time. The Partnership will bear the cost of any hedging transactions entered into on its behalf.

Risk of Terrorism. In the current environment, there is a risk that one or more of the Partnership's properties or a borrower's property securing an NPL or other loan could be directly or indirectly affected by a terrorist attack. Such an attack could have a variety of adverse consequences for the Partnership directly or as the holder of a loan, including risks and costs related to the destruction of property, inability to use one or more properties for their intended uses for an extended period, decline in rents achievable or property value and injury or loss of life, as well as litigation related thereto. Such risks may not be insurable or may be insurable at rates that the General Partner deems to not be economic.

Valuation Risks. The Partnership's investments will include numerous illiquid, subordinate, non-traded, or lightly traded investments held in a variety of countries for which a traditional fair market value would be difficult and expensive, if not impossible, to determine. Therefore, the Adviser will typically use discounted cash flow value as a surrogate for traditional fair market value calculations, and may use valuations based on discounted cash flow projections even when market values are available. Discounted cash flow estimates involve calculations of expected future cash flows, the timing of receipt of those expected cash flows, and the discount rate applied to the overall cash flows. The discounted cash flow value of a Partnership asset includes unrealized gains and losses, and may be adjusted by any cash distributed or contributed to the Partnership or to reflect any permanent impairments to the asset values as determined by the General Partner or the Adviser. Therefore, the value of assets based on discounted cash flows may vary from actual amounts realized upon the disposition of those assets being valued. There can be no assurances that valuation determinations based on discounted cash flow, or the assumptions used to make those determinations, will prove to be accurate. The Partnership may, in limited situations such as with larger investments comprised of a single asset, rely on valuations it receives from third parties in determining the price paid for assets or the value of such asset. Such valuations may turn out to be inaccurate and therefore affect the Partnership's returns with respect to such assets. There can be no certainty that the price paid for an asset by the Partnership will be equal to or less than the determined fair value, and as such, this may have an impact on the fair value as it is calculated on a discounted cash flow, rather than a price paid, basis, and may have an impact on the performance reported to limited partners with respect to individual assets and the Partnership's entire portfolio.

Incomplete Experience. While the Adviser entities' senior employees have substantial experience with transactions and assets of the type that the Partnership intends to invest in, other persons who have played active and important roles in the success of prior endeavors of senior investment professionals will not be associated with the Partnership. There can be no assurance that the Adviser entities will possess all of the skills necessary, absent these other persons, in order to successfully carry out the investment and divestment strategies of the Partnership. Furthermore, while the Adviser believes that personnel additions will provide the requisite additional expertise to make investments consistent with the Partnership's investment objective, there can be no assurance that the Partnership can achieve its investment objective or target returns due, in part, to lack of experience in this area.

Tax Liability. The limited partners will be required to take into account their allocable shares of the Partnership's items of income, gain, loss, deduction, and credit, without regard to whether they have received or will receive any distributions from the Partnership. Thus, each limited partner will be subject to tax on its distributive share of the taxable income of the Partnership regardless of whether such limited partner receives any actual cash distributions from the Partnership. Accordingly, a limited partner's tax liability for any taxable year associated with an investment in the Partnership may exceed (and perhaps to a substantial extent) the cash distributed to that limited partner during the taxable year.

Foreign Taxes. A predominate portion of the Partnership's investments will be made outside of the United States and Bermuda. While the Adviser will endeavor to structure foreign investments to minimize foreign taxes subject to withholding or payable by the Partnership with respect to those investments, foreign taxes incurred with respect to those investments could be substantial. While the Partnership and, accordingly, its limited partners could be entitled to credits against its U.S. income tax liability with respect to such foreign taxes, a tax-exempt limited partner generally will not be able to utilize such a tax credit with the result that foreign taxes attributable to a tax-exempt limited partner will represent a net reduction in that limited partner's after-tax return.

