

## **ADV Part 2A: Firm Brochure**

August 2015

York Capital Management Global Advisors, LLC

767 Fifth Avenue, 17<sup>th</sup> Floor  
New York, NY 10153  
212-300-1300  
[www.yorkcapital.com](http://www.yorkcapital.com)

This brochure provides information about the qualifications and business practices of York Capital Management Global Advisors, LLC which does business under the name “York Capital Management” (the “Adviser”). If you have any questions about the contents of this brochure, please contact Mark D. Schein, Chief Compliance Officer, at 212-300-1372 or [mschein@yorkcapital.com](mailto:mschein@yorkcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. This brochure is strictly a disclosure document and is not an offer to sell securities.

Additional information about the York Capital Management is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Item 2.           Material Changes

This brochure dated August 2015 updates the brochure filed in March 2015. This document should be reviewed in its entirety as some changes to the document may be considered material to some readers and immaterial to others. Material alterations have been made to the following sections:

- In Item 10 several new funds were added
- In Item 20 the soft dollar vendor list was updated.

Item 3.	<u>Table of Contents</u>	
Item 1.	<u>Cover Page</u>	Page 1
Item 2.	<u>Material Changes</u>	Page 2
Item 3.	<u>Table of Contents</u>	Page 3
Item 4.	<u>Advisory Business</u>	Page 4
Item 5.	<u>Fees and Compensation</u>	Page 4
Item 6.	<u>Performance Based Fees and Side-By-Side Management</u>	Page 6
Item 7.	<u>Types of Clients</u>	Page 7
Item 8.	<u>Methods of Analysis, Investment Strategies, and Risk of Loss</u>	Page 7
Item 9.	<u>Disciplinary Information</u>	Page 31
Item 10.	<u>Other Financial Industry Activities and Affiliations</u>	Page 32
Item 11.	<u>Code of Ethics, Interest in Client transactions, and Personal Trading</u>	Page 35
Item 12.	<u>Brokerage Practices and Trade Error Policy</u>	Page 38
Item 13.	<u>Review of Accounts</u>	Page 40
Item 14.	<u>Client Referrals and Other Compensation</u>	Page 40
Item 15.	<u>Custody</u>	Page 41
Item 16.	<u>Investment Discretion</u>	Page 41
Item 17.	<u>Proxy Voting</u>	Page 42
Item 18.	<u>Financial Information</u>	Page 42
Item 19.	<u>Management Persons</u>	Page 42
Item 20.	<u>Soft Dollar Vendors</u>	Page 46

Item 4. Advisory Business

York Capital Management Global Advisors, LLC, which does business under the name “York Capital Management” (the “Adviser” or “Registrant”), provides administrative services and, either directly or through controlled entities serves as investment adviser to a variety of private investment partnerships and offshore investment funds (collectively, the “Funds”), which are privately placed. These Unregistered Funds utilize a variety of investment strategies. Adviser manages collateralized loan obligation funds (“CLOs”). The Adviser which manages or controls the managers of the Funds is registered with the Securities and Exchange Commission (“SEC”). The mere fact that an adviser is registered with the SEC does not imply any particular level of skill or training.

Adviser is affiliated with several other companies that serve as general partners and/or administrators (collectively, the “York Group” or the “Firm”) that are responsible for running the day-to-day operations of the Unregistered Funds. Adviser also serves as investment adviser to certain other institutional managed accounts and accounts related to its founders, and has sole discretion as to the management of the affairs of such accounts and the selection of their investments. (However, certain of the Adviser’s managed accounts have restrictions as to what types of assets they may own.)

CSAM Americas Holding Corp., a subsidiary of Credit Suisse Group AG (“Credit Suisse”), owns a passive, non-controlling, minority equity interest in Adviser. Certain subsidiaries of Credit Suisse provide brokerage and placement agent services to Adviser on a non-exclusive basis. York operates independently of the Credit Suisse group of companies and is managed by its Partners and other senior management personnel.

Throughout this brochure, we disclose a number of conflicts of interest. We encourage clients and potential clients to review our policies and procedures and inquire directly with us about such conflicts. Our policies and procedures are available for review in each of our offices. In addition, conflicts of interest and specific risks are identified in the offering materials of Funds that we manage. Please request a copy of the relevant fund’s most current offering materials for a description of other conflicts and risks that might exist.

Adviser was founded in 1991 by James G. Dinan. The Adviser’s principal owners are James G. Dinan and Daniel A. Schwartz.

As of December 31, 2014, the Adviser managed approximately \$24 billion in assets. The regulatory AUM for the fund was approximately \$27 billion. All of these assets are managed on a discretionary basis.

Item 5. Fees and Compensation

The Adviser provides investment management services on a fee basis, which includes fees based upon the net asset value of the assets under management by the Adviser, as well as fees based on performance of the Funds and accounts. Applicable fees are set forth in detail in each Fund’s offering documents. A brief summary of the Adviser’s fees is provided below. Investors should refer to the relevant offering documents for a complete understanding of how the Adviser is compensated for its advisory services.

The Adviser receives an annual management fee of between 1% and 2% for each unregistered funds' assets under management, paid either monthly or quarterly, usually in advance, based on the net asset value of the Funds at the end of each month or quarter. Other accounts are charged fees that are negotiated with the client, and range from 1% to 2% per annum. The percentage advisory compensation rate may vary from Fund to Fund, and from share class to share class within a Fund, and is based on a variety of factors that may include the types and mix of assets involved; the nature and complexity of the assets; the nature and complexity of the particular Fund; the nature of the services provided; the size of the Fund; and the types of investors in the particular Fund. Certain strategic clients may be charged management fees and incentive fees at lower rates than those set forth herein. In addition, the Adviser may grant certain investors preferential rights with respect to various matters, including, without limitation, the right to most favorable economic terms for their investments; notice of certain events or changes in policies or practices; increased periodicity of reporting; greater transparency of the portfolio; more favorable redemption rights; and the right to make new investments when a Fund is otherwise closed to new investments. Any such fee reductions or other preferential rights shall be determined by the adviser on a case by case basis.

Adviser or one of its affiliates also will receive an incentive fee or performance allocation of up to 20% of the aggregate distributions to investors, which is in addition to advisory and administrative fees and expenses, as described more fully in the offering documents of the particular Fund, as permitted by 17 C.F.R. 275.205 and/or section 205 of the Investment Advisors Act.

Different share classes within funds may have materially different terms, including terms regarding fees charged, minimum subscription, withdrawal or redemption rights and investment options. We are generally permitted to open new share classes and we sometimes grant requests from existing investors to transfer their interest to new share classes. We may also grant interests in new share classes to persons or entities with whom we are affiliated. With respect to certain closed end funds with private equity-like terms, management fees may be based on capital commitments or funded commitments to such funds.

In some cases, Adviser or its affiliates receive administrative servicing fees, and/or reimbursement of certain expenses from the Funds, as described in the offering documents and periodic reports of those Funds. These reimbursements are for expenses deemed by the Firm in its discretion to be beneficial services to the Funds.

There is no secondary market for interests in the Funds, so investors are required to hold the interests for an extended time. Each of the Funds is governed by a contractual relationship or other governing instrument that specifies the terms of withdrawal or redemption by an investor in the Funds for each type of investment. In general, no withdrawal or redemption is permitted other than according to the terms of the governing documents of the particular Funds, subject to the right in some cases of the Adviser or other York Group entity, in its sole discretion, to waive the requirements for investors on a case by case basis.

Adviser and/or other York Group entities, or the Funds may pay placement fees, certain expenses, and servicing fees to broker-dealers acting as placement agent that place investors for the Funds, as described in the offering documents of the relevant Funds, that may be based on a percentage of the assets initially invested, or assets remaining invested over time, from the investor, or based upon fees received by Adviser, in respect of the investors placed by that placement agent.

In addition to the fees described above, clients may pay additional fees and expenses, including expenses associated with specific investment transactions, such as the following non-exhaustive list of items:

- Brokerage commissions
- Hedging expenses
- Expenses relating to short sales
- Consulting expenses
- Clearing and settlement charges
- Custodial fees
- Bank service fees
- Administrative expenses
- Valuation and appraisal expenses
- Organizational expenses
- Costs of winding up a fund
- Interest expenses
- Financing costs
- Investment-related travel expenses
- Risk management expenses
- Legal and compliance expenses
- Professional fees related to investments
- Auditing and tax preparation expenses
- Accounting and operations expenses
- Litigation and indemnification expenses
- Taxes
- Expenses related to unconsummated investments
- Expenses of asset management personnel
- Third party administrator expenses
- Insurance costs
- Costs of software in connection with investments
- Fees and expenses paid to advisory board members

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

As discussed in response to Item 5 above, the Adviser or one of its affiliates receives a performance-based fee from investors in the Funds. This fee arrangement creates a potential conflict of interest. The performance-based fee may be an incentive for the Adviser to make investments that are riskier or more speculative than would be the case absent a performance-based fee arrangement. In addition, because performance-based compensation is calculated on a basis that includes unrealized appreciation of assets, it may be greater than if such compensation were based solely on realized gains.

The Adviser serves as an investment adviser primarily to the Funds and is not actively seeking other new non-Fund accounts. However, on occasion Adviser will allow an investor who meets certain criteria to open a separately managed account which may have as its terms regarding transparency and liquidity different from those of the Funds. These separately managed accounts may make similar investments to the Funds or may have specific rules and mandates. Each Fund imposes minimum investment limits upon investors in the Fund that can be waived in certain circumstances, as set forth in that Fund's offering documents.

The fact that Adviser manages assets for different clients at different fee structures can create a conflict of interest for the Adviser with regard to the allocation of investment opportunities or transactions among clients (i.e. cross trades). As a result, Adviser's senior management and compliance department strive to identify potential conflicts and address them in a fair and consistent manner.

On occasion, following an investment by one of the Funds, the Adviser has the opportunity to make an additional or follow-on investment in the same or related entity. Sometimes, instead of

allocating these opportunities to the same Funds which made the initial investment, the Adviser may allocate the opportunity to other Funds or even to strategic outside investors.

Item 7. Types of Clients

The Adviser generally provides investment advice to the Funds which may be organized as domestic or foreign partnerships, incorporated or unincorporated entities, or other similar entities. The Funds are comprised of high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, business entities, endowments, and foreign sovereign wealth funds. Certain Funds require a minimum initial investment which may be waived at our discretion. In addition, each investor in the Funds must meet the eligibility requirements outlined in each respective Fund's offering documents.

