

Item 1. Cover Page

Angel Island Capital Management, LLC

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Part 2A of Form ADV: Firm Brochure
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This brochure (“Brochure”) provides information about the qualifications and business practices of Angel Island Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us by phone at (415) 616-7500. 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 Angel Island Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

Item 2 is not applicable.

Item 3. Table of Contents

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Item 4. Advisory Business

For purposes of this Brochure, the “Adviser” means Angel Island Capital Management, LLC (“Angel Island”), a Delaware limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from the AIC Clients (as defined below). Such affiliates may or may not be under common control with Angel Island, but possess a substantial identity of personnel and/or equity owners with Angel Island. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of, or the advisory services provided to, the AIC Clients.

The Adviser provides investment supervisory and/or sub-advisory services to one or more investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) (collectively, the “AIC Funds”), and may provide advisory or sub-advisory services to clients in separately managed accounts (or primary advisers on behalf of their clients in separately managed accounts) (collectively, the “Separate Account Clients”). The AIC Funds and the Separate Account Clients are referred to collectively as the “AIC Clients.”

The Adviser provides the day to day advisory and/or sub-advisory services for the AIC Clients.

AIC Clients make investments in performing and distressed bank loans, high yield bonds, investment grade bonds, mezzanine debt, structured products, credit-based securities, swap transactions (including total rate return swaps), other derivative instruments (including collateralized loan obligations), currency hedging transactions and any other financial instruments or assets that the Adviser believes may help achieve AIC Clients’ respective investment objectives. The Adviser’s advisory and/or sub-advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of AIC Clients, managing and monitoring the performance of such investments and disposing of such investments.

The Adviser uses fundamental credit analysis to identify attractive investment opportunities and seeks superior risk adjusted returns, primarily in credit products. AIC Clients may use leverage directly or indirectly. Use of leverage will increase the volatility of levered investments.

The Adviser provides investment supervisory and/or sub-advisory services to each AIC Client in accordance with the limited partnership agreement (or analogous organizational document) of such AIC Client, separate investment and advisory, investment management or portfolio management agreements, side letters, and/or sub-advisory agreements entered into with AIC Clients or their investors (each, a “Governing Document”).

Investment advice is provided directly to the AIC Funds and not individually to the investors in the AIC Funds. Services are provided to the AIC Clients in accordance with the Governing Documents. Investment restrictions for the AIC Clients, if any, are generally established in the Governing Documents.

The terms of the investment supervisory and/or sub-advisory services to be provided to an AIC

Fund, including any restrictions on investments in certain types of securities, are established by the Adviser or its affiliates as modified by negotiations with investors in the applicable AIC Fund, and are set forth in such AIC Fund's Governing Documents and other documentation received by each investor prior to investment in such AIC Fund. Once invested in an AIC Fund, investors cannot impose restrictions on the types of securities in which such AIC Fund may invest.

The terms of the advisory services to be provided to a Separate Account Client, including any restrictions on investments in certain types of securities, are the result of negotiations between the Adviser or its affiliates and such Separate Account Client, and are set forth in such Separate Account Client's Governing Documents. The Governing Documents of a Separate Account Client may be changed by such Separate Account Client only to the extent permitted by the applicable Governing Documents.

The principal owners of the Adviser are certain investment funds sponsored by Golden Gate Private Equity, Inc. ("Golden Gate"). The Adviser was established in 2013 and the Adviser's predecessors commenced operations in 2008. As of January 2014, the Adviser manages approximately \$1.3 billion of client assets, the majority of which is managed on a discretionary basis while approximately \$126 million of which is managed by Angel Island in its capacity as sub-adviser (and for which investment discretion is ultimately held by certain Golden Gate personnel).

Item 5. Fees and Compensation

As compensation for investment advisory services rendered to the AIC Clients, the Adviser may receive an advisory fee (each, an "Advisory Fee") from one or more AIC Clients. Advisory Fees paid by an AIC Fund are indirectly borne by investors in such AIC Fund, including any AIC Clients that invest in such AIC Fund.

In addition, the Adviser, its affiliates and/or their personnel may receive fees from certain companies, including certain actual or prospective portfolio companies of investment funds managed by Golden Gate, in connection with investments, mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales, recapitalizations and similar transactions ("Transaction Fees"). Generally, these Transaction Fees are in addition to out-of-pocket costs and expenses incurred by the Adviser in connection with generating any such fees. These Transaction Fees may be substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise.

The precise amount of, and the manner and calculation of, the Advisory Fees (and Transaction Fees) for each AIC Client are established by the Adviser or its affiliates, as modified by negotiations with the AIC Clients, its affiliates or the investors in the applicable AIC Fund, and are generally set forth in such AIC Client's Governing Documents.

The Advisory Fee structures described above may be modified from time to time. Advisory Fees may differ from one AIC Client to another, as well as among investors in the same AIC Fund. Upon termination of an advisory agreement, Advisory Fees that have been prepaid are generally returned on a prorated basis.

To the extent provided in Governing Documents, the Adviser will pay out of Advisory Fees certain operating expenses, including ordinary office overhead expenses such as certain rent, supplies, charges for furniture and fixtures, travel, entertainment, compensation of its partners (including operating partners) and employees and other routine administrative expenses relating to the advisory services and facilities provided by the Adviser to the AIC Funds. Any such expenses or fees not borne by the Adviser will be borne by the applicable AIC Fund(s). Consistent with the applicable Governing Documents, each AIC Fund will bear all other expenses relating to it to the extent not borne by the Adviser including legal, accounting, audit, financial statements, tax returns and preparation, investment banking, consulting, research, brokerage, finders', custody, transfer, registration, meetings of limited partners or other investors, directors' and officers' insurance, interest, taxes, fees or other governmental charges levied against such AIC Fund, clearing and settlement charges, margin and other interests, other expenses associated with the acquisition, holding and disposition of investments and extraordinary expenses (including, without limitation, litigation), fees paid to third-party valuation agents, and other similar fees and expenses, as well as any other fees or expenses incurred by the Adviser or such AIC Fund in connection with such AIC Fund's operations that are not specifically set forth above as being paid by the Adviser. Each AIC Fund will also bear its organizational and offering expenses.

Separate Account Clients bear similar expenses, depending on the terms of the Governing Documents negotiated with the applicable Separate Account Client.

When a broker is used in connection with an investment by an AIC Client, such AIC Client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

Item 6. Performance-Based Fees and Side-By-Side Management

While the Adviser does not receive any performance-based fee from any AIC Clients, Golden Gate and its affiliated advisers and general partners may receive an incentive allocation from its investment funds which have invested in certain AIC Funds. Such entitlement to an incentive allocation may create an incentive for the Adviser to allocate investment opportunities to such AIC Funds. The Adviser has adopted policies and procedures that, among other things, seek to ensure in good faith that investment opportunities are allocated fairly and equitably across all AIC Clients. Please see Item 11 below for additional information relating to how conflicts of interest are generally addressed by the Adviser.

Item 7. Types of Clients

The Adviser currently provides investment supervisory services to the AIC Funds. Investment advice is provided directly to the AIC Funds and not individually to investors in such AIC Fund. The Adviser also provides investment supervisory services on a non-discretionary basis to other AIC Clients.

Interests in the AIC Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the AIC Funds are generally "accredited investors" as defined in the 1933 Act and, in many instances, "qualified purchasers" or

“knowledgeable employees” as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, sovereign wealth funds, limited partnerships and limited liability companies or other entities.

The Adviser does not have a minimum size for an AIC Fund, but minimum investment commitments may be established for investors in the AIC Fund. The Adviser may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of such AIC Fund. While the Adviser does not impose a minimum amount for establishing a separate account, separate accounts are generally established with a \$25 million minimum, although the Adviser or its affiliates, in their sole discretion, may permit investments that are less than such minimum.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Comprehensive joint industry and sector reviews, primarily focusing on debt opportunities in small- to mid-sized companies, are completed on an ongoing basis in order to identify potential investment candidates. Moreover, the Adviser's extensive network and relationships with Wall Street and industry professionals are invaluable for sourcing potential opportunities. Once a potential investment is identified, financial modeling is introduced in the early stages of the investment process. For each potential investment, a highly detailed and forward-looking financial model with full projections is built. The projections incorporate the Adviser's macro views, sector analysis and individual company fundamentals. These projections are a key driver for all subsequent steps in the Adviser's investment process. Meanwhile, historical financials are thoroughly reviewed, with a focus on analyzing the company's operating performance and ability to generate free cash flow. The Adviser conducts an extensive scenario analysis to stress-test covenants. In addition, the Adviser provides thoughtful structuring in connection with each investment on behalf of the AIC Clients. Proprietary valuation assessment, both of companies and of debt instruments, is another important step in the investment process. The Adviser employs multiple valuation methodologies to generate proprietary valuations, which the Adviser compares to market pricing across the capital structure in order to identify the best investment opportunities for its clients. The Adviser typically receives information directly from the entity (or its agents and/or representatives) it is investigating as a potential investment opportunity for an AIC Client. Every position is evaluated with respect to its expected return and the probability of loss and trading liquidity. Each AIC Client's portfolio is continually rebalanced in order to maintain proper risk weighting. Finally, the Adviser's investment process consists of a comprehensive assessment of transaction exits under multiple scenarios and timelines. As various scenarios unfold, the Adviser monitors the relationship between executable exit value (where one exists) and a proprietary assessment of intrinsic value, derived as part of the Adviser's investment process. The Adviser's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the AIC Clients, managing and monitoring the performance of such investments and disposing of such investments. Where Clients acquire an influential position, the Adviser may be in a position to exercise influence over and add value to such investments. The AIC Clients may make investments in both publicly-listed and privately-held companies. In

addition, the Adviser may provide advice concerning the following securities and instruments:

- Bank Loans and Bank Participations;
- Private Placements or other securities that are not registered or are exempt from registration under the Securities Act, such as Rule 144A securities;
- Bonds, convertible securities issued by foreign issuers and/or denominated in foreign currencies;
- Domestic and international convertible securities including, but not limited to (a) convertible securities that are convertible or exchangeable into equity securities of publicly traded US companies, and (b) convertible securities that are convertible or exchangeable into equity securities of foreign companies listed on a foreign exchange or represented by American Depositary Receipts listed on the New York Stock Exchange or the NYSE Alternext U.S., formerly known as the American Stock Exchange; or
- Futures contracts, forward contracts, swaps, swaptions, commodities, hybrid securities, other 'synthetic' or derivative instruments, short sales, trades executed on margin, credit-linked notes, credit default notes and credit swaps.