Unrelated Business Taxable Income. While the Partnership intends to use commercially reasonable efforts to structure its investments to limit the generation of UBTI with respect to the tax-exempt limited partners, the Partnership is under no obligation to do so and, as a result, there can be no assurance that the Partnership's investments will not generate UBTI, which in some cases may be substantial. Furthermore, the actions taken to minimize the incurrence of UBTI may have adverse tax, economic, or other consequences for other limited partners. In addition, no assurance can be given that future legislation, administrative rulings, or court decisions will not adversely affect the operation of the Partnership or an investment by a limited partner in the Partnership.

Regulatory Risks. There is no assurance that the investment entities of the Partnership will be able to: (i) obtain all required regulatory approvals not yet acquired, or that may need to be acquired in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operations of a portfolio company, impede the development of real estate assets, delay the completion of a previously announced acquisition or sale to third parties, or otherwise result in additional costs to a portfolio company, or other investment, and in turn the Partnership. The global investment strategy of the Partnership is subject to complex, changing, and sometimes competing legal, tax, and regulatory regimes throughout the world, and there is a possibility that new or changing regulatory requirements could potentially have adverse effects on the Partnership. Derivative contracts, repurchase agreements, and similar instruments used to implement hedging and financing activities of the Partnership are generally subject to regulation. New regulation in the U.S. or in non-U.S. jurisdictions relating to such instruments may limit the ability of the Partnership to engage in the same or similar transactions in the future, and there is a possibility that regulatory agencies may treat these instruments differently than the manner intended by the Partnership. Such developments may prevent or delay the implementation of hedging or financing transactions, or result in the termination of existing arrangements. The Partnership

may not be able to re-establish similar arrangements in a timely manner, or on the same terms as the prior financing arrangement, or on any terms.

ITEM 9. DISCIPLINARY INFORMATION

From 1995 to 2007, Ellis Short was employed with Lone Star Funds (“Lone Star”), a private equity firm located in Dallas, Texas. From 1996 to 2007, Mr. Short lived in Japan and served as the Head of Asia Operations for Lone Star. In October 2003, Mr. Short was involved in an investment transacted by Lone Star through two of its side-by-side funds, Lone Star Fund IV (Bermuda), L.P. and Lone Star Fund IV (U.S.), L.P. (together, “LSF IV”). LSF IV, together with certain co-investors, purchased, through various non-U.S. entities, a controlling interest in Korea Exchange Bank (“KEB”), a South Korean commercial bank. LSF IV held its interest in KEB through a special purpose vehicle, LSF-KEB Holdings SCA (“KEB Holdings”), whose statutory manager was Lone Star Capital Management SPRL. The permanent representative of Lone Star Capital Management SPRL was Michael Thomson, Executive Vice President and General Counsel of Lone Star U.S. Acquisitions, LLC (“LSUS”) and President and Director of Lone Star Global Acquisitions, Ltd. (“LSGA”). After KEB Holdings assumed control of KEB, several persons affiliated with LSF IV were elected to the Board of Directors of KEB, including Paul Yoo, Ellis Short, Michael Thomson and Steven Lee (“Lone Star Directors”).

In November 2003, the Board of Directors of KEB considered acquisition of KEB’s credit card affiliate (“KEB Credit”), in order to avert its impending insolvency. The KEB Board of Directors, recognizing that a merger of KEB and KEB Credit was the only viable solution for the massive fiscal problems faced by KEB Credit, resolved to pursue a merger, provided that the details of the merger plan, including a possible capital reduction of KEB Credit to reflect the precise value of KEB Credit, would be approved by the KEB Board of Directors in the future. If the capital reduction were to occur, it could impair the rights of shareholders of KEB Credit in a merger with KEB. KEB publicly disclosed this resolution to the Korea Stock Exchange (“KSE”) as required by the KSE rules, and also made a press release to the same effect. The Board of Directors of KEB ultimately resolved, however, to merge with KEB Credit without such a capital reduction.