As noted above, Adviser also advises separately managed accounts, which generally receive more information and have more favorable liquidity rights than investors in the Funds. The opportunity to open a separately managed account with Adviser is not available to all prospective investors and is generally subject to minimum asset levels determined by the Adviser in its sole discretion.

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

The methods of analysis, investment strategies and material risks applicable to the Adviser's advisory services are set forth in detail in the offering documents provided to each investor in the Funds. A summary is provided below.

Investments in the Funds are speculative and are suitable only for investors who can tolerate substantial risks. An investor may lose some or all of its investment. There is no assurance that the Funds will be successful and will achieve their investment objectives. An investment should be considered only by sophisticated investors who understand the risks involved. The risks of investing in the Funds and in separately managed accounts include, without limitation, those set forth below.

**General**

The transactions in which the Funds will engage involve substantial risks. Growing competition may limit the Funds' abilities to take advantage of trading opportunities in rapidly changing markets or to access investment opportunities believed to be attractive. No assurance can be given that investors will realize a profit on their investments in the Funds. Moreover, investors may lose all or some of their investments in the Fund.

Due to the nature of the Funds trading and investment activities, the results of the Funds' operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods.

## Investment Risks

*Overall Investment Risk.* All securities investments involve the risk of loss of capital. The nature of the securities to be purchased and traded by the Funds and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. The identification and exploitation of investment opportunities involve uncertainty, and no assurance can be given that Adviser will be able to identify promising investment opportunities or to correctly exploit inefficiencies in the markets. In addition, the Funds' use of certain strategies and instruments, including derivatives such as options, that are themselves inherently volatile may increase the Funds' exposure to specific market movements. Many unforeseeable events, including actions by governmental authorities, such as the U.S. Federal Reserve Board, may cause sharp market fluctuations that impact the Funds' investments.

*General Economic and Market Conditions; Possible Economic Downturns.* The success of the Funds' investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances, governmental or regulatory intervention in capital markets, currency exchange controls, failures of major financial institutions, as well as changes in the financial condition of the issuers of the Funds' investments and the Funds' brokers and dealers and other custodians and counterparties due to other factors. Such conditions may affect the level and volatility of securities prices and the liquidity of the Funds' investments. Volatility or illiquidity in the financial markets could impair the Fund's profitability or result in losses. The Funds may maintain substantial investment positions that can be adversely affected by volatility and illiquidity in the financial markets; the larger the positions, the greater the potential for loss. Moreover, economic slowdowns or downturns may lead to losses.

*Leverage; Margin Calls.* Part of the Funds' investment strategy may involve the use of leverage, including margin loans from the Funds' brokers and dealers, in order to make additional investments. Fluctuations in the market value of the Funds' portfolio investments will be magnified to the extent such investments are leveraged and thus may have a more significant effect on the Funds' capital. The risk and magnitude of possible losses, as well as the magnitude of possible gains, is therefore increased. The amount of borrowings which the Funds may have outstanding at any time may be large in relation to its capital.

In addition, certain of the Funds' investments from time to time may be in securities of issuers which are themselves highly leveraged, which will increase the Funds' exposures to leverage-related risk. The amount of leverage that may be used by such issuers will increase their exposure to adverse economic factors such as downturns in the economy or deterioration in the conditions of such issuers or their respective industries. The interest rates at which the Funds and the issuers of its portfolio securities can borrow will affect the operating results of the Funds.

In general, the use of short-term margin borrowings results in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to satisfy its margin requirements.

*Availability of Margin Loans and Other Financing Arrangements.* There can be no assurance that the Funds will be able to maintain desired financing arrangements under all market



circumstances. As a general matter, the brokers and dealers that provide financing to the Funds can apply essentially discretionary margin, “haircuts,” financing and security and collateral valuation policies. Changes by brokers and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in substantial margin calls, loss of financing, forced liquidations of positions at disadvantageous prices (or on unfavorable terms), termination of prime brokerage, swap and repurchase agreements. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly or by multiple brokers and dealers and counterparties simultaneously.

*Event-Driven and Arbitrage Transactions.* The Funds may purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer, spin-off or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer, spin-off or other similar transaction. If the proposed transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities purchased by the Funds may decline sharply, resulting in a loss. Losses may result even if the proposed transaction is consummated. In addition, the Funds may sell short securities to be issued in a merger or exchange offer in the expectation that the short position will be covered by delivery of such securities when issued. If the merger or exchange offer is not consummated, the Funds may be forced to cover their short positions at prices that are higher than their short sale prices, resulting in a loss.

The Funds may also purchase securities above the price offered in a takeover bid, if Adviser determines that the offer price is likely to be increased, either by the original bidder or by another party. However, if no transaction ultimately is consummated, it is likely that a loss will result.

The Funds may sell the securities of a target company short if Adviser determines that it is probable that a proposed transaction will not be consummated. If the transaction (or another transaction, such as a “defensive” merger or a “friendly” tender offer) is consummated and the price of the target company’s securities increases, the Funds may be forced to cover their short positions at prices that are higher than the short sale prices, resulting in a loss.

The consummation of mergers, exchange offers, tender offers, spin-offs and other similar transactions can be prevented or delayed by a variety of factors. Offerors in exchange offers and tender offers customarily reserve the right to cancel such offers for many reasons, including an insufficient response from shareholders of the target company. An exchange offer or a tender offer by one company for the securities of another may be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for other reasons, and this opposition may result in regulatory action and/or litigation which delays or prevents consummation of the transaction, or the management of the target company may pursue defensive strategies, such as seeking a “friendly” merger with, or tender offer by, a company other than the offeror. Even if the transaction has been agreed upon by the management of the companies involved, its consummation may be prevented by the intervention of a governmental authority, litigation brought by a shareholder or, in the case of a merger, the failure to receive the necessary shareholder approvals, market conditions resulting in material changes in securities prices, and other circumstances, including, without limitation, the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of governmental authorities or shareholders fail to

defeat a transaction, they may result in significant delays, during which time the Funds' capital will be committed to the transaction and the Funds will continue to pay interest on any funds borrowed by the Funds in connection with the transaction.

An exchange offer or a tender offer will often be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, after the completion of a tender offer, and at a time when the market price of the securities has declined below the Funds' cost, the Funds may have returned to it, and be forced to sell at a loss, a portion of the securities they tendered.

*Balance Sheet Arbitrage.* The success of Adviser's balance sheet arbitrage strategy will depend on the ability of Adviser to identify and exploit the relationships between movements in different securities and instruments within an issuer's capital structure. If the perceived pricing inefficiencies underlying an issuer's securities fail to materialize as expected by Adviser, a loss would result.

*Investments in Distressed Companies.* The Funds may invest in securities of issuers that are in a weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial and business risks that can result in substantial or total losses. It frequently may be difficult to obtain reliable information as to the financial conditions of troubled issuers. The market prices of such securities are also subject to abrupt and erratic movements and above-average price volatility, and there may be wide spreads between the bid and asked prices of such securities. The ability of such companies to pay their debts on schedule and the market values of their debt securities could be affected substantially by adverse interest rate movements, changes in general economic conditions, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant financial and business difficulties is particularly high. Such types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Adviser on behalf of the Funds. To the extent that Adviser becomes involved in such proceedings, the Funds may have a more active participation in the affairs of the issuer than that assumed generally by an investor. The Funds, however, do not generally make investments for the purpose of exercising day-to-day management of any issuer's affairs.

*Special Situations.* The Funds may also make speculative purchases of "special situation" securities. Such purchases may include securities that Adviser believes to be undervalued, or may involve situations where a significant position in the securities of a particular company has been acquired by other persons or where companies in the same or a related industry have recently been the target of acquisition attempts. If the Funds purchase securities in anticipation of an acquisition attempt or reorganization, and no acquisition attempt or reorganization occurs during the timeframe anticipated by Adviser, the Funds may sell the securities at a loss. A substantial period of time may elapse between the Funds' purchase of the securities and the acquisition attempt or reorganization. During such a period, a portion of the Funds' assets would be committed to the securities purchased, and the Funds will continue to pay interest on any funds borrowed by the Funds to finance such purchases. In liquidations and other forms of corporate reorganizations, there is a risk that the reorganization will be unsuccessful, will be delayed or will result in a distribution of cash or a new security with a value less than the purchase price of the security originally purchased by the Funds. Adviser attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investment the

Funds will make in specific “special situation” securities. However, many risks, such as the outcome of governmental approvals or the outcome of pending or threatened litigation, cannot be quantified.

*Equity Securities.* The Funds are permitted to invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions, general stock market fluctuations and changes in market confidence and perceptions of their issuers. Investor perceptions are based on various and unpredictable factors, including expectations regarding governmental, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic or financial crises. Some of the small- and mid-cap issuers of equity securities in which the Funds may invest may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources, may lack experienced management and may not be followed by stock or industry analysts. Due to perceived or actual illiquidity or investor concerns regarding leveraged capitalization, certain equity securities often trade at significant discounts to otherwise comparable investments or are not readily tradable. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. Furthermore, there may be no public market for some equity securities. Equity securities generally do not produce current income for the Funds.

*Short Sales.* The Funds may engage in selling securities short. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security (and thus the cost to the Funds of buying those securities to cover the short position) could theoretically increase without limit. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. The securities may be “bought in” (*i.e.*, the Funds may be forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further. In a “short squeeze,” a lack of supply and an excess of demand for a traded stock caused by short sellers seeking to cover their short positions forces the price upward. If the price of a stock starts to rise rapidly, the trend may escalate as an increasing number of short sellers seek to close out their positions quickly. Moreover, shortselling is continually the subject of regulatory scrutiny and restrictions in certain markets in which the Funds trade. Such restrictions and regulations may be imposed with little or no warning, which could result in substantial loss.

*Debt Obligations Generally.* Debt obligations are subject to credit and interest rate risks. “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, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the term of an instrument, and debt obligations that 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.

Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed-rate debt securities) and directly (especially in the case of debt 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 also react to interest rate changes in a similar manner, although generally to a lesser degree, depending on the characteristics of the reset terms, including the index chosen, frequency of reset, and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. There is also a risk that the general condition of the debt markets may deteriorate. Prices of debt securities fluctuate and are susceptible to general stock market fluctuations and to changes in market confidence and perceptions of their issuers.