Any determinations or actions with respect to the acquisition or disposition of investments for the AIC Clients are made by the Adviser's Investment Committee. The Investment Committee reviews and is responsible for approving all investments, monitors due diligence practices and provides advice in connection with key commercial and legal terms of potential investments. Any Investment Committee decision requires a majority of the members. The Investment Committee currently consists of David Dominik, Prescott Ashe and Rob Stobo. From time to time the Adviser may cause the AIC Clients to invest cash held by the AIC Clients in temporary investments on a short-term basis, pending investment, distribution to limited partners or payments of expenses or other obligations of the AIC Clients. Such temporary investments shall principally take the form of corporate debt securities, commercial paper and certificates of deposit.

Risks

Investing in securities involves a substantial degree of risk. An AIC Client may lose all or a substantial portion of the value of its investments, and Separate Account Clients and investors in AIC Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for AIC Clients in connection with those strategies and methods, include the following:

Nature of AIC Client Investments

General. The investments made by or for AIC Clients will generally consist of debt obligations, securities and assets that have significant risks as a result of business, financial, market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and

magnitude of the various factors that could affect the value of and return on such AIC Client's investments. Prices of each AIC Client's investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of each AIC Client's activities and the value of the its investments.

Bank Loans. The investments of an AIC Client may include interests in loans originated by banks and other financial institutions. The loans invested in by an AIC Client may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan trading which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current period of illiquidity will not persist or worsen and that the market will not experience periods of significant illiquidity in the future. In addition, AIC Clients may make investments in stressed or distressed bank loans which are often less liquid than performing bank loans. AIC Clients may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, an AIC Client generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and such AIC Client may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, such AIC Client will assume the credit risk of both the borrower and the institution selling the participation.

High Yield Debt. An AIC Client may invest in high yield debt, a substantial portion of which is rated below investment- grade by one or more nationally recognized statistical rating organizations or are unrated but, in the Adviser's opinion, of comparable credit quality to obligations rated below investment-grade, and have greater credit and liquidity risk than more highly rated debt obligations. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Many issuers of high yield debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of high yield debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Certain of these securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at

maturity. High yield debt is often less liquid than higher rated securities, and high yield debt has experienced periods of volatility. The market values of certain of this high yield debt may reflect individual corporate developments.

High yield debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield debt has historically experienced greater default rates than has been the case for investment-grade securities. AIC Clients may also invest in equity securities issued by entities with unrated or below investment-grade debt.

High yield debt may also be in the form of zero-coupon or deferred interest bonds, which are bonds which are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. These investments typically experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest.

Priority of Repayment for Certain Investment. The characterization of an AIC Client's investments as senior debt or senior secured debt does not mean that such debt will necessarily be repaid in priority to all other obligations of the businesses in which an AIC Client invests. Furthermore, debt and other liabilities incurred by non-guarantor subsidiaries of the borrowers of senior secured loans made by an AIC Client may be structurally senior to the debt held by an AIC Client. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, the debt and other liabilities of such subsidiaries could be repaid in full before any distribution can be made to an obligor of the senior secured loans held by an AIC Client. Finally, portfolio companies will typically incur trade credit and other liabilities or indebtedness, which by their terms may provide that their holders are entitled to receive principal payments on or before the dates payments are due in respect of the senior secured loans held by an AIC Client.

Risks of Secured Loans. While an AIC Client may invest in secured loans that may be over-collateralized at the time of the investment, it may nonetheless be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. An AIC Client cannot guarantee the adequacy of the protection of an AIC Client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, an AIC Client cannot assure that claims may not be asserted that might interfere with enforcement of an AIC Client's rights. In addition, in the event of any default under a secured loan held directly by an AIC Client, an AIC Client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the secured loan, which could have a material adverse effect on an AIC Client's cash flow from operations.

In the event of a foreclosure, an AIC Client may assume direct ownership of the underlying

asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to an AIC Client. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss

Credit Default Swaps, Total Rate of Return Swaps and Other Credit Derivatives. An AIC Client may make investments in credit default swaps, total rate of return swaps and other credit derivatives. These transactions generally provide for the transfer from one counterparty to another of certain credit risks inherent in the ownership of a financial asset such as a bank loan or a high yield debt security. Such risks include, among other things, the risk of default and insolvency of the obligor of such asset; the risk that the credit of the obligor or the underlying collateral will decline or that credit spreads for like assets will change (thus affecting the market value of the financial asset). The transfer of credit risk pursuant to a credit derivative may be complete or partial, and may be for the life of the related asset or for a shorter period. Credit derivatives may be used as a risk management tool for a pool of financial assets, providing an AIC Client with the opportunity to gain exposure to one or more reference loans or other financial assets (each, a “reference asset”) without actually owning such assets in order, for example, to reduce a concentration risk or to diversify a portfolio. Conversely, credit derivatives may be used by an AIC Client to reduce exposure to an owned asset without selling it in order, for example, to maintain relationships with clients, to avoid difficult transfer restrictions, manage illiquid assets or hedge declining credit quality of the financial asset.

Credit default swaps, total rate of return swaps and other credit derivatives are subject to many of the same types of risks described below in “Item 8: Risks -- Interest Rate, Currency Exchange and Investment Risk Management.” For example, in each credit derivative transaction that an AIC Client is party to, it assumes the credit risk of the counterparty. In the event that an AIC Client enters into a credit derivative with a counterparty who subsequently becomes insolvent or becomes the subject of a bankruptcy case, the credit derivative may be terminated in accordance with its terms and such AIC Client’s ability to realize its rights under the credit derivative and its ability to distribute the proceeds could be adversely affected.

Credit default swaps, total rate of return swaps and other credit derivatives are a relatively recent development in the financial markets. Consequently, there are certain legal, tax and market uncertainties that present risks in entering into such credit default swaps, total rate of return swaps and other credit derivatives. There is currently little or no case law or litigation characterizing credit default swaps, total rate of return swaps or other credit derivatives, interpreting their provisions, or characterizing their tax treatment. In addition, additional regulations and laws may apply to credit default swaps, total rate of return swaps or other credit derivatives that have not heretofore been applied. There can be no assurance that future decisions construing similar provisions to those in any swap agreement or other related documents or additional regulations and laws governing credit default swaps, total rate of return swaps or other credit derivatives will not have a material adverse effect on the AIC Clients.

The use of leverage will significantly increase the sensitivity of the market value of the credit default swaps, total rate of return swaps or other credit derivatives to changes in the market value of the reference assets. The reference assets are subject to the risks related to the credit of the underlying obligors. These risks include the possibility of a default or bankruptcy of the obligors

or a claim that the pledging of collateral to secure a loan constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the obligors or nullified under applicable law. See below in “Item 8: Risks -- Lender Liability Considerations and Equitable Subordination” and “Item 8: Risks -- Fraudulent Conveyance Considerations” for a description of these risks.

In addition, the U.S. government has enacted additional regulation of the derivatives market. Such regulation could restrict the ability of AIC Clients to engage in derivatives transactions and/or increase the costs of such derivatives transactions, and the Adviser may be unable to execute the investment strategy for an AIC Client as a result. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by an AIC Client is called for redemption, such AIC Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the ability of such AIC Client to achieve its

investment objective.

Highly Volatile Instruments. The prices of the financial instruments in which the AIC Clients can invest can be highly volatile. Price movements of instruments in which the assets of AIC Clients may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention is intended to influence prices directly and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The investments of the AIC Clients also are subject to the risk of failure of any exchange on which its positions trade or of their clearinghouses.

Contingent Liabilities. An AIC Client may from time to time incur contingent liabilities in connection with an investment. For example, such AIC Client may acquire a revolving credit or delayed draw term facility that has not yet been fully drawn or may originate or make a secondary purchase of a revolving credit facility. If the borrower subsequently draws down on the facility, the applicable AIC Client will be obligated to fund the amounts due which amounts may be required to be funded after the termination of the AIC Client investment period. An AIC Client may incur numerous other types of contingent liabilities. There can be no assurance that an AIC Client will adequately reserve for its contingent liabilities and that such liabilities will not have an adverse effect on an AIC Client.

Distressed Investments. An AIC Client may also be authorized to invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments and the amount of any recovery may be affected by the relative seniority of the AIC Client's investment in the capital structure of the issuer. In addition, distressed investments are more likely to be challenged as fraudulent conveyances and amounts paid on the investment may be subject to avoidance as a preference under certain circumstances.

Debtor in Possession Loans. The investments of certain AIC Clients may consist of interests in loans issued by companies that are in bankruptcy. These investments are highly risky, as there are a number of significant risks inherent in the bankruptcy process. First, many events in a bankruptcy are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of an AIC Client. Second, the effect of a bankruptcy filing on a company may adversely and permanently affect the company. The company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy

proceeding is difficult to predict. A creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high. Although DIP loans may in some circumstances possess priority over administrative expenses, this is not always the case, and administrative expenses may be paid out of the debtor's estate prior to any return to creditors. For example, if a proceeding involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to administrative costs. Fifth, bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that an AIC Client's influence with respect to the class of securities it owns can be lost by increases in the number and amount of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Eighth, certain claims that have priority by law (for example, claims for taxes) may be quite significant. Ninth, amounts previously paid to an AIC Client may be challenged as fraudulent conveyances or preferences as part of a bankruptcy proceeding. See below in "Item 8: Risks -- Fraudulent Conveyance and Preference Considerations."