In 2006, the Korean Supreme Prosecutor’s Office (“SPO”) charged Paul Yoo, who was also a senior officer of LSGA’s Korean subsidiary at that time, Lone Star Advisors Korea, L.L.C. (“LSAK”), and, vicariously, KEB and KEB Holdings with violations of the Korean Securities and Exchange Act (“SEA”) in connection with KEB’s merger with KEB credit. The charges alleged in part that the Lone Star Directors conspired to release the press release and discuss the capital reduction of KEB Credit, when they had no actual intent to consider and proceed with a capital reduction of KEB Credit. In addition, the charges alleged that the Lone Star Directors released the press release with the knowledge that it might decrease the stock price of KEB Credit, for the purpose of enabling KEB to merge with KEB Credit on more favorable terms. In late 2011 and early 2012, after several decisions and appeals, Paul Yoo, and, vicariously, KEB Holdings, were found by the Seoul High Court to have violated the SEA. Paul Yoo was also found guilty of various other charges, including charges relating to breach of fiduciary duty relating to manipulation of the reported rates of return for certain investments made in Korea by prior funds, as discussed in more detail below. Paul Yoo was sentenced to three years imprisonment. The Seoul High Court also imposed a criminal fine of KRW 25 billion (approximately USD 22.4 million) on KEB Holdings.

Under SEA as applied in line with the Korean Constitutional Court's prior rulings, a court must find that a company's legal "representative" was involved in alleged violations in order to convict the company. The Seoul High Court's decision against KEB Holdings was based on the activities of Michael Thomson, whom the Court considered to be the legal "representative" of KEB Holdings for the purposes of the SEA. No charges were brought against Ellis Short, Michael Thomson, or Steven Lee, the other Lone Star Directors. No Lone Star Director other than Paul Yoo participated in the proceedings. Lone Star has been advised by Korean counsel that the court's findings against KEB Holdings is not a conviction against these individuals personally.

In December 2011, the Korean Financial Services Commission ("FSC") issued a Resolution Notice to KEB that required KEB to consider the dismissal of the Lone Star Directors at a shareholders meeting within two months of the Resolution Notice. The FSC based this action on the findings of the Seoul High Court. In February 2012, KEB Holdings sold its remaining interests in KEB, and the Lone Star Directors resigned prior to any action being taken by KEB with respect to the Lone Star Directors.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Kildare Partners nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. KUS intends to register with the Commodities and Futures Trading Commission (the "CFTC") and the National Futures Association (the "NFA") as a commodity pool operator. Generally, Kildare Partners' CPO intends to provide its services exclusively to "qualified eligible persons" under CFTC Rule 4.7 or to funds operating pursuant to CFTC Rule 4.13(a)(3).

KUS is under common control with a number of subsidiaries and affiliates. As further described in *Item 4: Advisory Business*, KUS is affiliated with the following list of entities:

Kildare International, Ltd.
The Kildare Holdings Trust
Kildare Holdings, Ltd.
Kildare GenPar I, L.P.
Kildare Management, Ltd.
Kildare European Partners I, L.P.
Kildare Partners UK, LLP
Curzon Advisers, Ltd.

KUS is either wholly owned by, or under common control, with all of these affiliates. The Adviser does not believe such relationships create a material conflict of interest to its clients.

With respect to KUS' advisory services, each affiliate will be registered, or believes it is exempt from registration, under the laws of the jurisdiction in which it is located. KUS is registered with the SEC as an investment adviser.² Pursuant to applicable SEC guidance, KHL, KGPI, KML, KUK, and CAL shall be covered by KUS' registration as relying advisers. Employees of these affiliates will be subject to the oversight of both KUS and the SEC, and will be subject to KUS' Code of Ethics

² Registration does not imply a certain level of skill or training.

and other compliance policies and procedures adopted by KUS pursuant to the requirements of the Investment Advisers Act of 1940, as amended, (the “Advisers Act”).

POTENTIAL CONFLICTS OF INTEREST

Neither Kildare Partners nor its employees are under any obligation to devote his, her, or its full time to the business of the Partnership. They are only required to devote such time and attention to the affairs of the Partnership as they deem appropriate, pursuant to the terms outlined in the Partnership’s governing documents.