*Below Investment-Grade Securities.* There is no minimum credit standard that is a prerequisite to the Funds' investments in any instrument, and a significant portion of the Funds' investments from time to time may be in fixed-income securities which are or are deemed to be the equivalent in terms of quality to securities rated below investment grade by a nationally recognized statistical rating organization such as Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and accordingly involve great risk. Companies that issue such securities are often highly leveraged and may not have access to more traditional methods of financing. While all security investments have some degree of risk, these types of securities may be subject to greater market fluctuations and risk of loss of income and principal than are investments in lower yielding fixed income securities with higher ratings. It may take a number of years for the market price of such securities to reflect their intrinsic value. It is anticipated that some of the portfolio securities of the Funds may not be widely traded, and that the Funds' positions in such securities may be substantial in relation to the market for the securities. In addition, such securities generally are traded in the over-the-counter marketplace, which is less transparent than the markets for securities traded on organized exchanges. The Funds also may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

*Second Lien Loans.* The Funds may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other forms of debt.

*Non-Performing Loans and Participations.* The Fund may acquire pools or portfolios of loans where the borrower has failed to make payments of principal and/or interest on a timely basis (such loans are referred to as "non-performing loans") at the time of their acquisition, or may become non-performing loans after acquisition for a variety of reasons. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. However, even if a restructuring were successfully

accomplished, a risk exists that, upon maturity of such loan, replacement takeout financing will not be available. Purchases of participations in loans raise many of the same risks as investments in loans and also carry risks of illiquidity and lack of control. In cases where the Fund retains a third party to service loans acquired by the Fund, both default frequency and default severity of loans will be highly dependent on the quality of the loan servicer. If servicing is transferred to another servicer, there can be no assurance that there will not be disruptions associated with the transfer of servicing or that, if there are disruptions, they will not adversely affect the Fund.

*Distressed Secured Loans.* In the case of loans secured by real estate or other collateral, it is possible that the Fund may find it necessary or desirable to foreclose on collateral securing one or more loans purchased by the Fund. The foreclosure process will vary jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a loan, including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy or its equivalent, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. In addition, in the case of loans secured by real estate or other collateral, the value of the collateral may be worth less than the amount advanced against such collateral.

*Direct Loans.* On occasion, the Funds may make loans to borrowers that have difficulty obtaining financing from other sources. While Adviser believes that this may provide an attractive opportunity for the Funds to generate profits, such borrowers may have difficulty repaying their loans to the Funds upon maturity. A borrower's ability to repay its loan may be adversely affected by numerous factors, including, without limitation, a failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a borrower's financial condition and prospects may be accompanied by a decrease in the value of any collateral and a reduced likelihood of the Funds capitalizing on any guarantees it may have obtained from the borrower's management or other parties. Although the Funds may sometimes seek to be the senior, secured lender to a borrower, some, if not the majority, of the Funds' direct loans may be subordinated to a senior lender, and the Funds' security interest in any collateral would, accordingly, likely be subordinated to another lender's security interest.

*Bankruptcy Claims.* The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Bankruptcy claims are usually illiquid and generally do not pay interest, and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated under U.S. Federal securities laws. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. Under judicial decisions, the purchase of a bankruptcy claim may be disallowed by the bankruptcy court if the court determines that the purchaser had taken unfair advantage of an unsophisticated seller, which might result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

*Options Trading.* The Funds may purchase and sell call and put options on securities and other investments. Both the purchase and the sale ("writing") of call and put options entail risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying

instruments. In theory, an uncovered call writer's loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying instrument may fall below the exercise price.

*Stock Index Options Trading.* The Funds may purchase and sell call and put options on stock indices. A stock index measures the movement of a certain group of stocks by assigning relative values to the common stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a gain or loss will be realized from the purchase or sale of options on an index depends upon movements in the level of stock prices in that index generally, rather than movements in the price of a particular stock. Successful use of options on stock indices will depend upon the ability of Adviser to predict correctly movements in the direction of the stock market generally. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

*Geopolitical Risks.* An unstable geopolitical climate, macroeconomic financial distress, economic uncertainty in certain regions and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. In addition, a serious pandemic or natural disaster could severely disrupt global, national and/or regional economies. A negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments made by the Funds, negatively impact market values, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on the investment performance of the Funds. No assurance can be given as to the effect of such events on the value of or markets for the investments made by the Funds.

*Securities of Non-U.S. Issuers.* The Funds intend to invest and trade in securities of non-U.S. issuers traded outside the United States. The economies and markets of certain non-U.S. countries may be vulnerable to changes in international trading patterns, trade barriers, other protectionist or retaliatory measures, and actual or potential defaults on sovereign debt obligations. Investments in non-U.S. countries also may be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or imposition of punitive taxes. As compared to U.S. entities, non-U.S. entities generally (a) disclose less financial and other information publically, (b) may be subject to less stringent and less uniform accounting, auditing and financial reporting standards and (c) may be subject to less stringent regulatory oversight. It may also be more difficult to obtain and enforce legal judgements against non-U.S. entities than against domestic entities. In addition, certain governments may prohibit or impose substantial restrictions on foreign investment in capital markets or in certain industries. Any such action could severely affect securities prices, impair the Funds' abilities to purchase or sell non-U.S. securities or otherwise adversely affect the Funds. Other risks of investing outside the United States may include, without limitation, difficulties in pricing securities and difficulties in enforcing favorable legal judgments in courts. The economies of certain non-U.S. countries may be based predominantly on only a few industries and may have higher levels of debt or inflation.

*Non-U.S. Exchanges and Markets.* The Funds intend to engage in trading on non-U.S. exchanges and markets. Trading on non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute trades and may also be subject to a variety of political influences and the possibility of direct governmental intervention. If settlement procedures are unable to keep pace with trading volume, it will be difficult to conduct

trades. Any difficulty with clearance or settlement procedures on non-U.S. exchanges and markets may expose the Funds to losses.

*Emerging Markets.* Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation, (ii) greater social, economic and political uncertainty including war, (iii) higher dependence on exports and the corresponding importance of international trade, (iv) greater volatility, less liquidity and smaller capitalization of securities markets, (v) greater volatility in currency exchange rates, (vi) greater risk of inflation, (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars, (viii) increased likelihood of governmental involvement in and control over the economies, (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies, (x) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers, (xi) less extensive regulation of the securities markets, (xii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements, (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors, and (xiv) risks associated with the maintenance of Funds securities and cash with non-U.S. brokers and securities depositories.

*Currency Exposure.* The base currency of the Funds generally is the U.S. Dollar. From time to time, certain of the Funds' investments may be invested in securities and other investments that are denominated in other currencies. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. Adviser may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed. The Funds may, at times, take fundamental positions in one or more currencies. Accordingly, the Common Shares may at times be, directly or indirectly, subject to foreign exchange risks.

Certain of the Funds have share classes denominated in other currencies, principally Euros and Pounds Sterling, respectively, and will be issued and redeemed in those currencies. The assets of the Funds attributable to the Euro Shares and the GBP Shares are exposed to possible adverse fluctuations in the Euro/U.S. Dollar exchange rate and the Pound Sterling/U.S. Dollar exchange rate, respectively. While the Adviser generally attempts to hedge the foreign currency exposure of the Non-U.S. Currency Shares on a monthly basis based on an estimated Net Asset Value as of the end of the prior month, there is no guarantee that any currency exposure will be completely hedged at any time or that such hedging will be successful.

In addition, prospective investors whose assets and liabilities are denominated predominately in currencies other than the currency in which the Common Shares for which they are subscribing are denominated should take into account the potential risk of loss arising from fluctuations in value between such currencies.

*Real Estate Investments.* The Funds may, from time to time, invest in a variety of real estate and related transactions, either as a direct Fund investments or through investment in other entities, including affiliates of the Funds. Such real estate investments may entail the extension of, or participation in, mortgage loans. The value of real estate is subject to market conditions, and adverse changes in the local real estate market may lower the value that may be derived from a liquidation. Other risks incident to the ownership and operation of commercial and residential real estate include (i) dependence on cash flow, (ii) changes in supply of, or demand for,

competing properties in an area (as a result of over-building), (iii) changes in the financial conditions of tenants, buyers and sellers of properties, (iv) changes in the availability of debt financing, (v) energy and supply shortages, (vi) laws assigning liability to the owners of real estate properties for environmental hazards existing on such properties, (vii) changes in tax, real estate, environmental and zoning laws and regulations, (viii) various uninsured or uninsurable risks, (ix) natural disasters and (x) challenges inherent in developing and managing real properties.

Adverse changes in real estate markets increase the probability of default on mortgage loans, as the incentive of the borrower to retain equity in the property declines. Loans may become non-performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged and therefore unable to generate sufficient income to cover its debt service, because of poor management or physical condition, or because local economic conditions adversely affect the potential of the property to generate income. Non-performing mortgage loans often require workout negotiations and/or restructuring, which may entail, among other things, a write-down of the principal of the loan and/or reduction of the interest rate. In addition, in the event that foreclosure of a mortgage loan is required, the foreclosure process is often lengthy and expensive, sometimes taking several years. Furthermore, the foreclosure process can itself disrupt the use of the property, thereby reducing the economic returns.

*Residential Mortgage-Backed Securities and Other Asset-Backed Securities.* The Funds may invest in residential mortgage-backed securities (“RMBS”) and other asset-backed securities (“ABS”). RMBS are subject to the risk of prepayment on the loans underlying such securities (including voluntary prepayments by the obligors and liquidations due to default and foreclosures). Generally, prepayment rates increase when interest rates fall and decrease when interest rates rise. Prepayment rates are also affected by other factors, including economic, demographic, tax, social and legal factors. To the extent that prepayment rates are different than anticipated, the average yield of investments in RMBS may be adversely affected. The interest rate sensitivity of any particular pool of loans depends upon the allocation of cash flow from the underlying mortgage loans. Certain types of RMBS contain complex interest rate and cash flow provisions and may be highly volatile with respect to market value, yield and total return to maturity. The underlying mortgages that collateralize the RMBS in which the Funds may invest will frequently have caps and floors which limit the maximum amount by which the loan rate to the residential borrower may change up or down (i) per reset or adjustment interval and (ii) over the life of the loan. Some residential mortgage loans restrict periodic adjustments by limiting changes in the borrower’s monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization. In addition, because of the pass-through of prepayments of principal on the underlying securities, RMBS are often subject to more rapid prepayment of principal than their stated maturity would indicate.