An AIC Client may invest in the securities and obligations issued by companies that are financially distressed and are expected by the Adviser to commence bankruptcy proceedings or undertake out-of-court restructurings, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. While these loans are subject to the risks inherent in the bankruptcy process as DIP loans, they are typically riskier than DIP loans because they do not possess certain protections, such as priming liens, typically afforded to DIP loans. It is more likely that a creditor making an investment made prior to the commencement of bankruptcy proceedings will be deemed to have exercised "domination and control" over a debtor and consequently lose ranking and priority. In addition, investments in pre-filing companies are more likely to be challenged as fraudulent conveyances and amounts paid on the investment may be subject to avoidance as a preference under certain circumstances.

Exit Financing. The Adviser may cause certain AIC Clients to invest in companies that are in the process of exiting, or that have recently exited, the bankruptcy process. Post-reorganization securities typically entail a higher degree of risk than investments in securities that have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If an evaluation by the Adviser of the anticipated outcome of an investment situation should prove incorrect, the relevant AIC Client could experience a loss.

Structured Products. The Adviser may cause certain AIC Clients to invest in structured products. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in the bank loan, high yield debt or other asset groups. An AIC Client's investments in structured products will be subject to

a number of risks, including risks related to the fact that the structured products will be leveraged. Utilization of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor in the equity or subordinated debt securities issued by a structured product. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of the AIC Client's investment therein. In addition, if the particular structured product is invested in a security in which the AIC Client is also invested, this would tend to increase the AIC Client's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative basis.

The value of an investment in a structured product will depend on the investment performance of the assets in which the structured product invests and will therefore be subject to all of the risks associated with an investment in those assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other credits of the issuer of such asset or nullified under applicable law. The AIC Client will not own such assets directly and will therefore not benefit from general rights applicable to the holders of assets, such as the right to indemnity and the rights of setoff, or have voting rights with respect to such assets, and in such cases, all decisions related to such assets, including whether to exercise certain remedies, will be controlled by the structured product.

Structured products are a relatively recent development in the financial markets. Consequently, there are certain tax and market uncertainties that present risks relating to investing in structured products.

Second-Lien Loans. An AIC Client's investments in second-lien loans will entail risks, including (i) the subordination of the AIC Client's claims to a senior lien in terms of the coverage and recovery of the collateral and (ii) the prohibition of or limitation on the right to foreclose on a second-lien or exercise other rights as a second-lien holder. In certain cases, therefore, no recovery may be available from a defaulted second-lien loan. The level of risk associated with investments in second-lien loans increases to the extent such investments are loans of distressed or below investment grade companies.

Season and Sell Transactions. From time to time AIC Clients may enter into loan origination transactions that would be conducted through a so-called "season and sell" structure. Under such arrangements, an AIC Client ("Originating Client") would (either directly or indirectly through an entity formed for such purpose) originate loans and, after those loans have been held for a seasoning period (e.g., 90 days), would often sell a pro rata portion of such loans to another AIC Client (or an entity owned by another AIC Client) ("Purchasing Client") at the then-current fair market values of such loans. However, since (1) the decision by the Originating Client (or such originating entity) to originate the loans and (2) the decision by the Purchasing Client (or such transferee entity) whether and at what price to acquire a portion of such loans would be made as separate, independent decisions, it is possible from time to time that certain loans originated by the Originating Client (or such originating entity) may not subsequently be transferred to the Purchasing Client or such transferee entity. As a result, the Originating Client and the Purchasing Client may hold different investments in their respective loan portfolios, and the

Originating Client would bear all of the risk of the loans during the seasoning period and may be forced to retain a disproportionate amount of non-performing or other loans if the Purchasing Client or such transferee entity elected subsequently not to purchase them. This potential difference in investments held by the Originating Client and the Purchasing Client, together with the different prices at which the loans would be acquired and the fact that the Purchasing Client would not participate in loan origination fees, will potentially cause a divergence in the economic returns between the Originating Client and the Purchasing Client.

Mezzanine Debt. The mezzanine investments in which an AIC Client intends to invest are typically contractually or structurally subordinate to senior indebtedness of the applicable company, or effectively subordinated as a result of being unsecured debt and therefore subject to the prior repayment of secured indebtedness to the extent of the value of the assets pledged as security. In some cases, the subordinated debt held by an AIC Client may be subject to the prior repayment of different classes of senior debt that may be “layered” ahead of the debt held by an AIC Client. In the event of financial difficulty on the part of a portfolio company, such class or classes of senior indebtedness ranking prior to the debt held by an AIC Client, and interest thereon and related expenses, must first be repaid in full before any recovery may be had on an AIC Client’s mezzanine or other subordinated investment. Subordinated investments are characterized by greater credit risks than those associated with the senior or senior secured obligations of the same issuer. In addition, under certain circumstances the holders of the senior indebtedness will have the right to block the payment of interest and principal on an AIC Client’s mezzanine investment and to prevent an AIC Client from pursuing its remedies on account of such non-payment against the company. Further, in the event of any debt restructuring or workout of the indebtedness of any company, the holders of the senior indebtedness will likely control the creditor side of such negotiations.

Many issuers of mezzanine debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of mezzanine debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Adverse changes in the financial condition of an issuer, general economic conditions, or both, may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer. Mezzanine debt securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Finally, the market values of certain of this mezzanine debt may reflect individual corporate developments.

Mezzanine debt investments may also be in the form of zero-coupon or deferred interest bonds, which are bonds which are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. These investments typically experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of

interest.

Leverage

The Adviser may cause certain AIC Clients to utilize leverage, primarily by participating in total rate of return swaps, directly and indirectly. The use of leverage will increase the volatility of the AIC Client. While the use of borrowed funds will increase returns if the AIC Client earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage will decrease returns if the AIC Client fails to earn as much on such incremental investments as it pays for such investment. The effect of leverage may therefore result in a greater decrease in the net asset value of the AIC Client than if the AIC Client was not so leveraged.

Investments in Undervalued Assets

AIC Clients may seek to invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

An AIC Client may be required to hold undervalued assets for a substantial period of time with the expectation that the assets will appreciate in value, even though there is no assurance that such value appreciation will take place. Accordingly, an AIC Client may be forced to sell such undervalued assets at a substantial loss. During this period, a portion of such AIC Client's funds would be committed to undervalued assets, thus possibly preventing such AIC Client from investing in other opportunities. In addition, the AIC Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during this waiting period. Finally, margin calls and other events related to such AIC Client's indebtedness could force such AIC Client to have to sell assets at prices that are less than their fair value.

General Market and Credit Risks of Debt Securities

Debt portfolios are subject to credit and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Factors that may affect market interest rates include, without limitation, inflation, slow or stagnant economic growth or recession, unemployment, money supply and the monetary policies of the Federal Reserve Board and central banks throughout the world, international disorders and instability in domestic and foreign financial markets. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on

price. Adjustable rate instruments may also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including, among other factors the index chosen, frequency of reset and reset caps or floors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. The Adviser expects that it will periodically experience imbalances in the interest rate sensitivities of AIC Clients' assets and liabilities and the relationships of various interest rates to each other. In a changing interest rate environment, the Adviser may not be able to manage this risk effectively, which in turn could adversely affect an AIC Client's performance. In addition, AIC Clients' investments are generally expected to include subordinated or unsecured debt investments issued with a fixed yield; thus, credit risk and interest rate risk may be greater than those generally applicable to other types of debt investments.

The credit markets have experienced an unprecedented degree of dislocation since 2007. The Adviser seeks to capitalize on opportunities created by this dislocation, but this strategy carries significant risk of substantial loss if the market dislocation continues or is exacerbated by other events, such as the failure of significant financial institutions or hedge funds, dislocations in other investment markets, or extrinsic events.

Middle Market Companies

Certain AIC Clients may invest in small and/or less well-established companies. While smaller companies may have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification and competitive strength of larger corporations, all of which may contribute to illiquidity, which may, in turn adversely affect the price and timing of liquidation of the Adviser's investments.

Adverse Effect of Economic Conditions

AIC Clients and the companies in which AIC Clients may invest may be adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which may magnify the risks described herein and may have other adverse effects. Deteriorating market conditions could result in increasing volatility and illiquidity in the global credit, debt and equity markets generally. The duration and ultimate effect of recent market conditions cannot be forecast, nor is it known whether or the degree to which such conditions may remain stable or worsen. Deteriorating market conditions and uncertainty regarding economic markets generally could result in declines in the market values of potential investments or declines in the market values of investments after they are made or acquired by the AIC Clients. Such declines may be exacerbated by other events, such as the failure of significant financial institutions or hedge funds, dislocations in other investment markets or other extrinsic events. In addition, such declines could lead to weakened investment opportunities for AIC Clients, could prevent AIC Clients from successfully meeting their investment objectives and/or could require AIC Clients to dispose of investments at a loss while such unfavorable market conditions prevail.

Interest Rate, Currency Exchange and Investment Risk Management

Certain AIC Clients may be authorized to use various investment strategies to hedge interest rate

or currency exchange risks. These strategies are generally accepted as portfolio management techniques and are regularly used by many investment funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur. An AIC Client may use any or all such types of interest rate hedging transactions and currency hedging transactions at any time and no particular strategy will dictate the use of one transaction rather than another. The choice of any particular interest rate hedging transactions and currency hedging transactions will be a function of numerous variables including market conditions.

Although the Adviser intends to cause AIC Clients to engage in any interest rate hedging transactions and currency hedging transactions only for hedging purposes and not for speculation, use of interest rate hedging transactions and currency hedging transactions involves certain inherent risks. These risks include (i) the possibility that the market will move in a manner or direction that would have resulted in gain for an AIC Client had an interest rate hedging transaction or currency hedging transaction not been utilized, in which case it would have been better had such AIC Client not engaged in the interest rate hedging transaction or currency hedging transaction, (ii) the risk of imperfect correlation between the risk sought to be hedged and the interest rate hedging transaction or currency hedging transaction utilized, (iii) potential illiquidity for the hedging instrument utilized, which may make it difficult for the relevant AIC Client to close-out or unwind an interest rate hedging transaction or currency hedging transaction and (iv) credit risk with respect to the counterparty to the interest rate hedging transaction or currency hedging transaction.