Subject to the limitations outlined in the Partnership’s governing documents, Kildare Partners and its employees may and do engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including the management of or investment in other investment entities or vehicles or securities, and brokerage and investment banking activities. No investor in the Partnership will have any right to participate in any of these activities or to the income or profits derived from these activities.

Kildare Partners may enter into agreements with third parties that may introduce potential investors to the Partnership. It is expected that such parties will not be related to the operations of the Partnership and any fee paid will be disclosed to the investors introduced by such third parties. Such commissions and fees will be the sole responsibility of the General Partner or its affiliates; the Partnership and investors will have no obligation with respect thereto.

The Partnership’s service providers (including lenders, brokers, attorneys and investment banking firms) may be investors in the Partnership and/or sources of investment opportunities and counterparties therein. The Adviser or its affiliates may have a conflict of interest in deciding whether to select such a service provider. Notwithstanding the foregoing, investment transactions for the Partnership that require the use of a service provider will generally be allocated to service providers on the basis of best execution (and possibly in consideration of such service provider’s provision of certain investment-related and other services that the Adviser or its affiliates believe to be of benefit to the Partnership).

Kildare Partners’ principals and employees may make trades and investments for their own accounts. Subject to the terms of the Partnership’s governing documents, in these accounts, they may use trading and investment methods that are similar to, or substantially different from, the methods used by them to direct the Partnership’s assets. The records of these personal accounts will not be made available to limited partners. Subject to internal compliance policies and procedures, and the terms of the Partnership’s governing documents, the principals and/or employees of Kildare Partners may engage, from time to time, in personal trading of securities and other instruments, including securities and instruments in which the Partnership may invest.

No agreements, contracts or arrangements between the Partnership, on the one hand, and the Adviser or its affiliates, on the other hand, were or will be the result of arm’s-length negotiations. The attorneys, accountants and others who will perform services for the Partnership have been and will be selected by the Adviser or its affiliates. No independent counsel has been retained to represent the interests of prospective or current investors, and such documents have not been reviewed by any attorney on their behalf. Each prospective investor should consult his, her or its own counsel as to the terms and provisions of the governing documents and all other related documents.

Please see *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss; Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading; and Item 12: Brokerage Practices* for a discussion regarding the mitigation of risk and addressing potential conflicts of interest.

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

CODE OF ETHICS AND PERSONAL TRADING

Kildare Partners has adopted a strict Code of Ethics (the “Code”), which is detailed in the Compliance Manual distributed to each employee initially upon hire and annually thereafter. Each year, every Kildare Partners employee will be required to review the Code, along with the Compliance Manual in its entirety, and complete an agreement stating that he/she will abide by the rules set forth in the document.

It is Kildare Partners’ policy that all employees conduct themselves in accordance with the highest standards of integrity, honesty and fair dealing. The Code is designed to remind each employee that his/her most important responsibility is to treat clients fairly and avoid any potential conflicts of interest. It is the Adviser’s duty to act solely in the best interest of its clients.

The Code contains several restrictions and procedures designed to reduce potential conflicts of interest surrounding personal investment transactions including: (1) pre-clearance of purchases in an initial public offering or private placement; (2) filing of initial and annual holdings reports; (3) quarterly reporting of non-exempt personal securities transactions which were transacted during the quarter; (4) a prohibition against purchasing or selling any security which has been placed on the firm’s restricted list; (6) a prohibition against front-running; and (7) a prohibition against employees trading, in their personal accounts or any client account, on the basis of any inside information.

Monitoring of employee personal securities transactions will be handled by Compliance department personnel. Records of personal securities trading and holdings reports will be maintained by the Compliance department.