The market value of RMBS will generally vary inversely with changes in market interest rates, declining when interest rates rise and rising when interest rates decline. However, RMBS, while having comparable risk of decline during periods of rising rates, usually have less potential for capital appreciation than other investments of comparable maturities due to the likelihood of increased prepayments of mortgages as interest rates decline. In addition, to the extent any RMBS are purchased at a premium, mortgage foreclosures and unscheduled principal prepayments generally will result in some loss of the holders’ principal to the extent of the premium paid. RMBS are subject to whole loan risk, special residential mortgage loan risks and credit risk that the underlying receivables will not be paid by debtors or by credit insurers or guarantors of such instruments.



As described above with respect to RMBS, the values of some other ABS are subject to interest-rate risk and prepayment risk. A change in interest rates can affect the pace of payments on the underlying loans, which in turn, affects total return on the securities. ABS also carry credit or default risk. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in an ABS transaction. The value of RMBS and ABS may be substantially dependent on the servicing of the underlying asset pools and thus be subject to risks associated with the negligence by, or defalcation of, their servicers. In addition, any fees related to outside loan origination and servicing contracts could negatively affect returns. In certain circumstances, the mishandling of related documentation may also affect the rights of security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the assets may result in added costs and delays in addition to losses associated with a decline in the value of underlying assets. Furthermore, debtors may be entitled to the protection of a number of state and U.S. Federal consumer credit laws with respect to RMBS and ABS, which may give the debtor the right to avoid payment. RMBS and ABS may be highly illiquid, and the market value of RMBS and ABS may fluctuate widely. If the Funds are forced to liquidate their investments in RMBS or ABS to satisfy withdrawals, they may be difficult or impossible to do so on favorable terms and may result in losses.

*Regulatory Capital Relief Trades.* The Fund may enter into regulatory capital relief trades with banks and other financial institutions. Under these transactions, a third-party investor, like the Fund, agrees to absorb losses on part of the bank's loan portfolio in exchange for a fee. The fee is negotiated based on the level of perceived credit protection the bank is receiving relative to the level of risk the investor is undertaking as a result of the transaction. In exchange for transferring the credit risk of these assets away from the bank's balance sheet, the bank receives capital relief from regulatory requirements without having to, for instance, sell assets. Put differently, these trades allow the bank to reduce how much capital it must hold against such assets. Under any such trades into which the Fund enters, the Fund will be exposed to the credit risk of the underlying portfolio, and if the loans in the portfolio default — which may be more likely if there is a general deterioration in credit markets — the Fund will make payments to the bank to cover the losses. There is also some risk that Basel III, when fully implemented, may discourage such regulatory capital relief trades and might force banks to unwind any existing transactions on all but the riskiest portfolios.

*Sovereign Debt Investments.* The Fund may invest in sovereign debt instruments, which involve special risks. The governmental authority that controls the repayment of the sovereign debt may well be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to factors such as (a) the extent of its foreign reserves, (b) the availability of sufficient foreign exchange on the date a payment is due, (c) the relative size of the debt service burden to the economy as a whole and (d) the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. In addition, non-U.S. sovereign debt instruments may be subject to credit spread risks resulting from exposures to changes in a sovereign issuer's probability of default, expected recovery rate and actual default. In recent years, some sovereign issuers have encountered difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness. If an issuer of sovereign debt defaults on payments of principal and/or interest, the Fund may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and the Fund's ability to obtain recourse may be limited. Investments in sovereign debt instruments are also subject to typical market risks.

*Risks Involved with Ownership of Shipping Vessels.* The Fund may invest in ships, including, without limitation, freight carriers or vessels. The purchase and sale of such vessels are subject to a wide variety of risks largely unrelated to the risks applicable to the Fund's investments in various types of securities. Although the values of vessels have increased historically on a cyclical basis, it may be the case that either an excessive supply of vessels or a decrease of seaborne transportations of dry bulk commodities would cause prices for vessels to decline. In a depressed market, only a few buyers are available and the sale of the vessels may not be feasible. Risks and costs involved with the purchase, building and sale of vessels include: (a) making capital expenditures to maintain the vessels in good operating condition, which increases with the age of the vessel, and (b) changes in governmental regulations, safety or other equipment standards which may require alterations to, or the addition of, new equipment to the vessels. There can be no assurance that market conditions will justify making such expenditures or enable the Fund to sell such vessels at prices in excess of the cost of the vessels plus any capital improvements made by the Fund. The Fund's investments in vessels may be affected by various other risks, for which insurance may be unavailable or not cost effective.

*Start-Up Entities.* The Funds may invest a portion of their assets in companies and other investment vehicles that do not have an operating history and may be managed by professionals who have limited or no prior experience managing those types of entities.

*Access to Nonpublic Information.* From time to time, the Funds, through the principals, employees or agents of Adviser, may be represented on the boards of directors or creditors' committees, or serve as observers to the boards of directors, of certain of the companies in which the Funds make investments. In addition, Adviser may have access (through such representation or otherwise) to nonpublic information regarding issuers of securities that are investments or potential investments of the Funds. While such representation or access to nonpublic information is important to Adviser's investment strategy and may enhance its ability to manage the Funds' investments, it may also have the effect of impairing the ability of the Funds to purchase or sell the related investments when, and upon the terms, it might otherwise desire, including as a result of applicable securities laws or standstill provisions in nondisclosure agreements entered into by Adviser or the Funds in connection with obtaining such representation or access. Furthermore, material nonpublic information may be obtained for the benefit of one Fund, yet result in the restriction of trading by other Funds.

*Private Equity Investments.* While private equity investments are not part of the Funds' principal investment strategy, the Funds may make private equity investments from time to time, including investments in companies undergoing debt restructurings and recapitalized companies, which involve a high degree of business and financial risk. Such companies may have highly leveraged capital structures, require substantial additional capital to support expansion or to achieve or maintain a competitive position, produce substantial variations in operating results from period to period or operate at a loss. In the event that any such company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the company. Although Adviser may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Funds take minority positions in companies in which it invests, Adviser may not be in a position to exercise control over the management of such companies and, accordingly, may have a limited ability to protect its position in such companies. Private equity investments may have extended holding periods of several years during which no distributions are made to the Funds on its investment, and there can be no assurance that a viable exit mechanism will be available at the end of the anticipated holding period.

*CLO Securities.* CLO Securities are subject to various risks including the following:

(i) Limited Diversification. Certain CLOs may invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor/issuer would subject the holder of the related CLO Securities to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry or region would subject the holder of the related CLO Securities to a greater degree of risk with respect to economic downturns relating to that industry or region.

(ii) Leverage Risk. A Client's investment in CLO Securities may involve significant leverage. Leverage is embedded in all classes of a CLO other than the most senior tranche, with the highest leverage applicable to an investment by a Client in CLO equity securities. While the leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment in a CLO would be magnified to the extent that a CLO Security is leveraged. The cumulative effect of the use of leverage by a CLO in a market that moves adversely to the CLO's investments could result in a substantial loss to the investor in the CLO with the greatest loss applicable to the equity securities issued by the CLO. When a Client invests by entering into a credit derivative transaction, leverage often will be embedded in such transaction as well, which can expose a Client to a greater risk of loss.

(iii) Risks of Investment Focus. The value of CLO Securities owned by a Client generally will fluctuate with, among other things, the financial condition of the obligors/issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), market conditions, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. CLO Securities are issued on a non-recourse basis and holders of CLO Securities must rely solely on distributions on the CLO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO Collateral are insufficient to make payments on the CLO Securities, no other assets will be available for payment of the deficiency and following liquidation of the CLO Collateral, the obligations of such issuer to pay such deficiency will be extinguished.

(iv) Lower Credit Quality Securities. CLO Securities in which a Client may invest may be deemed by rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. A Client may purchase CLO Securities that have ratings that have been downgraded or placed on "credit watch" for future downgrades. Lower rated and unrated securities in which a Client may invest can have large uncertainties or major risk exposures to adverse conditions and can be considered to be speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal.

The market values of CLO Securities also may tend to be more sensitive to changes in market or economic conditions than other securities. The value of the leveraged loans underlying a CLO may also be affected by changes in the market's perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

(v) Liquidity of Markets. In the past fixed income markets have periodically experienced significant falloffs in liquidity. While these may be attributable to changes in interest rates or other macro-economic factors, the cause is not always apparent. During these periods of

market illiquidity, a CLO may not be able to sell assets in its portfolio or may only be able to do so at unfavorable prices. Because CLO Securities themselves may be illiquid, they can be difficult to value and the valuations are often based on models or an indicative price from a dealer, rather than on prices at which the security was actually sold in the secondary market. As a result, a CLO Security may experience large movements in price.

(vi) Default and Recovery Rates of CLO Collateral. There are varying sources of statistical default and recovery rate data for loans and high yield securities acting as CLO Collateral and numerous methods for measuring default and recovery rates. The historical performance of the high yield market or the leveraged loan market is not necessarily indicative of its future performance.

(vii) Subordination of CLO Securities. Depending upon the Client's investment objectives/restrictions, a portion of its portfolio may consist of subordinated CLO Securities. Subordinate CLO Securities generally are fully subordinated to the related CLO senior tranches. Thus, investments of a Client in a particular CLO tranche can rank behind other creditors of the CLO and an investment by a Client in the equity tranche of a CLO will rank behind all creditors of the CLO. To the extent that any losses are incurred by a CLO in respect of its related CLO Collateral, these losses will be borne first by the holders of the related CLO equity, next by the holders of any related subordinated CLO debt, and finally by the holders of the related CLO senior tranches. In addition, if an event of default occurs under the governing instrument or underlying investment, as long as any CLO senior tranches are outstanding, the holders thereof generally will be entitled to determine the remedies to be exercised under the instrument governing the CLO. Remedies pursued by such holders could be adverse to the interests of the holders of any related subordinated CLO debt or CLO equity securities. A Client's investments in subordinated CLO debt or equity securities may be the first to absorb any losses by the CLO on its underlying portfolio. This may result in losses on the Client's invested proceeds and could result in the complete loss of invested proceeds.

(viii) Mandatory Redemption of CLO Senior Tranches. Under certain circumstances, cash flows from CLO Collateral that otherwise would have been paid to the holders of its mezzanine CLO debt and the related CLO equity will be used to redeem the related CLO senior tranches. This could result in an elimination, deferral, or reduction in the interest payments, principal repayments or other payments made to Clients who hold such CLO Securities, which would adversely impact their returns.