The AIC Clients may also enter into certain hedging transactions for the purpose of protecting the market value of an investment made by such AIC Client for a period of time without having to currently dispose of such investment. Such defensive hedge transactions may be entered into when an AIC Client is legally restricted from selling an investment or when the Adviser otherwise determines that it is advisable to decrease its exposure to the risk of a decline in the market value of an investment. Such defensive hedging transactions may expose the relevant AIC Client to the counterparty's credit risk. There also can be no assurance that the Adviser will accurately assess the risk of a market value decline with respect to an investment or will advise or cause an AIC Client to enter into an appropriate defensive hedge transaction to protect against such risk. Furthermore, the AIC Clients are in no event obligated to enter into any defensive hedge transaction.

The AIC Clients may from time to time employ various investment programs including the use of derivatives, short sales, swap transactions, currency hedging transactions, securities lending agreements and repurchase agreements. There can be no assurance that any such investment program will be undertaken successfully.

Exposure to Originated Investments

An AIC Client may originate certain of its investments with the expectation of later syndicating a portion of such investment to other affiliated funds or third parties. Prior to such syndication, or if such syndication is not successful, such AIC Client's exposure to the originated investment may exceed the exposure that the Adviser intends for such AIC Client to have over the long-term or would have had it purchased such investment in the secondary market rather than

originating it.

Third Party Litigation

In addition to litigation relating to the bankruptcy process as described above under “Item 8: Risks — Nature of an AIC Client Investments — DIP Loans,” the AIC Clients’ investment activities subject them to the normal risks of becoming involved in litigation by third parties. This risk is somewhat greater where the relevant AIC Client exercises control or significant influence over a company’s direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the relevant AIC Client and would reduce net assets.

Operating and Financial Risks of Investments

Companies in which AIC Clients invest may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, or a larger number of qualified managerial and technical personnel. As a result, portfolio companies which the Adviser expects to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position or may otherwise have a weak financial condition or be experiencing financial distress.

Portfolio companies may issue certain types of debt, such as mezzanine or high yield, in connection with leveraged acquisitions or recapitalizations in which the portfolio company incurs a substantially higher amount of indebtedness than the level at which it had previously operated.

Third-Party Involvement

The AIC Clients may co-invest with third-parties through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may have financial, legal or regulatory difficulties, resulting in a negative effect on such investment, have economic or business interests or goals which are inconsistent with those of the relevant AIC Client, or may be in a position to take (or block) action in a manner contrary to the investment objective of the AIC Client. In addition, the AIC Clients may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Fluctuations of Investment Values and Potential Illiquidity of Investments

The market value of the investments of each AIC Client will fluctuate with, among other things, changes in market rates of interest, general economic conditions and economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the AIC Client’s investments. In addition, the lack of an established, liquid secondary market for some of the AIC Clients’ investments may have an adverse effect on the market value of such investments and on the AIC Clients’ ability to dispose of them. Additionally, the AIC Clients’ investments may be subject to certain transfer restrictions that may also contribute to illiquidity. Finally, assets of AIC Clients that are typically traded in a liquid market may become illiquid if

the applicable trading market tightens as a result of a significant macro-economic shock or for any other reason. Therefore, no assurance can be given that, if the Adviser is determined to cause the disposal of a particular such investment held by an AIC Client, it could dispose of such investment at the prevailing market price. Such illiquidity may adversely affect the price and timing of liquidation of the AIC Clients' investments upon the redemption of an investor's interest, to pay expenses of the AIC Clients or to pay the Advisory Fee.

A portion of an AIC Client's investments may consist of securities that are subject to restrictions on resale by such AIC Client because they were acquired in a "private placement" transaction or because such AIC Client is deemed to be an affiliate of the issuer of such securities. Generally, an AIC Client will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, an AIC Client may be deemed to be an underwriter or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act.

In addition, the Adviser may, from time to time, possess material, non-public information about a borrower or issuer or the Adviser may be an affiliate of a borrower or an issuer. Such information or affiliation may limit the ability of the applicable AIC Client to buy and sell investments.

Currency Exchange Risk

Investments or liabilities of the AIC Clients may be denominated in currencies other than the U.S. dollar, and hence the value of such investments, or the amount of such liabilities, will depend in part on the relative strength of the U.S. dollar. The AIC Clients may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of securities. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign exchange markets. These rates are also affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The AIC Clients are not obligated to engage in any currency hedging operations, and there can be no assurance as to the success of any hedging operations that an AIC Client may implement. See "Item 8: Risks --Interest Rate, Currency Exchange and Investment Risk Management."

Participation on Creditors' Committees

The Adviser may participate on behalf of an AIC Client on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Adviser may seek to negotiate on behalf of an AIC Client directly with the debtors with respect to restructuring issues. If the Adviser does join a creditors' committee on behalf of an AIC Client, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the applicable AIC Client in such proceedings. By participating on such committees, the Adviser may be deemed to have duties to other creditors

represented by the committees, which might thereby expose the AIC Clients to liability to such other creditors who disagree with the actions.

The Adviser may also be provided with material non-public information that may restrict the Adviser's ability to trade in the company's securities on an AIC Client's behalf. While the Adviser and the AIC Clients intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Adviser may trade in the company's securities on an AIC Client's behalf while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the AIC Client to incur significant legal fees and potential losses.

Lender Liability Considerations and Equitable Subordination

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the AIC Clients' investments, an AIC Client could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of the AIC Clients' and their affiliates' investments, an AIC Client could be subject to claims from creditors of an obligor that such AIC Client's investments issued by such obligor should be equitably subordinated. Some of the investments of the AIC Clients will involve investments in which the applicable AIC Client would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the investments of an AIC Client could arise without the direct involvement of such AIC Client.

If an AIC Client purchases debt securities of an affiliate in the secondary market at a discount, (i) a court might require such AIC Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (ii) such AIC Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Fraudulent Conveyance and Preference Considerations

Various federal and state laws enacted for the protection of creditors may apply to the purchase of investments by an AIC Client, by virtue of such AIC Client's role as a creditor with respect to the borrowers under such investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to the incurring of such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could allow the borrower to recover amounts previously paid by the borrower to the creditor (including to an AIC Client) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer of an investment, payments made on an AIC Client's investment could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors, including the amount of equity of the borrower owned by the AIC Client and its affiliates and any contractual arrangement between the borrower, on the one hand, and such AIC Client and its affiliates, on the other hand. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its assets at a fair valuation or if the then-present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its then-existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the incurrence of the loan or that, regardless of the method of evaluation, a court would not determine that the borrower was "insolvent" upon giving effect to such incurrence.

In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as an AIC Client) or from subsequent transferees of such payments, including investors in AIC Funds.

Investment in Non-U.S. Issuers

Certain AIC Clients may invest in the securities of non-U.S. issuers. There may be less information publicly available about a non-U.S. issuer than about a U.S. issuer, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and practices comparable to those in the United States. In addition, with respect to certain countries, there is a possibility of expropriation, imposition of non-U.S. withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of an AIC Client, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are

expected to change independently of each other.

Bankruptcy law and process in non-U.S. jurisdictions may differ substantially from that in the United States, which may result in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain, while other developing countries may have no bankruptcy laws enacted, adding further uncertainty to the process for reorganization.

Reliance on Creditors' Committees

AIC Clients and/or the Adviser may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or Management of an AIC Client may seek to negotiate directly with the debtors with respect to restructuring issues. If an AIC Client does join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to an AIC Client in such proceedings. By participating on such committees, an AIC Client may be deemed to have duties to other creditors represented by the committees, which might expose an AIC Client to liability to such other creditors who disagree with an AIC Client's actions.

Potential Early Redemption of Some Investments

The terms of loans acquired or originated by an AIC Client may be subject to early prepayment options or similar provisions which, in each case, could result in an AIC Client realizing such loans earlier than expected, sometimes with no or a nominal prepayment premium. This may happen when there is a decline in interest rates, when the portfolio company's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt or when the general credit market conditions improve. In the event an AIC Client receives proceeds from an investment earlier than it had anticipated, an AIC Client may be permitted to reinvest such proceeds, but there is no assurance that an AIC Client will be able to reinvest such proceeds even where they are received during the Investment Period. An AIC Client's inability to reinvest such proceeds may materially affect the performance of an AIC Client.

Limited Amortization Requirements

AIC Clients may invest in debt that will typically have limited mandatory amortization and interim repayment requirements. A low level of amortization of any debt, over the life of the investment, may increase the risk that a portfolio company will not be able to repay or refinance the debt held by an AIC Client when it comes due at its final stated maturity.

Reliance on Management of the Adviser

The success of the AIC Clients is highly dependent on the financial and managerial expertise of the Adviser. Although the Adviser has attempted to foster a team approach to investing, the loss of key individuals employed by the Adviser could have a material adverse effect on the performance of the AIC Clients (or, as applicable, their accounts). Such individuals may not

necessarily continue to be employed by the Adviser during the entire period in which the Adviser provides advisory services to the AIC Clients. In addition, it is expected that certain of the individuals responsible for managing a particular AIC Client may also continue to have responsibilities with respect to other funds and accounts managed by the Adviser and other Affiliate Advisers (as defined in Item 10 below), including Clients (as defined in Item 11 below) managed on behalf of the Affiliate Advisers' personnel and their friends and family. Thus such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other funds and accounts.

Widening Risk

For reasons not necessarily attributable to any of the risks set forth herein, the prices of the securities and other financial assets in which the AIC Clients invest may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It is not possible to predict, or to hedge against, such "spread widening" risk.