Kildare Partners’ principals and employees may make trades and investments for their own accounts. Subject to the terms of the Partnership’s governing documents, in these accounts, they may use trading and investment methods that are similar to, or substantially different from, the methods used by them to direct the Partnership’s assets. The records of these personal accounts will not be made available to limited partners. Subject to the Code, and the terms of the Partnership’s governing documents, the principals and/or employees of Kildare Partners may engage, from time to time, in personal trading of securities and other instruments, including securities and instruments in which the Partnership may invest.

Additional provisions of the Code outline Kildare Partners’ policies governing (1) giving and receiving gifts, meals and entertainment; (2) employee outside activities; (3) political contributions; and (4) confidentiality.

Kildare Partners will provide a copy of the Code, to any investor or potential investor, upon written request to Tiffany Ramirez, Chief Compliance Officer, Kildare Partners US, LLC, 2711 N. Haskell Avenue, Suite 1650; Dallas, Texas 75204 or tramirez@kildarepartners.com.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Subject to the terms of the Partnership's governing documents, the Adviser and its related persons will not recommend to the Partnership, or buy or sell for the Partnership accounts, investments in which the Adviser and its related persons have a material financial interest. Although Kildare's principals and employees may buy and sell securities for their own accounts and the accounts of others, they may not buy securities from or sell securities to the Partnership.

As further detailed in the Code, the Adviser has adopted principals governing the personal investment activities of its personnel. These policies are designed to reasonably address potential conflicts of interest with regard to the Partnership's investments. At all times, the interests of client accounts must be placed first. Appropriate investment opportunities must be made for the Partnership before the Adviser, its related persons, or employees may act on them. Employees shall not execute a transaction in a security for an account in which an employee has a beneficial interest or exercises investment discretion if an order for a client account for the same security, same way (whether limit or market order) remains unexecuted. Restrictions with regard to securities are also considered to extend to options, rights and warrants relating to those securities and any securities convertible into those securities.

For further discussion of these and related items, please see *Item 11: Code of Ethics*.

ITEM 12. BROKERAGE PRACTICES**COUNTERPARTY SELECTION**

The Adviser will have the authority to select broker-dealers and counterparties for client transactions. The Adviser will seek to fulfill its fiduciary duty to its clients by obtaining the best execution on an overall basis of client transactions. The majority of the Partnership's assets will not be market-traded securities and even in the limited circumstances in which the Partnership invests in market-traded securities, the unique nature of the assets will often limit the availability to a small number of counterparties. As part of the due diligence process involved in researching each potential investment, CAL will examine the market for the proposed transaction and the counterparties through which the transaction may be effected. Upon approval of an investment, the Investment Committee will review the potential counterparties and choose the one it deems will best fulfill the objective of the investment.

Best execution is designed to facilitate the Adviser's execution of client transactions in such a manner that the client's total cost or proceeds is most favorable considering all relevant circumstances. In those instances in which the Adviser selects broker-dealers or counterparties for market-traded securities, it will do so on the basis of obtaining the best overall terms available. In choosing a counterparty, the Adviser will evaluate a variety of factors, including the following: the ability to achieve prompt and reliable execution and commit capital or financing quickly; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the counterparty; confidentiality; the ability of the counterparty to obtain assets of limited availability; comprehensiveness of available research and related services considered to be of value; expertise or specialized experience in a particular market; and the competitiveness of price or commission rates under the particular circumstances of the transaction. Thus, as a matter of policy, counterparties will not be selected by the Adviser solely on the basis of price, but will be selected on the basis of an evaluation by the Adviser to determine overall value and quality of service.

Transactions involving broker-dealers or counterparties will generate higher costs which are borne by the client involved in the transaction and not the Adviser.