(ix) CLO Collateral. CLO Collateral will generally consist of senior secured assets, including commercial loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions and other investors. The loans will typically be to borrowers that have below investment grade ratings (or no ratings) and will generally be leveraged companies. A description of risks associated generally with the purchase of such higher yielding investments is noted herein in this Section 8.

(x) Synthetic Assets. A Client may purchase or gain exposure to CLO Securities synthetically with an asset counterparty through instruments such as credit default swaps, total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a "Synthetic Asset"). A Synthetic Asset can take many forms, including a credit derivative transaction that references a CLO debt or equity security or a credit derivative transaction that references a portfolio of corporate reference entities or a portfolio of reference obligations consisting of loans, high yield bonds or other financial instruments (each, a

“Reference Obligation”). Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of such CLO debt and CLO equity. A Client will have a contractual relationship only with the synthetic asset counterparty, and not with the issuer(s) (the “Reference Entity”) of the Reference Obligations unless a credit event occurs with respect to any such Reference Obligation, physical settlement applies and the synthetic asset counterparty delivers the Reference Obligation to such Client. Other than in the event of such delivery, a Client generally will have no direct right to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and the Client will not have any rights of set-off against the Reference Entity. In addition, a Client may not have any voting or other consensual rights of ownership with respect to the Reference Obligation. Further, a Client will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of the Reference Obligation.

In the event of the insolvency of the synthetic asset counterparty, a Client will be treated as a general creditor of the counterparty and will not have any claim of title with respect to the Reference Obligation. Consequently, a Client will be subject to the credit risk of the synthetic asset counterparty, as well as that of the Reference Entity. As a result, concentrations of Synthetic Assets entered into with any one synthetic asset counterparty will subject such Synthetic Assets to an additional degree of risk of defaults by the synthetic asset counterparty as well as by the Reference Entities.

(xi) Optional Redemption of CLO Senior Tranches. An optional redemption by a CLO of its notes could require the collateral or portfolio manager of the related CLO to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the CLO Collateral sold (and which in turn could adversely impact the holders of any related CLO equity securities, including securities held by a Client).

(xii) Insolvency Risks. Various laws enacted for the protection of creditors may apply to the issuers of the CLO Collateral.

(xiii) Price Volatility Risk. The prices of the CLO Collateral are highly volatile. Price movements may be influenced by, among other things: changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; U.S. and foreign political events and policies; changes in national and/or international interest rates and rates of inflation; currency devaluations and revaluations, and market sentiments. Adviser cannot control these factors and no assurance can be given that the advice of Adviser will result in profitable investments for a Client.

(xiv) “Widening” Risk. For reasons not necessarily attributable to any of the risks set forth herein, the prices of CLO Securities in which a Client may invest may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not trade at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

*Illiquid Positions.* The Funds may invest in public companies with small- or mid-size market capitalizations or in illiquid and other long-term securities such as private placement securities, restricted securities, bank debt, other debt instruments or securities with limited, if any, trading volume. In addition, the Funds, together with one or more other Funds, may hold a large percentage of the outstanding securities of an issuer from time to time. Illiquid securities carry the risk that a buyer may not be found for such securities. In addition, the lack of an established,

liquid secondary market for many of the Funds' investments may have an adverse effect on the market value of the Funds' investments and on the ability to dispose of them. No assurance can be given that, if Adviser determines to dispose of a particular investment, it will be able to dispose of such investment at the prevailing market price. In addition, certain investments may have to be held for a substantial period of time before they can be liquidated to the Funds' greatest advantage or, in some cases, at all.

A portion of the Funds' investments may consist of securities that are subject to restrictions on resale by the Funds because they were acquired in a "private placement" transaction or because the Funds is deemed to be an affiliate of the issuer of such securities as a result of significant ownership stakes held by Funds or for other reasons. Generally, the Funds will be able to sell such securities without restriction to other large institutional investors, but may be restrained in its ability to sell them to other investors. If restricted securities are sold to the public, the Funds may be deemed to be an underwriter or possibly a controlling person with respect thereto for the purposes of the Securities Act and may be subject to liability as such under the Securities Act. In addition, the Funds may hold securities subject to contractual restrictions on transfer.

Even in the case of more liquid securities, futures contracts and options thereon, it also may not always be possible for the Funds to execute a buy or sell order at the desired price or to liquidate a position, either due to market conditions on exchanges or due to the operation of "circuit breakers" (in the case of equity securities) or daily price fluctuation limits (in the case of futures contracts and options thereon). During a single trading day, no trades may be executed at prices beyond the daily limit. In addition, the Funds may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or governmental authority may suspend or restrict trading, order the immediate settlement of a particular futures contract or order that trading in a particular futures contract be conducted for liquidation purposes only. Options trading may be restricted in the event that trading in the underlying instrument becomes restricted, and options trading may itself be illiquid at times, irrespective of the condition of the market of the underlying instrument, making it difficult to offset option positions in order to realize gain thereon, limit losses or change positions in the market.

*Hedging Strategies.* Adviser, from time to time, may use hedging strategies in an attempt to reduce certain of the risks associated with the Funds' portfolio investments. In addition, Adviser may seek to hedge the foreign currency exposure of the Non-U.S. Currency Shares. However, hedging strategies may not always be possible or effective in limiting losses. Successful hedging activity requires skills complementary to those needed in the selection of the Funds' portfolio holdings. The success of the Funds' hedging activity will depend, in part, upon Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used for hedging purposes and the performance of the portfolio investments being hedged. The characteristics of many securities change as markets change or time passes. Consequently, the success of the Funds' hedging activity will also be subject to Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. The purpose of entering into hedging transactions is to seek to reduce risk, but such transactions also limit the opportunity for gain if the values of hedged positions increase and thus may result in poorer overall performance for the Funds than if it had not engaged in such transactions.

*Unhedged Risks.* A significant portion of the Funds' positions from time to time may be unhedged or only partially hedged. For a variety of reasons, Adviser may not seek to establish a perfect correlation between the hedging instruments used and the portfolio holdings being

hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Moreover, it may not be possible for Adviser to hedge against certain risks, *e.g.*, the risk of a fluctuation that is so generally anticipated by market participants that Adviser cannot enter into a hedging transaction at a price sufficient to protect the Funds from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

*Diversification of Investments.* In order to diversify the Funds' capital, Adviser will invest the Funds' assets in multiple investment positions. Although this diversification is intended to offset losses while maintaining the possibility of capitalizing on profitable price movements, there can be no assurance that the use of multiple investments will provide any material diversification, that gains achieved on profitable investments will exceed losses generated by unprofitable investments or that the selection of multiple investments will prove more successful than would selection of a smaller number of investments.

*Concentration of Investments.* Adviser is not limited in the amount of the Funds' capital that it may commit to any one sector or industry. Although Adviser will follow a general policy of seeking to spread the Funds' capital among a number of investments and industries, Adviser may depart from such policy from time to time and the Funds may hold one or more positions that are relatively large in relation to the Funds' capital and are concentrated in a single issuer or a group of related issuers or in a single industry. The result of such concentration of investments is that a loss in any such position could materially reduce the Funds' capital.

*Swap Transactions; Risks Associated with OTC Transactions.* The Funds may enter into credit default swaps, total return swaps on individual securities and indices and other swap transactions. Swap contracts are not traded on exchanges as of the date of this Brochure, and the swap markets are not subject to the same type or degree of regulation and supervision as are regulated exchanges. As a result, many of the protections afforded to participants on regulated exchanges are not available in connection with swap transactions and other over-the-counter ("OTC") transactions. For example, the swap and other OTC markets generally are "principals' markets" in which performance with respect to a swap contract is the responsibility only of the counterparty to the contract, and not of any exchange or clearinghouse. As a result, the Funds are subject to the risk of the inability or refusal of the counterparties with which Adviser trades to perform with respect to swap contracts.

In an effort to reduce systemic and counterparty risks associated with OTC derivatives transactions, however, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and regulations being issued thereunder, will require that a substantial portion of OTC derivatives must be submitted for clearing to regulated clearing houses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing house, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Such regulation will further increase OTC derivatives dealers' costs, which costs are expected to be passed through to other market participants (including the Funds) in the form of higher fees and less favorable dealer marks.

*Credit Default Swaps.* The Funds may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an owner of corporate debt

instruments can purchase a limited form of default protection by entering into a credit default swap with a bank, broker-dealer or financial intermediary. Upon an event of default, the swap is most commonly terminated by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value. Credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. Credit default swaps also can be used to implement Adviser's view that a particular credit, or group of credits, will experience credit improvement. For example, the Funds may "sell" credit default protection in which it receives a premium to take on the risk associated with the expected credit improvement. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds also may "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of Adviser, there is a high likelihood of credit deterioration. The Funds also may enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

*Futures and Forward Contract Risks.* Although the Funds are primarily engaged in investing and trading in securities, the Funds may hold positions in futures contracts from time to time. A principal risk in holding positions in futures contracts is the traditional volatility and rapid fluctuation in market prices. The profitability of such positions will depend primarily on fluctuations in market prices. Price movements for futures are influenced by, among other things, governmental, trade, fiscal, monetary and exchange control programs and policies, weather and climate conditions, changing supply and demand relationships, national and international political and economic events, changes in interest rates, and the changing philosophies and emotions of market participants. In addition, governments from time to time intervene, directly and by regulation, in certain futures markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets to move rapidly.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged financial instruments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied by the Funds will increase the risk of loss by the amount of additional leverage applied.

The Funds also may hold positions in forward contracts from time to time. Forward contracts are, like futures contracts, highly leveraged instruments. They are not traded on exchanges but rather are OTC transactions executed directly through forward contract dealers. There is no limitation on the daily price moves of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price. The Funds will be subject to the risk of credit failure or the inability of or refusal of a forward contract dealer to perform with respect to its forward contracts.



*Repurchase and Reverse Repurchase Agreements.* The Funds may enter into repurchase and reverse repurchase agreements. If the Funds enter into repurchase agreements, they would “sell” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers to a broker-dealer or other financial institution, and agree to repurchase such securities for the price paid by the financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Funds would “buy” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers from a financial institution, subject to the obligation of the financial institution to repurchase such securities at the price paid by the Funds, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Funds would involve certain risks, including the risk that the seller under a reverse repurchase agreement may default on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to the Funds.