Financially Troubled Companies

AIC Clients may invest in the obligations of companies that are financially troubled and that are either engaged in a reorganization or expect to file for bankruptcy. Investments in financially troubled companies involve significantly greater risk than investments in non-troubled companies, and the repayment of obligations of financially troubled companies is subject to significant uncertainties. Such companies generally are more vulnerable to real or perceived economic changes, political changes or adverse industry developments, and if their financial condition deteriorates, accurate financial and business information may be limited or unavailable. In addition, securities of such companies may be thinly traded and there may be no established secondary or public market. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Partnership will correctly evaluate the value of the assets collateralizing an AIC Client's loans or the prospects for a successful reorganization or similar action. Additionally, an AIC Client's may invest in the securities of financially troubled companies that are non-U.S. issuers. Such non-U.S. issuers may be subject to bankruptcy and reorganization processes and proceedings that are not comparable to those in the United States and that may be less favorable to the rights of lenders.

An AIC Client may make investments that become distressed due to factors outside the control of the Adviser. There is no assurance that there will be sufficient collateral to cover the value of the loans and/or other investments purchased by an AIC Client or that there will be a successful reorganization or similar action of the company or investment which becomes distressed. In any reorganization or liquidation proceeding relating to a company in which an AIC Client invests, an AIC Client may lose its entire investment, may be required to accept cash or securities with a value less than an AIC Client's original investment and/or may be required to accept payment over an extended period of time. Under these circumstances, the returns generated from an AIC Client's investments may not compensate the Limited Partners adequately for the risks assumed. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or

may be found liable for damage suffered by parties as a result of such actions. In addition, under circumstances involving a portfolio company's insolvency, payments to an AIC Client and distributions by an AIC Client to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Troubled company investments require active monitoring and may, at times, require significant participation in business strategy or reorganization proceedings by the Adviser. In addition, involvement by the Adviser in a company's reorganization proceedings could result in the imposition of restrictions limiting an AIC Client's ability to liquidate its position in the company.

Trading Risk

The Adviser's trade error policy only requires the Adviser to reimburse AIC Clients for any losses resulting from the Adviser's breach of the applicable standard of care (generally gross negligence or willful misconduct). Although the Adviser's traders endeavor to take the utmost care in implementing investment decisions on behalf of each AIC Client, trade errors do occur and could have a material adverse impact on the performance of any or all AIC Clients.

Different risks may exist with respect to investments in different AIC Funds and Separate Account Clients. The risks associated with an investment in any particular AIC Fund or Separate Account Client may be substantially impacted by the nature and timing of the market.

Business and Regulatory Risks of Private Investment Funds

Legal, tax and regulatory changes could occur during the term of an AIC Client that may adversely affect an AIC Client. The legal, tax and regulatory environment for private investment funds is evolving, and changes in the taxation or regulation of private investment funds may adversely affect the value of fund interests, including by adversely affecting the value of investments held by an AIC Client and the ability of an AIC Client to obtain the leverage it might otherwise obtain or to pursue its investment objective. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, the CFTC, the Internal Revenue Service ("IRS"), other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on an AIC Client could be substantial and adverse.

Lack of Sufficient Investment Opportunities

The business of identifying and structuring financial transactions is highly competitive and involves a high degree of uncertainty. It is possible that an AIC Client will never be fully invested if enough sufficiently attractive investments are not identified.

However, may nevertheless be required to pay Advisory Fees during the investment period of the applicable AIC Client based on the entire amount of their capital commitments.

Concentration of Investments

The AIC Clients will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, an AIC Client's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, an AIC Client may invest in fewer investments and thus be less diversified.

Competition for Investments

The AIC Clients expect to encounter competition from entities having similar investment objectives. Potential competitors include other investment funds, business development companies and other financial investors investing directly or through affiliates. Certain of these entities may possess competitive advantages over an AIC Client in pursuing investment opportunities, including greater financial, technical, marketing and other resources, higher risk tolerances, different risk assessments, lower return thresholds, lower cost of capital and access to funding sources unavailable to an AIC Client. In addition, a substantial number of private investment funds have been formed over the past several years, and many funds have grown substantially in size, resulting in an unprecedented amount of capital available for investment in such opportunities.

Material Non-Public Information

By reason of their responsibilities in connection with their other activities, including activities for all Affiliate Advisers, the Adviser's senior professionals may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. Clients will not be free to act upon any such information. Due to these restrictions, an AIC Client may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Tax Risks

Investment in an AIC Client involves numerous tax risks. AIC Clients or their investors may be subject to income or other tax in jurisdictions in which AIC Clients invest. Additionally, withholding taxes or branch taxes may be imposed on earnings of AIC Clients from investments in such jurisdictions. Also, local tax incurred in a jurisdiction by AIC Clients or vehicles through which they invest may not entitle investors to either (i) a credit against tax that may be owed in their respective home tax jurisdictions or (ii) a deduction against income taxable in such home jurisdictions by the investors.

The Adviser typically takes into account tax consequences when structuring the activities of the AIC Client; however, there is a risk that the United States Internal Revenue Service (and similar state and international taxing bodies) will not concur with the Adviser as to these tax consequences, resulting in a less favorable tax outcome than the Adviser had anticipated. In addition, tax laws and regulations applicable to an AIC Client are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in an AIC Client.

Hedging Risks

The Adviser may hedge some or all of an AIC Client's investments or other assets by entering into hedging arrangements with a broker, a bank or other organizations. Hedging against a decline in the value of an investment or other asset of an AIC Client does not completely eliminate risks associated with fluctuations in the values of such investment or asset, or prevent losses if the values of such investment or asset decline. In addition, any hedging arrangements may limit an AIC Client's opportunity for gain if the values of the investment or asset subject to hedging increase. Furthermore, hedging entails its own costs, and it is often not possible to hedge fully or perfectly against all risks. There can be no assurance that the Adviser will choose to hedge against any of the risks relating to an AIC Client's investments.

Subscription Facility, Other Financings and Cross-Default Risk

An AIC Client may utilize indebtedness or other asset-level financing. This indebtedness or financing may be structured in a way that (i) AIC Clients are jointly responsible on a cross-collateralized basis for the repayment of the indebtedness or financing and (ii) the commitments of the investors in an AIC Client are pledged to secure indebtedness or financing obtained for the benefit of other AIC Clients. To the extent that providers of such indebtedness or financing require that it be secured by, or have the credit support of, a particular AIC Client, the investors may be called upon to fund their entire commitment to repay indebtedness, which may or may not be indebtedness of the AIC Client in which such investor is a limited partner, and the failure of other investors to honor their commitments may result in an investor's payments exceeding its pro rata share of the indebtedness. In addition, an AIC Client may be subject to cross-default risk with respect to other parties in connection with repurchase agreements or other asset financings to which they are a party. The AIC Clients intend, where appropriate, to enter into back-to-back agreements with such other parties in respect of any such credit support.

Bank Debt Ratings

The ratings that may be assigned by various credit rating agencies to loans or other debt instruments that may be acquired by an AIC Client reflect only the views of those agencies. Explanations of the significance of ratings should be obtained from such credit rating agencies. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of such credit rating agency, circumstances so warrant.

Longer Settlement for the Purchase of Bank Loans

The settlement process for the purchase of bank loans can take several days and, in certain instances, several weeks longer than a bond trade. The longer a trade is outstanding between the counterparties may increase the risk of additional operational and settlement issues and the potential for an AIC Client's counterparty to fail to perform.

CLOs

To finance investments, an AIC Client may securitize certain of its investments, including through the formation of one or more collateralized loan obligations ("CLOs"), while retaining

all or most of the exposure to the performance of these investments. This would involve contributing a pool of assets to a special purpose entity, and selling debt interests in such entity on a non-recourse or limited-recourse basis to purchasers.

If an AIC Client creates a CLO, the AIC Client will depend on distributions from the CLO's assets to enable it to make distributions to investors. The ability of a CLO to make distributions will be subject to various limitations, including the terms and covenants of the debt it issues. For example, tests (based on interest coverage or other financial ratios or other criteria) may restrict an AIC Client's ability, as holder of a CLO's equity interests, to receive cash flow from these investments. There is no assurance any such performance tests will be satisfied. Also, a CLO may take actions that delay distributions in order to preserve ratings and to keep the cost of present and future financings lower, or the CLO may be obligated to retain cash or other assets to satisfy over-collateralization requirements commonly provided for holders of the CLO's debt. As a result, there may be a lag, which could be significant, between the repayment or other realization on a loan or other assets in, and the distribution of cash out of, a CLO, or cash flow may be completely restricted for the life of the CLO. In addition, a decline in the credit quality of loans in a CLO due to poor operating results of the relevant borrower, declines in the value of loan collateral or increases in defaults, among other things, may force a CLO to sell certain assets at a loss, reducing its earnings and, in turn, cash potentially available for distribution to an AIC Client for distribution.

To the extent that any losses are incurred by the CLO in respect of any collateral, such losses will be borne first by an AIC Client as owner of equity interests. Finally, any equity interests that an AIC Client retains in a CLO will not be secured by the assets of the CLO and the AIC Client will rank behind all creditors of the CLO.

Item 9. Disciplinary Information

Item 9 is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

Affiliated Advisers

The Adviser is affiliated with Golden Gate, which focuses on leveraged buyouts and growth capital in a wide variety of industries, and certain other advisers and general partners affiliated with Golden Gate (together with the Adviser, the "Affiliate Advisers"). Golden Gate is registered as an investment adviser with the Securities and Exchange Commission.

The other Affiliate Advisers may provide an extensive personal network and access to vertical industry expertise to the Adviser, and certain personnel and senior management of Golden Gate may also participate in or provide advice with respect to the investment and other activities of the Adviser. On occasion, the AIC Clients may also benefit from attractive non-traditional investment opportunities from Golden Gate.

Affiliated Broker Dealer

The Affiliate Advisers are also affiliated with Angel Island Dealer Services, LLC (“AIDS”), which is expected to submit an application for registration as a broker-dealer with the Securities & Exchange Commission and Financial Industry National Regulatory Association. Certain Adviser Personnel (as defined in Item 11 below) and certain personnel and senior management of Golden Gate are expected to be involved with the management and operations of AIDS. Please see Item 11 below for a discussion of the Conflicts of Interest that may arise in connection with such activities. It is expected that AIDS will place securities and instruments issued by certain private investment funds that the Adviser and related entities manage individually or through their principals. AIDS may, in some cases, act as a broker in transactions on behalf of AIC Clients.