When retaining broker-dealers or counterparties for portfolio transactions, the Adviser is not required to (i) obtain the lowest brokerage commission rates or (ii) combine or arrange transactions to obtain the lowest brokerage commission rates. The Adviser is also not required to solicit competitive bids. The Adviser does not negotiate “execution only” commission rates. Thus, if the Adviser determines in good faith that the amount of commissions charged by a broker-dealer or counterparty is reasonable in relation to the value of the brokerage and research products or services provided by such broker-dealer or counterparty, the client may pay commissions to such broker-dealer or counterparty in an amount greater than the amount another broker-dealer or counterparty might charge for similar services.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

Generally, research services provided by broker-dealers and counterparties may include, but may not be limited to, information on the economy, industries, groups of securities and individual companies; statistical information; accounting and tax law interpretations; political developments; legal developments affecting portfolio assets; technical market action; pricing and appraisal services; credit, risk measurement and performance analysis; analysis of corporate responsibility issues; portfolio strategy; and analytic computer software. The receipt of investment research, information and related services will permit the Adviser to supplement its own research and analysis and makes available to the Adviser the views and information of individuals and research staffs of other firms.

Notwithstanding the foregoing, the Adviser will not “pay up” for research or other services provided by any broker-dealers or counterparties through the commission rate (e.g., the Adviser will not use “soft dollars”).

The provision by a broker-dealer or counterparty of research and other products or services to the Adviser creates an incentive for the Adviser or its related persons to select such broker-dealer or counterparty as opposed to solely seeking the most favorable transaction costs for the Partnership. Any research or services provided by a broker-dealer or counterparty may benefit the Partnership and such benefits may not be proportionate to brokerage services related to the provision of such research, services or property.

CLIENT REFERRALS

From time to time, Kildare Partners may be introduced to potential investors by counterparties. Kildare Partners does not compensate such counterparties for introductions to potential investors, nor for any investment ultimately made by such investors (although Kildare Partners may do so in the future). When identifying counterparties for a potential transaction, Kildare Partners will not consider whether a potential counterparty provides investor referrals to the Partnership. Any such fee paid for client referrals will be borne by the General Partner and the Partnership will have no responsibility thereto.

DIRECTED BROKERAGE

The Adviser will have discretion in deciding which counterparty the Partnership will use and in negotiating pricing and commission rates. The Adviser will not permit the Partnership, nor its underlying investors, to direct brokerage.

ALLOCATION OF INVESTMENT OPPORTUNITIES

The Adviser currently has one client. However, to the extent the Adviser has more than one client, the Adviser has adopted policies and procedures such that in the event there is an investment opportunity of limited availability, such an investment will be allocated in a fair and equitable manner in the best interests of the clients and based on the suitability of the opportunity and the available capital of the relevant clients for such investment.

TRANSACTION AGGREGATION AND ALLOCATION

The Adviser currently has one client (i.e., transactions are not occurring for more than one client at the same time). Thus, there is no transaction aggregation or allocation needed.

ITEM 13. REVIEW OF ACCOUNTS

The Partnership's investments will require regular asset management and oversight. CAL is the Partnership's loan servicing and asset management company. To the extent permitted, asset management professionals will work closely with counterparties to ensure day-to-day servicing and asset management activities are performed in accordance with the Partnership's business plan for each asset. Once an acquisition has been closed, CAL will prepare a detailed AMP that includes: (1) a comprehensive valuation analysis to establish a benchmark for asset liquidation; (2) an examination of the leasing and sales markets; (3) a physical inspection of the collateral and review of the property's accounting records; (4) legal due diligence and industry research relevant to each individual and corporate borrower; and (5) an action plan that takes into account each aspect of the asset management process including cash collection, the enforcement of legal remedies and the targeted liquidation strategy. The AMP will be presented to the Adviser for its review and approval. The Adviser will seek the advice of the Investment Committee in connection with its review of each AMP.

The ARC, comprised of senior management of CAL, along with the senior investment team, will be responsible for review, modification and implementation of each asset's AMP. Upon approval by the Adviser, the AMP will become the central mechanism for action and define the parameters within which an asset management team will be authorized to execute a transaction. The ARC will meet on a regular basis, no less than semi-annually, to review each asset's AMP and address any proposed modifications. During these reviews, the ARC will compare the actual and anticipated performance of an asset, discuss any changes relevant to the investment and enact any necessary modifications to the underlying plan. In addition to the formal reviews by the ARC, CAL will perform regular reviews of each asset, on a more frequent basis, to consider available opportunities and strategies for financing and disposition of the asset.