*Custodian and Counterparty Risks.* The Funds will be subject to the risk of the inability of banks, brokers and dealers and other custodians of assets of the Fund to safeguard assets and carry out their respective other duties and the inability of counterparties to perform with respect to transactions, whether due to bankruptcy, insolvency, failure to comply with rules designated to ensure the safekeeping of customer assets or other causes. There is a risk that any of such financial institutions could become bankrupt or insolvent. The bankruptcy or insolvency of any such financial institutions may result in the Funds losing all or a portion of their assets held with such financial institutions or the termination of any outstanding transactions. In addition, financial institutions may use sub-custodians and disclaim responsibility for any losses which may result therefrom.

While certain financial institutions are subject to regulatory requirements mandating the segregation of customer assets, if any of such financial institutions fail to do so, or is unable to satisfy a substantial deficit in such customer accounts, its other customers may be subject to risk of loss of their funds in the event of such financial institution’s bankruptcy. In addition, the Funds may use counterparties and other financial institutions located in various jurisdictions outside the United States. Such local counterparties and other financial institutions are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds’ assets are subject to substantial limitations and uncertainties. Investors should assume that the insolvency of any non-U.S. counterparty or other financial institution would result in a loss to the Funds, which could be material.

In an effort to mitigate such risks, Adviser will attempt to limit transactions and entrust assets to financial institutions that it believes are established, well-capitalized and creditworthy. However, as recent events have demonstrated, even the capitalization of a long-established financial institution may deteriorate rapidly when it has substantial risk exposure to one or more asset classes that become distressed, its counterparties and customers lose confidence in its ability to perform its transactions and safeguard assets, or it encounters other severe difficulties. Furthermore, the commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between these financial institutions. Accordingly, concerns about, or a default or threatened default by, one financial institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other financial institutions. This is sometimes referred to as “systemic risk” and may adversely affect financial institutions with which the Funds interact and could therefore adversely affect the Funds. There can be no guarantee that the Funds could unwind transactions and withdraw assets from a once-creditworthy financial institution if such financial institution’s capital begins to deteriorate rapidly or in the event of significant market-wide liquidity and credit problems.

*Co-Investment Risks.* Adviser has various business dealings and relationships with institutional and high-net-worth investors, and Adviser, in its sole and absolute discretion, may permit such investors to co-invest with the Funds in certain of the Funds' investments. In addition, affiliates of Adviser may also co-invest with the Funds in certain of the Funds' investments. Such co-investments may have the effect of limiting the size of the Funds' investment in such opportunities. In addition, although such co-investment opportunities may arise as a result of the Funds' activities, Adviser may choose to offer such co-investment opportunities to outside parties rather than making larger investments on behalf of the Funds in such opportunities or offering such opportunities.

In addition, the Funds often co-invest in private transactions, through collectively owned investment holding vehicles and otherwise. Assets of each co-investing Fund may become exposed to the risk of claims involving one or more other co-investing Funds, *e.g.*, a third party to a transaction may require the co-investing Funds to agree to joint and several liability, or certain types of trades may be pooled together in a common Investment holding vehicle without segregation of liabilities arising from different trades even though not all participating Funds participate in all trades entered into by the Investment holding vehicle. Adviser intends to mitigate such risks as it deems appropriate from time to time, such as through cross-indemnification arrangements among the Funds, but there can be no guarantee that such risks will be mitigated in full.

*Competition for Investments.* The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or invest its capital fully. There can be no assurance that Adviser will be able to identify or successfully pursue attractive investment opportunities in all market environments. Among other factors, competition for suitable investments from other pooled investment funds and vehicles may reduce the availability of investment opportunities.

*Expedited Transactions.* Adviser's investment analysis and decisions may often be undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, the information available to Adviser at the time of an investment decision may be limited and Adviser may not have access to the detailed information necessary for a full evaluation of the investment opportunity. Adviser may not have the time or resources to complete its preferred level of due diligence on the potential investment.

*Portfolio Turnover.* The investment strategy of the Funds may involve frequent investment transactions. As a result, turnover and brokerage commission expenses of the Funds may significantly exceed those of other investment funds and vehicles of comparable size.

*Litigation.* Litigation can and does occur in the ordinary course of the management of an investment fund or vehicle with an investment strategy similar to those of the Funds. The Funds may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where Adviser exercises control or significant influence over a company's direction, *e.g.*, as a result of board participation or being active on a creditors' committee. Such litigation can arise as a result of issuer defaults, issuer bankruptcies or other reasons. In certain cases, such issuers may bring claims or counterclaims against the Funds, Adviser and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The Adviser and others are indemnified by the Funds in connection with such litigation, subject to certain conditions. The expense of defending against third-party claims made against the Funds or persons indemnified by the Funds and paying any amounts pursuant to settlements or judgments generally would be borne by the Funds

and reduce net assets to the extent that the Funds has not been able to protect itself through indemnification or other rights against the relevant portfolio company, is not entitled to such protections, or is entitled to such protections but the portfolio company is not solvent.

*Lender Liability and Equitable Subordination.* It is anticipated that the Funds, or an Investment Holding Vehicle in which the Funds invest, may be a lender from time to time. Judicial decisions have, at times, 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 on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In addition, under common law principles, a court may elect to subordinate the claim of a lender to the claims of one or more creditors (a remedy called “equitable subordination”) if a lender (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 or (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors. A significant number of investments may involve participation in loans where the Funds, or an investment holding vehicle through which the Funds may invest, is not the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting investments made by the Funds or such investment holding vehicle could arise without the direct involvement of the Funds or such investment holding vehicle.

*Fraudulent Conveyances and Preferences.* Various U.S. Federal and state laws enacted for the protection of creditors may apply to the investments made by the Funds by virtue of the Funds’ roles as a creditor with respect to such investments made by the Funds. For example, if a U.S. Federal or state court adjudicating a lawsuit brought by an unpaid creditor or representative of creditors of a borrower were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment made by the Funds and the grant of any security interest or other lien securing such investment made by the Funds, and, after giving effect to the incurring of such indebtedness, the borrower was insolvent or its financial condition was approaching insolvency, then such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower 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 bankruptcy of an issuer under the U.S. Bankruptcy Code, payments made to the Funds in relation to their investments in such issuer could be subject to avoidance as a “preference” and recaptured if made within a certain period of time before insolvency, depending on a number of factors. Similar doctrines may apply under the laws of other jurisdictions, and the measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. If payments made by the borrower are voidable, whether as fraudulent conveyances or preferences, such payments generally can be recaptured either from the initial recipient (such as the Funds) or from subsequent transferees of such payments.

*Strategy Risk.* The Funds will be subject to strategy risk. Strategy risk is associated with the failure or deterioration of an entire strategy (such that most or all investments in the strategy suffer losses). Strategy-specific losses can result from excessive concentration by multiple traders in the same investment or broad events that adversely affect particular strategies (e.g., illiquidity within a given market). Many of the strategies to be employed by the Funds are speculative and involve risk of loss.

*Tandem Markets.* The Funds' strategies of investing in multiple investments is designed in an attempt to achieve diversification across global capital markets and, thus, seeks to limit the Funds' exposure to any single market. However, multiple markets could move in tandem against the positions held by the Funds from time to time, and the Funds could suffer losses.

### **Structural and Operational Risks**

*In-Kind Distributions.* Adviser has the right to satisfy redemption requests in cash, or in kind, or in part in cash and in part in kind. In the event that the Adviser distributes securities or other investments in kind, the investments so distributed may not be readily marketable or saleable, and investors may need to hold such investments for an indefinite period of time.

*Compulsory Redemption.* The Adviser, in its sole and absolute discretion, may require any investor to redeem all or a portion of its Common Shares at any time.

*Significant Redemptions by Investors.* At times, a single investor might hold Interests that comprise a large percentage of the total Interests of the Funds. If such investors were to redeem all or a significant portion of their Interests, Adviser may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Any forced sale of certain of the Funds' investments to meet redemption requests could adversely affect the value of and diversification of the Funds' portfolio. Furthermore, if large redemptions from the Funds occurs, the Funds may be forced to sell illiquid holdings at less than optimal times and prices, or, alternatively, the Funds may sell liquid holdings and, consequently, the remaining investors would be exposed to a higher concentration of illiquid holdings.

*Side Letters and Other Investor-Related Arrangements and Disclosures.* From time to time, the Adviser and/or the Funds, may enter into letter agreements or other similar arrangements (collectively, "Side Letters") with one or more investors that provide for, e.g., increased liquidity, heightened transparency, heightened reporting and reduced Management Fees and Incentive Allocations. As a result of such Side Letters, certain investors may receive rights, terms and other benefits that other investors will not receive. The Adviser is not required to notify the other investors of any such Side Letters or any of the rights or terms or provisions thereof, nor will the Adviser be required to offer such additional or different rights or terms to all other investors. The other investors generally will have no recourse against the Funds or Adviser in the event that certain investors receive additional or different rights, terms or other benefits as a result of such Side Letters. In addition, future investors may receive more favorable terms or other benefits through investment in one or more classes of Interests created and offered after the date of this filing.

The Adviser may agree, in its sole and absolute discretion, to disclose portfolio holdings to certain third parties, such as companies that evaluate portfolio risk for investors, from time to time. The Adviser generally requires recipients of such information to enter into nondisclosure agreements as a condition to receiving such information. However, there can be no assurance that the recipients will fulfill their confidentiality obligations.

In the course of conducting due diligence, investors and prospective investors in the Funds may request information regarding their investments (or prospective investments) in the Funds and regarding Adviser. In responding to such requests, Adviser may provide information that is generally not made available to other investors in the Funds.

*Similar Funds.* Adviser may determine to organize and/or manage other Funds (including separately managed accounts) that share substantially similar investment strategies and objectives from time to time. Such Funds may offer the investors benefits that investors will not receive in other Funds, such as increased liquidity, heightened transparency (including with respect to portfolio composition information), the right to impose investment restrictions or guidelines, heightened reporting and reduced management fees and incentive allocations or fees. Adviser is not required to notify investors of the terms applicable to such other Funds, and such increased liquidity and/or heightened transparency may have an adverse effect on the Funds. Furthermore, due to the overlap of strategies and investments across many of the Funds, the Funds may be adversely affected in the event of rapid or large liquidations of investment positions by other Funds or may find it more difficult to liquidate positions held by the Funds due to a lack of liquidity resulting from large position sizes in the same investments held by other Funds.