AIDS and other affiliates of the Adviser may receive fees, commissions and other compensation in respect of the foregoing activities. AIDS may act as the placement agent for an AIC Fund in respect of securities or instruments issued by the AIC Fund (although no commissions or other compensation would be received by AIDS from such AIC Funds or their investors for such service). While fees, commissions and other compensation paid to AIDS will be, in the judgment of the Adviser and its affiliates, reasonable and generally charged at rates that the Adviser believes are at market rate for the relevant activities, such compensation may not in each case be negotiated at arm’s length and from time to time may be in excess of fees, commissions or other compensation that would be charged by an unaffiliated third party.

The Adviser generally will evaluate any such transactions on a case-by-case basis to address any such conflicts. Transactions involving an AIC Fund and AIDS will also be reviewed with regard to the appropriateness of the transaction and any fiduciary obligations. In addition, it is expected that the Adviser will review such transactions to ensure that the requirements of Section 206(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in respect of principal transactions between any AIC Fund and the Adviser or its affiliates (including AIDS) are complied with in the context of such transactions.

For a description of material conflicts of interest created by the Adviser’s relationship with AIDS, please see Item 11 below.

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

Code of Ethics

The Adviser has adopted a written Code of Ethics that is applicable to all of its officers and employees, as well as officers and employees of its affiliates and certain independent contractors (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain reporting obligations and pre-clearance of any proposed purchase of any initial public offering or limited offering. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for an AIC Client, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the

Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, a letter of censure or suspension or termination of the employment of the violator. Adviser Personnel are required to annually acknowledge compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any AIC Client or prospective client upon written request to:

Jim O'Connor
Angel Island Capital Management, LLC
One Embarcadero Center, 32nd Floor
San Francisco, CA 94111
(e) joconnor@goldengatecap.com

Participation or Interest in Client Transactions

The Adviser and certain employees and affiliates of the Adviser may invest in and alongside the AIC Clients, either through the Adviser, as direct investors in the AIC Funds or otherwise. For further details regarding conflicts of interest presented by these arrangements, please see “Code of Ethics” and above and “Potential Conflicts of Interest” immediately below.

Due in part to the fact that potential investors in an AIC Fund (or purchasers of an investor’s interests in a secondary transaction) may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors.

Potential Conflicts of Interest

The Affiliate Advisers engage in a broad range of activities, including investment activities for their own account (such as co-investment vehicles) and for the account of other investment funds or accounts and provide transaction-related, investment advisory, legal, management and other services to funds and operating companies.

Each of the Affiliate Advisers focuses primarily on a different investment strategy, although such investment strategies overlap from time to time.

The funds and accounts managed by the Affiliate Advisers are referred to as “Clients.” The funds and accounts managed by the Adviser are referred to as the “AIC Clients.” In the ordinary course of conducting its activities, the interests of an AIC Client may conflict with the interests of the Adviser, other Clients or their respective affiliates.

Resolution of Conflicts

Each of the Adviser and the other Affiliate Advisers will deal with all conflicts of interest using its best judgment, but in its sole discretion. When conflicts arise between an AIC Client and other Clients, the Adviser will represent the interests of the AIC Client, and the other

participating Affiliate Adviser will represent the interests of the other Client it advises. In resolving conflicts, the Adviser and the other Affiliate Advisers may consider various factors, including the interests of the funds and accounts they advise in the context of both the immediate issue at hand and the longer term course of dealing among the AIC Clients and the other Clients. When conflicts arise between an AIC Client and another AIC Client, the Adviser will resolve the conflict. In doing so, it may consider various factors, including the interests of such AIC Client and the other AIC Client with respect to the immediate issue and/or with respect to the longer term course of dealing among the AIC Clients. In the case of all conflicts of interest involving an AIC Client, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts will be made using the Adviser's best judgment, but in its sole discretion.

Sources of Conflicts of Interest

There are numerous perceived and actual conflicts of interest among the Adviser, the Affiliate Advisers, other Clients and the AIC Clients. The conflicts of interest that may be encountered by an AIC Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by such AIC Client. Other conflicts may be disclosed throughout this Brochure, and this Brochure should be read in its entirety for other conflicts of interest. In addition, new and difficult types of conflicts of interest may subsequently arise.

Conflicts Relating to the Adviser and Certain Affiliate Advisers

It is expected that most or all of the officers and employees responsible for managing the AIC Funds or accounts for Separate Account Clients will have responsibilities with respect to other funds or accounts managed by the Adviser, including funds and accounts that may be raised in the future. Substantial time will be spent by such officers and employees monitoring the investments of other AIC Clients. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

In addition, the other Affiliate Advisers perform advisory and other services for, and will receive compensation from, a number of entities, which may include entities in which AIC Clients have interests. These fees will not be shared with the AIC Clients.

The Affiliate Advisers have existing and potential advisory and other relationships with a significant number of portfolio companies and other clients, and may provide financing, services, advice or otherwise deal with third parties whose interests conflict with the interests of a company in which an AIC Client has invested, such as competitors, suppliers or customers of a company in which the AIC Client has invested. An Affiliate Adviser may recommend or cause such a third party to take actions that are adverse to an AIC Client or companies in which it has invested.

While the Adviser is not entitled to any performance fee based on the performance of AIC Clients, Golden Gate (or its affiliated advisers or general partners, if applicable) is entitled to carried interest from certain funds advised by it that hold interests in AIC Funds. The existence of such carried interest by Golden Gate (or its affiliated advisers or general partners) may create an incentive for the Adviser to cause an AIC Fund to make more speculative investments than it

would otherwise make in the absence of performance-based compensation.

The Adviser will value investments to determine how distributions should be made in any AIC Client. No independent appraisal is required to be obtained, though certain third-parties may, from time to time, be retained in order to assist with valuations. All other assets of an AIC Client will be assigned such value as the Adviser may reasonably determine. The exercise of such discretion may give rise to conflicts of interest, since the Adviser's Advisory Fees are calculated based on these valuations.

The AIC Funds and other AIC Clients may have tax exempt, taxable, non U.S. foreign and other investors, whereas most members of the Adviser are taxable at individual U.S. rates. Potential conflicts of interest exist with respect to various structuring, investment and other decisions because of divergent tax, economic or other interests, including conflicts among the interests of taxable and tax exempt investors, conflicts among the interests of U.S. domestic and non-U.S. foreign investors, and conflicts between the interests of investors and management with regard to the AIC Clients. For these reasons, among others, decisions may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations.

An AIC Client may, from time to time, make co-investments in transactions sourced by other Affiliate Advisers (including transactions in which the Adviser purchases debt securities and the other Affiliate Adviser purchases equity securities of the same issuer). When such a Client makes a private equity investment, the Affiliate Advisers may perform management, advisory, investment banking, financial advisory and other services for, and will receive fees from, actual or prospective portfolio companies. Additionally, a portfolio company of an AIC Client advised by an Affiliate Adviser may reimburse such Affiliate Adviser for expenses incurred by such Affiliate Adviser in connection with its performance of services for such portfolio company. Although an Affiliate Adviser receives these fees and reimbursements from actual or prospective portfolio companies, the opportunity to earn these fees creates a conflict of interest between the Affiliate Adviser, on the one hand, and, to the extent such AIC Client co-invests in the transaction, the AIC Client on the other hand, because the amounts of such fees may be substantial and the AIC Client will not share in such fees and reimbursements.

In addition, the Adviser may engage the services of Nob Hill Law Group, P.C. to provide legal services to the AIC Clients and the Adviser. The President of Nob Hill Law Group, P.C. serves as General Counsel of Golden Gate and certain other Golden Gate personnel may also from time to time be employees or independent contractors of Nob Hill Law Group, P.C. Due to the relationship between the Adviser, Golden Gate and Nob Hill Law Group, P.C., the Adviser may have an incentive to recommend the services of Nob Hill Law Group, P.C. to the AIC Clients, even though the services recommended may not necessarily be the lowest cost or most effective available to the AIC Clients. The fees paid by the AIC Clients and the Adviser generally will be determined based on prevailing market rates.

Conflicts Relating to the Purchase and Sale of Investments

The Adviser may cause an AIC Client to purchase investments from, or sell investments to, another AIC Client. The Adviser will only cause an AIC Client to engage in such transactions if it determines that the terms and conditions of such transactions are substantially advantageous to

the AIC Clients as the terms it would obtain in a comparable arm's length transaction with a third party or if such transactions are effected at prices determined in accordance with an AIC Client's security valuation procedures. Conflicts may also arise in connection with loans or other assets originated by an AIC Client and sold to other AIC Clients. An AIC Client may sell a portion of any loans or other assets originated by an AIC Client; thus, an AIC Client's initial participation in such loans or other assets may be greater than it would have been if such an AIC Client did not expect to ultimately sell part of such loans or other assets to another AIC Client. To the extent an AIC Client purchases loans or other assets in order to sell a portion, an AIC Client will bear the risk of changes in the value of such loans or other assets during the period it holds such loans or other amounts and the amount of capital available to an AIC Client to pursue other investment opportunities may be reduced. Furthermore, it may be difficult to determine the value of the loans or other assets transferred by an AIC Client and hence the consideration due to an AIC Client from other AIC Clients when it sells the loans or other assets. The valuation of loans or other assets to be transferred from an AIC Client to other AIC Clients involves inherent conflicts of interest for the Adviser.