CAL will prepare unaudited reports on the Partnership's investments, for the General Partner, on a quarterly basis. Such reports will include: (1) an update on each of the Partnership's investments, including any acquisitions and dispositions during the period; (2) a portfolio cash summary; and (3) a balance sheet. These reports will be reviewed by the Fund Controller and the CFO who will utilize the reported information to calculate fair value of the assets. The Valuation Committee must approve all cash flow projections, discount rates and valuations prior to use in Partnership reporting. The Adviser will provide each investor with written unaudited quarterly financial statements and audited annual financial statements detailing the performance of the Partnership.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Except with regard to those benefits discussed in *Item 12: Brokerage Practices*, the Adviser does not receive any economic benefit from any non-client person or entity for providing investment advice or services.

Neither the Adviser nor the Partnership directly or indirectly compensates any third party for client referrals. The General Partner will assume responsibility for the fees and expenses to third party placement agents, if any. In addition, solicitation arrangements for client referrals, if any, will be fully disclosed to affected clients.

ITEM 15. CUSTODY

Because the Adviser will have access to the Partnership's funds and have authority to deduct fees and other expenses from its accounts, the Adviser is deemed to have custody of the Partnership's assets. The Adviser will utilize the services of banking institutions as qualified custodians of the Partnership's assets.

The Adviser will not use a qualified custodian to send quarterly account statements directly to the investors in the Partnership. The Partnership will distribute its annual audited financial statements to its investors within 120 days of its fiscal year-end.

Investors are urged to carefully review the audited financial statements of the Partnership.

ITEM 16. INVESTMENT DISCRETION

Pursuant to the terms of the Advisory Agreement, KML will have discretionary authority to manage the Partnership in a manner consistent with the investment objectives and restrictions outlined in the Partnership's governing documents. KML will advise the Partnership according to the terms of the Advisory Agreement.

Generally, the Adviser will be authorized by, and assume authority through the Advisory Agreement, to make all discretionary determinations in accordance with client investment objectives and restrictions without client consultation or consent before a transaction is affected. KHL may impose restrictions on the Adviser, but it is not anticipated that KHL will do so.

ITEM 17. VOTING CLIENT SECURITIES

Kildare Partners does not engage in proxy voting on behalf of its clients.

However, Kildare Partners has adopted proxy voting policies and procedures designed to ensure that if the clients have delegated proxy voting authority to Kildare Partners, all proxies are voted in the best interests of the clients without regard to the interests of Kildare Partners or its related persons. Clients may not direct Kildare Partner's vote in a particular solicitation. Proxies and solicitations will not be sent by Kildare Partners, but rather will be sent by the custodian with whom the clients' assets are held or the applicable transfer agent. From time to time, conflicts may arise between the interests of the underlying investors in the Partnership, on the one hand, and the interests of Kildare Partners or its related persons, on the other hand. If Kildare Partners

determines that it has, or may be perceived to have, a conflict of interest when voting a proxy for the Partnership, Kildare Partners will address matters involving such conflicts of interest on a case-by-case basis in the best interests of the clients, which may include disclosure of the facts surrounding any such material conflict to the Adviser's Board for consent before voting.

Clients and underlying investors in the Partnership may obtain a complete copy of Kildare Partners' Proxy Voting Policy and Procedures or, to the extent a proxy was voted by Kildare Partners for a client, information on how Kildare Partners voted proxies for the relevant clients free of charge by submitting a written request to Tiffany Ramirez, Chief Compliance Officer, at 2711 N. Haskell Avenue, Suite 1650, Dallas, Texas 75204 or tramirez@kildarepartners.com.

ITEM 18. FINANCIAL INFORMATION

Kildare Partners will not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Kildare Partners is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

Kildare Partners has not been the subject of a bankruptcy petition at any time.