*Valuation of Securities.* The Adviser is responsible for valuing the securities and other investments comprising the assets of the Funds. Adviser generally values the Funds' portfolios using U.S. generally accepted accounting principles ("U.S. GAAP"). Typically the valuations would be "marked to market" by reference to the last generally available price quotation. However, where a security is subject to any resale restriction, lack of available price quotations, illiquid market conditions or other factors preventing immediate liquidity of Funds' entire position, the Adviser has the sole and absolute discretion to value such security using its best good faith estimate as to fair value. This causes the potential for a conflict of interest due to the fact that a higher fair value assigned to such security will result in greater management fees and possibly in higher incentive allocations, as well as higher administrative fees payable to the administrator. Valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by the Funds on the sale of those securities and other investments. In addition, there is a risk that the valuations of a security made pursuant to U.S. GAAP may differ from the price at which the security may actually be sold.

*Investment Proceeds Realized Following Write-Downs.* From time to time, the Adviser may write down an investment held by the Funds in part or in full. Such write-down will be reflected in the Funds' net asset value. In the event that an investor redeems some or all of its Interests following a write-down and the investment proceeds subsequently received by the Funds in respect of such investment exceed the amount of such write-down, no adjustment will be made to the redemption proceeds previously determined to be payable to such investor.

*Increases in Assets under Management.* The Adviser has not presently agreed to limit the amount of additional assets it may manage and new investment strategies it may launch. The Adviser plans to continue to seek new investment capital, although, from time to time, Adviser may close one or more Funds (or one or more classes of interests therein) to new investments based on market conditions and perceived opportunities. The greater the amount of assets under management by the Adviser, the more difficult it may be for the Adviser to invest profitably for the Funds because of the difficulty of trading larger positions without adversely affecting prices and managing risk associated with larger positions. In addition, there can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management, which may require the Adviser to modify its investment decisions for the Funds because it cannot deploy all the assets in the manner it desires.

*Location and Infrastructure Risk.* The Adviser and most of the key personnel are physically located in one building in midtown Manhattan. Loss of the building and/or the key personnel, whether as a result of fire, terrorist action, earthquake or some other catastrophic

event, could adversely affect the Adviser's operations and the investment returns of the Funds. A serious impairment to the infrastructure of the building, such as an extended loss of power, or a prolonged restriction of physical access to the building by governmental authorities also could adversely affect the Adviser's operations and the investment returns of the Funds. The Adviser has contracted for offsite data back-up and recovery and has a disaster recovery plan for offsite operation, but the risk of disruption of operations remains. Similar risks may apply to the brokers and dealers and other custodians of assets.

## **Regulatory Risks**

*Stop Tax Haven Abuse Act.* The Stop Tax Haven Abuse Act was introduced in revised form by the U.S. Senate in July 2011. If enacted in such form, the legislation could adversely impact the U.S. tax treatment of the Fund. It would provide that if a corporation has aggregate gross assets of \$50 million or more, and its management and control occurs primarily in the United States, that corporation will be treated as a U.S. domestic corporation for U.S. Federal income tax purposes. The U.S. Department of the Treasury (the "**Treasury**") would be directed to issue regulations to guide the determination of when management and control occur primarily in the United States. Under those regulations, management and control would be treated as occurring primarily in the United States (i) if substantially all of the executive officers and senior management of the corporation (and certain other individuals) who exercise day-to-day responsibility for making decisions involving strategic, financial and operational policies of the corporation are located primarily within the United States, or (ii) in the case in which assets of the corporation (directly or indirectly) consist primarily of assets being managed on behalf of investors, decisions about how to invest those assets are made in the United States. If the Stop Tax Haven Abuse Act is enacted in its current form, its provisions will apply to taxable years beginning two or more years after the enactment date regardless of whether any regulations are issued by Treasury. If the Fund were treated as a U.S., rather than a foreign, corporation as a result of the application of the Stop Tax Haven Abuse Act, it would generally be subject to U.S. Federal income tax on any taxable income (including all interest income, dividend income and net capital gains) realized by it at regular corporate income tax rates applicable to U.S. corporations (generally, 35%). Generally, distributions on Units to Unitholders that are Non-U.S. Unitholders (that are not otherwise engaged in a U.S. trade or business and subject to taxation at graduated rates) would be subject to U.S. Federal tax withholding at a statutory rate of 30% of the gross amount thereof and, with respect to Non-U.S. Unitholders who satisfy certain tests for presence in the United States, gains on the sale, exchange or other disposition of Units would be subject to 30% U.S. Federal tax.

*Investments by Benefit Plans.* The Adviser generally intends that the assets of a majority of the Funds will not constitute "plan assets" for purposes of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the U.S. Internal Revenue Code of 1986, as amended (the "Code"). No assurance can be given that Fund assets will never constitute "plan assets." The Adviser has a limited number of Funds in which "plan assets" are invested. If the Funds' assets were to constitute "plan assets" for purposes of ERISA and/or Section 4975 of the Code, the administration and operation of the Funds would be subject to ERISA and/or Section 4975 of the Code, the Adviser and other persons providing investment advice to the Funds, if any, could become fiduciaries of Plans (as hereinafter defined) subject to ERISA and/or Section 4975 of the Code that invest in the Funds, Fund transactions could constitute prohibited transactions under ERISA and/or Section 4975 of the Code, and there could be adverse consequences for the Funds and for certain plan investors (as hereinafter defined) invested in the Funds. Plans and their financial and legal advisors should consider this risk before making any

subscription for Interests. While no assurances can be given, the Adviser intends to manage participation in the Funds by plan investors in a manner designed to prevent assets of the Funds from constituting “plan assets.”

*Limited Regulatory Oversight.* It is not anticipated that any of the Funds will register as an investment company under the Investment Company Act. Accordingly, the protective provisions of such Act and the regulations promulgated thereunder (which, among other things, require investment companies to have a majority of disinterested directors, prohibit an investment company from engaging in certain transactions with affiliates of its adviser and impose limits on the use of leverage) are not applicable to the Funds. In addition, the Adviser currently is not registered as a commodity pool operator under the Commodity Exchange Act, as amended. Although the exemption from such registration that the Adviser currently relies upon is contained in a regulation that may be rescinded by the U.S. Commodity Futures Trading Commission effective December 31, 2012, the Adviser may determine to seek to rely upon an alternative exemption from such registration thereafter (if available). In the absence of such registration, investors will not be afforded any of the protective provisions of such Act and the regulations promulgated thereunder. It is not expected that any Class of Interests will be registered under Section 12 of the U.S. Securities Exchange Act of 1934, as amended, and, accordingly, the Funds will not be required to file such periodic and other reports with the SEC as are filed by U.S. public reporting companies.

*Future Regulatory Developments.* Legal, tax and regulatory developments that would adversely affect the Funds could occur. The regulatory environment for hedge funds and other private investment funds is evolving, and changes in the regulation of private investment funds and their investment and trading activities may adversely affect the ability of the Funds to pursue their investment strategy, their ability to obtain leverage and financing and determine the value of its investments. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which makes significant changes to the regulation of banks, hedge funds and other financial services firms, is still in the process of being clarified and implemented by Federal agency rulemaking and interpretation. The exact nature and scope of the impact of such Act on the Funds and Adviser is not yet clear.

#### Item 9. Disciplinary Information

On March 27, 2014, the Firm received a Pliego de Cargos from the Comision Nacional de Mercados Valores (“CNMV”) in Spain, notifying us that the CNMV was considering civil administrative charges against York Capital Management European (UK) Advisors, LLP (“York UK”), relating to a trade made by York UK in the firm’s York European Focus (“YEF”) fund. The trade was in shares of Bankia, S.A. (“Bankia”) and took place in May 2013. At that time, Bankia announced the mandatory conversion of certain subordinated debt held by the YEF funds. Following the announcement, York UK sold a portion of the Bankia shares short, which it intended to cover with a portion of the shares to be delivered in connection with the conversion.

Prior to executing the short sale, York UK consulted with the firm’s Compliance Department, which reviewed guidance from the European Securities Market Authority (“ESMA”) that such a short sale was permitted if the conversion shares were expected to be delivered in time for settlement of the short position. The firm’s Compliance Department also consulted with

outside counsel which confirmed the Compliance Department's interpretation of ESMA's guidance.

The Spanish system for delivery of the shares in these situations is complex and entails several steps, not all of which had occurred by the date on which York UK had to settle the short sale. The CNMV concluded that, notwithstanding York's conceded good faith, the resulting failure to deliver was an improper failure to cover a short position in a timely manner and assessed a fine of €100,000.

Based upon York UK's consultation with its Compliance Department, and the Compliance Department's consultation (i) of relevant legal and regulatory authority, (ii) with counsel, and (iii) with the underwriter and prime broker, all prior to executing the short sale, York UK continues to believe that it acted correctly, in good faith and in compliance with law, and that the failure of timely delivery of immediately saleable shares was on account of circumstances completely outside of its control.

York UK contested the matter vigorously before the CNMV, and also on an administrative appeal to the Spanish Ministry of Economy, which on January 26, 2015 upheld the CNMV's determination. To avoid the distraction and expense of further litigation, York UK has determined not to challenge the determination in the Spanish courts. York UK has paid the fine, not the YEF funds.

We understand that a number of other investors have also been investigated by the CNMV arising out of the same trade.

Item 10. Other Financial Industry Activities and Affiliations

Adviser serves as adviser to private investment partnerships and offshore funds (the "Funds") and certain other accounts, including accounts related to the founders and third-party institutional accounts. Adviser is a related person to the managers and Funds listed below:

**Managers and Entities:**

Dinan Management, L.L.C.	York Offshore Holdings, LLC
York Credit Opportunities Domestic Holdings, LLC	York Credit Opportunities Offshore Holdings, LLC
York Select Domestic Holdings, LLC	York Select Offshore Holdings, LLC
York Select Investors Domestic Holdings, LLC	York Select Investors Offshore Holdings, LLC
York European Opportunities Domestic Holdings, LLC	York European Opportunities Offshore Holdings, LLC
York Asian Opportunities Domestic Holdings, LLC	York Asian Opportunities Offshore Holdings, LLC



York European Focus Domestic Holdings, LLC	York European Focus Offshore Holdings, LLC
York Total Return Domestic Holdings, LLC	York Total Return Offshore Holdings, LLC
York UCITS Holdings, LLC	
York Special Opportunities Domestic Holdings, LLC	York Domestic Finance I, LLC
York Global Finance Manager, LLC	
	York Offshore Holdings II, LLC
YCMIL LTD.	York Managed Holdings, LLC
York Capital Management Asia (HK) Advisors Limited	
York Capital Management UK Advisors Limited	York Capital Management US Advisors, L.P.
YCM Master Holdings I, L.P.	York Capital Management Europe (UK) Advisors, LLP
YCM Master Holdings II, L.P.	York Distressed Mortgage Holdings, LLC
York Global Credit Income Domestic Holdings, LLC	York Registered Holdings, L.P.
York Managed Holdings II, LLC	York European Distressed Credit Holdings, LLC
York Special Opportunities Fund II GP LLC	
York Select Investors Domestic Holdings, LLC	York CLO Managed Holdings, LLC
York European Distressed credit Holdings II, LLC	

#### **Domestic Funds**

York Capital Management, L.P.  
 York Institutional Partners, L.P.  
 York Select, L.P.  
 York Credit Opportunities Fund, L.P.  
 York Special Opportunities Fund II  
 York Select Investors, L.P.  
 Fidelis York Fund, L.P.  
  