The Adviser sponsors and manages various investment vehicles, and the Adviser or the other Affiliate Advisers may form new investment vehicles in the future. Other AIC Clients may make certain investments that are appropriate for each AIC Client, whether such transaction is consistent with the Adviser's best execution obligation, the cost of execution through a third party, and the pricing methodology. Other Clients may invest in assets eligible for purchase by an AIC Client. The investment policies, fee arrangements, carried interest, investments owned by employees of the Adviser or the other Affiliate Advisers, and other circumstances of such AIC Client, may vary from those of other Clients. These relationships may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to the AIC Client. Subject to any requirements of the Governing Documents of the AIC Clients and other Clients, opportunities for investments will be allocated between an AIC Client and other Clients in a manner that the Adviser and the other Affiliate Advisers, as well as the Clients' respective general partners (if applicable), believe in their sole discretion to be appropriate given factors they believe to be relevant. Such factors may include the investment objectives, geography, nature of the target's business, scale, transaction sourcing, liquidity, diversification, lender covenants and other limitations of the AIC Clients and other Clients, and the amount of capital each then has available for such investment, any exclusive rights to investment opportunities that may have been granted to other AIC Clients or Clients, the expected duration of the investment in light of the term of the other AIC Clients and the other Clients, regulatory and tax considerations, the degree of risk arising from an investment, the expected investment return and such other factors as the Adviser and any Affiliate Adviser deems to be appropriate. In general, while investments sourced by an Affiliate Adviser that are appropriate for Clients advised by such Affiliate Adviser will first be made available to such other Clients, the Adviser and the Affiliate Adviser have substantial discretion in allocating investment opportunities. The foregoing methodology for allocation of investment opportunities will likely vary over time and will be on a case-by-case basis. The Adviser also reserves the right to make independent decisions with regard to when an AIC Client should purchase and sell investments, and the other Affiliate Advisers reserve similar rights with respect to the Clients that they advise. As a result, an AIC Client may be purchasing an investment at a time when another Client is selling the same or a similar investment, or vice versa. An AIC Client may invest in opportunities that other Clients have declined, and likewise, an AIC Client may decline to invest in opportunities in

which other Clients have invested.

Conflicts also may arise when an AIC Client makes investments in conjunction with an investment made by other Clients, or in a transaction where another Client has already made an investment (including the investment by the AIC Clients in the initial syndication of a loan made to a Golden Gate portfolio company). Investment opportunities may be appropriate for an AIC Client and certain other Clients at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may also arise in determining the terms of investments, especially where the Adviser and/or other Affiliate Advisers control the structure of a transaction and its capitalization. For example, if an AIC Client is investing in debt securities, it will have an interest in structuring debt securities that have financial terms (such as interest rates, repayment terms, seniority, covenants and events of default) that are more restrictive than another Client, as an equity owner, may desire and conflicts will arise if the debt securities become distressed. In addition, a conflict may arise in allocating an investment opportunity if the potential target could be acquired by another AIC Client or a portfolio company of another AIC Client. There can be no assurance that the return on an AIC Client's investments will not be less than the returns obtained by other Clients participating in the transaction. Employees and related persons of the Adviser and the other Affiliate Advisers have made or may make large capital investments in or alongside certain other Clients, and therefore may have additional conflicting interests in connection with joint investments. Each Affiliate Adviser will determine all matters relating to structuring transactions and capitalizing portfolio companies, including the amount and terms of securities and allocation of securities among the involved Clients, using its best judgment considering all factors it deems relevant, but in its sole discretion. The allocation of securities as among AIC Clients and as between AIC Clients and other Clients may be affected by a fund's stage in its life cycle. For example, a newly organized fund may seek to purchase a disproportionate amount of investments until it is ramped up.

The appropriate allocation among the Clients of expenses and fees generated in the course of evaluating and making investments often may not be clear, especially where more than one Client participates. For instance, if an investment that is being considered by or for an AIC Client and another Client is not consummated, allocation of the expenses generated for the account of the AIC Client and such other Client (such as expenses of common counsel and other professionals) will be made in good faith, subject to the terms of the applicable Governing Documents. When the Adviser and the other Affiliate Advisers incur expenses that were related to the AIC Client and/or other Clients, they will typically allocate such expenses among all AIC Clients and other Clients eligible to reimburse expenses of the applicable nature, subject to the terms of the applicable Governing Documents. In general, the Adviser and each other affected Affiliate Adviser will participate in the resolution of all such matters using its best judgment, considering all factors it deems relevant, but in its sole discretion.

Certain Clients may invest in an AIC Fund as limited partners. The Adviser may from time to time in its sole discretion provide the Affiliate Adviser of any such Clients certain information about the applicable the AIC Fund's investment portfolio, although it is under no obligation to do so and may decide not to provide any such information at any time.

An AIC Fund may waive advisory fees with respect to Clients that are limited partners in such AIC Fund. Affiliate Advisers may receive advisory fees and performance allocations from the

Clients. The Clients may own equity in issuers of the loans to be held by an AIC Client, which will create a conflict of interest if the loans become distressed.

From time to time, the Adviser or the Affiliate Advisers may come into possession of material, non-public information, and such information may limit the ability of an AIC Client to buy and sell investments. In such cases, AIC Clients and other Clients could be restricted indefinitely in transactions involving a particular issuer. Consequently, the possession of material, non-public information by the Affiliate Advisers may limit the ability of an AIC Client to buy and sell investments. The Adviser may in limited circumstances erect information barriers to restrict the transfer of confidential information between the Affiliate Advisers or business units, if deemed appropriate. Furthermore, the Adviser and the Affiliate Advisers may agree from time to time to “cross” any such information barriers, and the Adviser may from time to time impose restrictions on transactions involving particular issuers in its sole discretion taking into account all factors it deems relevant in the collective interest of the Adviser and the Affiliate Advisers. In addition, the Adviser may be restricted by contract from using confidential information that it, or an Affiliate Advisers, has for the benefit of an AIC Client.

Participation of AIDS in AIC Client Transactions

As noted under Item 10 above, the Adviser has an affiliate, AIDS, which is expected to submit an application for registration as a broker-dealer with the Securities & Exchange Commission and Financial Industry National Regulatory Association. AIDS may, in some cases, act as a broker in transactions on behalf of AIC Clients. AIDS and other affiliates of the Adviser may receive fees, commissions and other compensation in respect of the foregoing activities. AIDS may also act as the placement agent for an AIC Fund (although no commissions or other compensation would be received by AIDS from such AIC Funds or their investors for such service).

It is expected that the Adviser will review such transactions to ensure that the requirements of Section 206(3) of the Advisers Act in respect of principal transactions between any AIC Client and the Adviser or its affiliates (including AIDS) are complied with in the context of such transactions.

Management of the AIC Clients

The Adviser may manage a number of AIC Clients that have investment objectives similar to each other. In addition, the Adviser or another Affiliate Adviser may in the future establish one or more additional investment vehicles with investment objectives substantially similar to, or different from, those of the then current AIC Clients. Allocation of available investment opportunities between the AIC Clients and any such investment fund could give rise to conflicts of interest. See “*Conflicts Relating to the Purchase and Sale of Investments*” above. In addition, it is expected that employees of the Adviser or other Affiliate Advisers responsible for managing a particular AIC Client will have responsibilities with respect to other Clients managed by the Adviser or another Affiliate Adviser, including Clients that may be raised in the future or Clients in which Adviser Personnel and certain officers and personnel of Golden Gate have invested. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

Conflicts Relating to Existing Investments

Further conflicts may arise once an AIC Client has made an investment in a company in which another Client has also invested, particularly where an AIC Client or other Clients invest in different types of securities in a single portfolio company. For example, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest. The involvement of Affiliate Advisers at both the equity and debt levels could inhibit strategic information exchanges among other creditors. In certain circumstances, the other AIC Clients or the other Clients may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the AIC Client or other Clients may or may not provide such additional capital, and if provided the AIC Client and each other Client will supply such additional capital in such amounts, if any, as determined by the Adviser and the other relevant Affiliate Advisers in their sole discretion. The Adviser and each other Affiliate Adviser will resolve all such conflicts using their best judgment but in their sole discretion, subject in certain cases to approval by the advisory boards, if any, or investment committees of the participating Clients.

Investments to finance follow-on acquisitions are a regular part of the business of the AIC Clients and certain other Clients. Follow-on investments present conflicts of interest, including determination of the equity component and other terms of the new financing. In addition, an AIC Client may participate in releveraging and recapitalization transactions involving portfolio companies in which other Clients have invested or will invest. Recapitalization transactions may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. The Adviser and each other Affiliate Adviser will resolve all such conflicts using their best judgment but in their sole discretion, subject in certain cases to approval by the respective advisory boards, if any, or investment committees of the participating Clients.

The AIC Clients and/or other Clients may in many cases own a significant or controlling percentage of the common equity of a portfolio company which, depending upon the amount of equity owned by it, any relevant contractual arrangements between such portfolio company and the participating funds, and other relevant factual circumstances, could result in an extension to of bankruptcy preference periods with respect to payments made to an AIC Client and/or subordination of its claims to other creditors and/or recharacterization of debt claims into equity claims. In addition, because of their equity ownership, representation on the boards of directors, and/or contractual rights, the AIC Clients and other Clients may be thought to control, participate in the management of or influence the conduct of portfolio companies. The effect of these relationships will vary from jurisdiction to jurisdiction. These factors could expose the assets of an AIC Client to claims by a portfolio company, its security holders, its creditors or governmental agencies.

If an AIC Client purchases debt securities of an affiliate in the secondary market at a discount, (a) a court might require the AIC Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities, or (b) the AIC Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary in from jurisdiction to jurisdiction.

A portion of a Client's investments may consist of securities that are subject to restrictions on resale by such Client because they were acquired in a "private placement" transaction or because such Client is deemed to be an affiliate of the issuer of such securities. Generally, a Client will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, the Client may be deemed an "underwriter," or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under that Act.

The following factors may alleviate, but will not eliminate, conflicts of interest among the Clients:

- (1) An AIC client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of the AIC Client (and investors in the AIC Client, if applicable);
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Governing Documents; and
- (3) Where the Adviser or one or more of the Affiliate Advisers deems appropriate in its sole discretion, unaffiliated third parties may be used to help resolve conflicts such as the use of an investment banker to opine as to the fairness of a purchase or sale price. In addition, the willingness of a third party to make an investment on the same terms as an AIC Client or other Client would demonstrate the fairness of the transaction to such AIC Client or other Client.

Side Letter Agreements, Preferential Terms

The Adviser may enter into certain side letter arrangements with certain investors in an AIC Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights not available to other investors.

In addition, the Adviser may establish separate accounts with portfolios significantly similar to those of one or more AIC Funds. Consequently, the relevant Separate Account Client may have access to information about such portfolio holdings before investors in such AIC Funds.

Other Conflicts of Interest

The Clients will generally engage common legal counsel and other advisers to represent all of the Clients in a particular transaction, including a transaction in which the Clients have

conflicting interests because they are investing in different securities of a single portfolio company. In the event of a significant dispute or divergence of interest between an AIC Client and other Clients, such as in a work-out or other distressed situation, separate representation may become desirable, in which case the Adviser and the other Affiliate Advisers may hire separate counsel in their sole discretion, and in litigation and other circumstances, separate representation may be required. Partners of the law firms engaged to represent the Clients may be investors in the Clients, and may also represent one or more portfolio companies or limited partners of the Clients.

In addition, the Adviser and the AIC Clients will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the AIC Clients may be investors in an AIC Client, and may also represent one or more portfolio companies or investors in an AIC Client. In the event of a significant dispute or divergence of interest between AIC Clients, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser and the AIC Clients may engage other common service providers. In such circumstances, there may be a conflict of interest between the Adviser and the AIC Clients in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the AIC Clients. In addition, the Adviser and its affiliates, including its employees, may, from time to time, receive discounts on services and/or products from portfolio companies. Such discounts are generally equal to, or less than, the discounts provided by the portfolio company to its own employees.

The Adviser may, in its discretion, have, and may, in its discretion, cause the AIC Clients and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Affiliated Adviser. AIC Clients and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and AIC Clients (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Governing Documents of certain AIC Clients permit the Adviser to withhold information from certain limited partners or investors in such AIC Client in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The Adviser may elect to withhold certain information to such limited partners for reasons relating to the Adviser's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

The Adviser may permit newly admitted investors to participate in all investments held by certain AIC Clients at the time of such investor's admission, irrespective of when such investment was originally made. The existing investors' participation in each investment of such AIC Client will be reduced pro rata based on their respective capital account balances. In

general, each capital contribution by a newly admitted investor will entitle such investor to an interest in the AIC Client equal to such contribution amount divided by such AIC Client's aggregate net asset value. Valuation of the AIC Client's assets may be difficult, as there generally will be no established market for the securities of privately-held companies and other assets held by the AIC Clients. As a result, investors who make capital contributions to, or redeem their interests from, such an AIC Client on days when such AIC Client is holding assets without readily ascertainable market values may receive a greater or lesser interest in such AIC Client, or greater or lower redemption proceeds, than they would have received if such AIC Client had held liquid assets with readily obtainable market prices and/or narrower bid-ask spreads.

The Adviser or general partners of certain Clients (if applicable) may from time to time utilize the services of Separate Account Clients or limited partners of or investors in the Clients and their affiliates on an arm's length basis, as they deem appropriate.

One or more AIC Clients or other Clients may hold "plan assets" subject to ERISA. With respect to those plan assets, if any, Angel Island and its Affiliated Advisers may be classified as "fiduciaries" under ERISA. ERISA imposes certain general and specific responsibilities and restrictions on fiduciaries with respect to plan assets. As a result, an AIC Client may be restricted from entering into certain transactions if the investment would violate ERISA with respect to the AIC Client or such other Clients, or may be obligated to take certain actions or refrain from taking certain actions in order to avoid a violation of ERISA with respect to the AIC Client or such other Clients.

Different conflicts may exist with respect to investments in different AIC Funds and Separate Account Clients.

Please contact the Adviser's Compliance Department with any additional questions or concerns.

Item 12. Brokerage Practices

The Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Selection of Brokers and Dealers

For each of the AIC Clients, the Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for an AIC Client involving a broker-dealer, the Adviser will seek "best execution" of the transaction. "Best execution" means obtaining for an AIC Client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration:

- A broker's execution capabilities with respect to the relevant type of order;
- The commissions charged by a broker, which may be based on the size of the order, the price of the security, and whether the receipt of products or services is involved;
- The broker's reputation and responsiveness to requests for trade data and other financial information
- The amount of business with each broker-dealer and the justification for directing trades to those broker-dealers, such as the quality of research provided by the broker-dealer;
- The gross compensation paid to each broker-dealer;
- The competitiveness of commission rates and spreads, including the documentation to support such competitiveness, i.e., comparison of "standard" commission rates or "minimum" transaction costs between broker-dealers offering comparable products and services;
- Statistics or other information by independent consultants on the relative quality of executions/financial services by each broker-dealer;
- The financial strength (net capital) of each broker-dealer, if relevant;
- The broker-dealer's ability to respond promptly to inquiries during volatile markets;
- The value of privacy considerations, liquidity, price improvement and lower commission rates on electronic communications;
- The broker-dealer's general reputation and ability to execute an order in an appropriate time frame (i.e., the overall responsiveness of the broker-dealer, as expressed in how well the broker-dealer serves the Adviser and the AIC Clients); and
- To the extent consistent with achieving best execution, the Adviser may consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser's principals.

In order to monitor best execution, the Adviser will periodically work with the relevant personnel of the Affiliate Advisers to monitor trades in securities to confirm the Adviser complies with its fiduciary duty with respect to seeking to obtain "best execution" for the AIC Clients.

Aggregation of Trades

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Client for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Clients with orders for other Clients for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally aggregates trade orders for publicly traded securities so that each participating Client will receive the average price for each execution of a transaction.

If an order for more than one AIC Client for a security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

Item 13. Review of Accounts

Oversight and Monitoring

The Adviser continually reviews and analyzes its existing positions to attempt to identify issues early on and to take action where necessary. The Adviser's investment team and industry-based organization is structured to produce in-depth credit analysis and allow for rapid response to developing situations. The industry teams and the Investment Committee then review each investment in a formal setting periodically. Each industry analyst updates buy/sell recommendations on a periodic basis and all credit work is shared throughout the Adviser. The industry teams also normally produce detailed investment reviews and financial models on every investment on a periodic basis.

The portfolio of investments of each AIC Client is reviewed by a team of investment professionals. The team generally includes senior management and other investment professionals of the Adviser and may also include certain senior management and other personnel of Golden Gate.

Reporting

Investors in the AIC Funds typically receive, among other things, a copy of audited financial statements of the relevant AIC Fund within 90 days after the fiscal year end of such AIC Fund, as well as quarterly performance reports within 45 days after each fiscal quarter end. The Adviser may from time to time, in its sole discretion, provide additional information relating to such AIC Fund to one or more investors in such AIC Fund as they deem appropriate.

Separate Account Clients may negotiate reporting requirements specific to their account. In the event of individually negotiated terms for Separate Account Clients, the Adviser will provide the reporting mutually agreed to by the parties as evidenced in their Governing Documents.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Affiliated Advisers by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. The Adviser and its related persons may, in certain instances, receive

discounts on products and services provided by portfolio companies of AIC Clients and/or the customers or suppliers of such portfolio companies.

Item 15. Custody

As the Adviser relies on the “audit exemption” under the Advisers Act custody rule (i.e., Rule 206(4)-2(b)(4)), investors in the AIC Funds will not receive account statements from the AIC Funds’ custodians.

The Adviser does not anticipate having “custody” of the assets of the Separate Account Clients, and Separate Account Clients receive account statements directly from a qualified custodian. The Adviser, in addition to the account statements sent by a qualified custodian, provides account statements directly to the Separate Account Clients. When doing so, the Adviser includes a statement that urges such Separate Account Clients to compare the account statements sent by the Adviser with those they receive from the qualified custodian.

Item 16. Investment Discretion

Investment advice is provided directly to certain AIC Clients. Services are provided to the AIC Clients in accordance with each such AIC Client’s Governing Documents. Investment restrictions for the AIC Clients, if any, are generally established in the Governing Documents of the applicable AIC Client.

The Adviser provides investment advisory services on a non-discretionary basis to certain other AIC Clients in accordance with the terms and conditions of the applicable Governing Documents. The terms of these documents are generally established at the time of the formation of the applicable AIC Client and are the result of negotiations with the applicable AIC Client.

Item 17. Voting Client Securities

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the AIC Clients (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each AIC Client by maximizing the economic value of the relevant AIC Client’s holdings, taking into account the relevant AIC Client’s investment horizon, the contractual obligations under the relevant Governing Documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the relevant Adviser investment professional after consulting with the Adviser’s Compliance Team (if deemed appropriate or necessary), the costs associated with voting such Vote outweigh the benefits to the relevant AIC Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant AIC Clients.

AIC Clients generally cannot direct the Adviser’s Vote.

All Voting decisions initially are referred to the appropriate investment professional(s) for a voting decision. In most cases, the investment professional(s) covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her as well as the standard Voting positions adopted by the Adviser pursuant to its Voting policies and procedures. If the investment professional is making the Voting decision, the investment professional will inform the Adviser's Compliance Team or their designee of any such Voting decision, and barring any issues from his or her conflict of interest review, the Vote will be voted in such manner. If the investment professional and the Compliance Team or their designee are unable to arrive at an agreement as to how to vote, then the Adviser's Compliance Team may be consulted as to the appropriate vote. The Compliance Team will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant AIC Clients' holdings.

The Adviser has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according to the first priority to the best interest of the relevant AIC Clients.

Where deemed appropriate, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser shall have the flexibility to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with an AIC Client and copies of proxy voting policies are available to any AIC Client or prospective client upon written request to:

Jim O'Connor
Angel Island Capital Management, LLC
One Embarcadero Center, 32nd Floor
San Francisco, CA 94111

Item 18. Financial Information

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

Item 19. Requirements for State-Registered Advisers

Item 19 is not applicable to the Adviser.