 York European Opportunities Fund, L.P.  
 York Asian Opportunities Fund, L.P.  
 York Total Return L.P.  
 York European Focus Fund, L.P.  
 York Special Opportunities Fund, L.P.  
 YTR Investors, L.P.  
 York European Distressed Credit Fund (Delaware), L.P.  
 York Global Credit Income Fund, L.P.  
 York European Distressed Credit Fund (Delaware) II, L.P.

#### **Separately Managed Accounts**

Lyxor/York Fund Limited  
 Kuttura Master Fund, L.P.  
 Permal York Ltd  
 Jorvik Multi-Strategy Domestic Fund, L.P.  
  
 Jorvik Multi-Strategy Offshore Fund Limited  
 Jorvik Multi-Strategy Master Fund, L.P.  
 dbX-Event Driven 2 Fund  
  
 MAP 156 Segregated Portfolio

**Offshore Funds**

York Investment Limited  
York Investment Master Fund, L.P.  
York Event-Driven UCITS Fund  
York Select Unit Trust  
York Credit Opportunities Unit Trust  
York Credit Opportunities Master Fund, L.P.  
York Credit Opportunities Investments Master Fund, L.P.  
York Select Investors Unit Trust  
York European Opportunities Unit Trust  
York Asian Opportunities Unit Trust  
York Asian Opportunities Institutional Fund Limited  
York Asian Opportunities Master Fund, L.P.  
York Total Return Unit Trust  
York European Focus Unit Trust  
York Special Opportunities Feeder Fund (Cayman), L.P.  
York Asian Event Driven UCITS Fund  
York Multi-Strategy Master Fund, L.P.  
York Multi-Strategy Institutional Fund, Limited  
York Select Master Fund, L.P.  
York Global Value Master Fund, L.P.  
York European Opportunities Master Fund, L.P.  
York European Opportunities Investments Master Fund, L.P.  
York Asian Opportunities Investments Master Fund, L.P.  
York European Focus Master Fund, L.P.  
York Total Return Master Fund, L.P.  
York European Opportunities Fund Limited  
York Asian Opportunities Institutional Fund Limited  
York Global Credit Income Master Fund L.P.  
York Global Credit Income Intermediate Master Fund L.P.  
York Global Credit Income Fund Limited  
York European Distressed Credit Fund L.P.  
York European Distressed Credit Fund II (Cayman) L.P.  
York Special Opportunities Fund II L.P.  
Kuttura Master Fund, L.P.  
York CLO-1 Ltd.

CSAM Americas Holding Corp. owns a non-controlling interest in excess of 25%, but less than 50%, in the general partner.

On occasion, the Adviser or certain of its affiliates may seed new Funds with the capital in existing Funds as deemed appropriate by the Adviser's management. Likewise, Adviser may choose to invest a Funds' capital into a non-affiliated Fund in which the Fund is required to pay a fee. For example, one of the Funds may make an investment in a hedge fund managed by an unaffiliated manager and pay a fee to that manager as would any investor. These investments are made when the Adviser believes it is in the Fund's best interest to do so.

The Adviser believes that, in certain circumstances, it may be in the best interests of the Funds to be able to co-invest with other Funds in order to be able to participate in a wider range of transactions.

From time to time, senior management at the Adviser may be offered investment opportunities personally, principally in private placements and other private equity transactions. In addition, the Firm's senior management, may have 501(c)(3) charitable foundations which they are allowed to manage subject to certain rules of oversight and review. The Adviser's personnel review such opportunities and determine whether they are appropriate investments for any of the Funds based upon such criteria as the size of the transaction, the business of the company in which the investment is being made, the expected length of the investment and other similar issues. These investments do not typically result in additional research or other costs to the Adviser.

Item 11. Code of Ethics, Interest in Client transactions and Personal Trading

**Codes of Ethics**

The Adviser has adopted a Code of Ethics (the "Code") pursuant to 17 C.F.R. § 275.204A-1

Persons subject to the Adviser's Code of Ethics are subject to, among other things, various restrictions relating to the acquisition by them of securities. These restrictions include pre-authorization and disclosure requirements, restrictions on short term trading, and general prohibitions on transactions in securities in certain circumstances, including: when in possession of inside information; transactions in securities of issuers on the Adviser's restricted list or during specified blackout periods; transactions in securities at a time when the employee intends, or knows of another employee's intention, to purchase or sell that security or an equivalent security on behalf the Fund or other advisory client; transactions in securities in which Adviser is placing a transaction on behalf of a Funds or other client within a certain number of business days of such order being placed by Adviser for the Funds or other client account; and acquisition of securities in initial public offerings. There are also restrictions on the acquisition by persons subject to the Adviser's Code of Ethics in private placements, which acquisitions require the prior approval of Adviser's Chief Compliance Officer and the satisfaction of certain conditions.

The Code of Ethics also addresses the fiduciary duties expected of the persons subject to the Code, including confidentiality obligations, gift and corporate opportunity policies, and restrictions on outside business activities.

The Code of Ethics is posted on Intralinks and is also available upon request.

**Allocation of Limited Investment Opportunities**

The Adviser may purchase and sell public and private investments and co-invest the assets of the Funds with other Funds and accounts managed by the Adviser or its affiliates in compliance with the requirements and conditions of rules, regulations, orders, or interpretations of the SEC, or no-action letters of the SEC Staff relating to such investments. The Adviser and the related Firm entities generally agree, prior to the placement of any order or batch or block trade, on which Funds will receive portions of the order or trade, and in what amounts. The allocation may vary depending upon the different objectives, methodologies, investment strategies and restrictions applicable to each Fund, as well as the cash available for investment at each Fund. The allocation may also vary depending upon decisions made by the specific individual who served as the portfolio manager principally responsible for any particular Funds. For example, a portfolio

manager responsible for an investment idea may request a larger allocation of a securities purchase than the size of the particular Funds for which he is principally responsible might warrant if allocations were made solely based on the relative size of the Funds. Or, a portfolio manager might indicate a lack of interest in a securities purchase initiated by another portfolio manager and may reduce or exclude any allocation of it for the particular Funds for which he is principally responsible. If there are any disagreements concerning any such allocations, and a portfolio manager wants more or less of an allocation than would result from pro rating the allocation based on Funds size, and the disagreement cannot be resolved, James G. Dinan and/or Daniel A. Schwartz, the CEO and CIO respectively, resolve the disagreement and prescribe the allocation. Mr. Dinan and Mr. Schwartz monitor and review all of the holdings of all the Funds. From time to time, Adviser will commence a new Fund and will use proprietary money to establish that Fund. At that time, a disproportionate amount of trades may go to the new Fund. On occasion, new Funds are created which overlap with the investment objectives of existing Funds. This may result in some Firm Funds not getting as much of an investment allocation as it would otherwise. In addition, on occasion an investment opportunity will go to one Fund over another at the discretion of a portfolio manager who oversees both Funds in question. The Adviser has an allocation policy which can be reviewed upon request. On occasion, the Adviser will engage in non-standard allocations which do not follow these procedures.

The Firm may purchase or sell for its Clients securities of an issuer in which the Firm, its affiliates, principals, employees and/or related persons also have a financial position or interest. The Firm may also purchase or sell for certain of its Clients securities that are issued by other Firm Clients, such as debt securities issued by CLOs for which the Firm acts as collateral manager. In such cases, the Firm does not charge a fee on such holdings. With respect to purchases of CLO equity securities issued by other Firm Clients, to the extent permitted under Client guidelines, duplicative fees may be waived. These situations generally may create a conflict of interest, as the Firm may be viewed as entering into a particular investment transaction on behalf of its Clients due to a financial interest in the underlying security by the Firm, its affiliates, principals, employees and/or related persons. As noted above, the Firm has adopted policies and procedures designed to prevent and mitigate such potential conflicts of interest (e.g., review of Client transactions by Firm's Compliance Department, prior employee trade approval from its Compliance Officer with respect to personal securities transactions, etc.).

The Firm strongly discourages "cross" trades. However, on rare occasions, one York Fund will sell a security which another fund wants to own. On these occasions, after extensive Firm and compliance review and documentation, a sale of the security or asset from one fund to another will be permitted. In addition, the Adviser will allow, within designated procedures, the Funds to rebalance positions between onshore and offshore funds. This rebalancing may occur as a cross trade, occasionally without the use of a broker-dealer.

On occasion, one of the Adviser's Funds may become restricted in a particular security and this restriction may prevent other of the Adviser's Funds from trading that security.

The Firm may engage in securities transactions and investment strategies for one Client that may differ from the transactions and strategies executed on behalf of another Client and/or the Firm's affiliates, principals, employees and/or related persons. Therefore, the Firm may invest in certain securities or loan instruments of a particular issuer for one Client, but invest in a different part of the same issuer's capital structure (or in different classes of debt) for another Client. To this end, the Firm has and may continue to purchase on behalf of Clients different classes of debt of the same issuer and debt and equity of the same issuer for different Clients. These and other investments maybe deemed to create conflicts of interest, particularly because the Firm may take

certain actions for some Clients that may have an adverse effect on other Clients (specifically, in connection with restructuring and reorganization situations). In such cases, the Firm will seek to act in a manner it reasonably believes to be as equitable as possible to all Clients under the circumstances. However, in such cases the Firm's actions and decisions may ultimately not be to the benefit of all Clients as if only one security had been owned. For example, if the Firm becomes a member of creditors' committee due to its bank loan holdings in a particular issuer, it may be restricted from trading on behalf of other Clients who hold securities of the same issuer. Clients (and investors in Funds) should be aware that conflicts will not necessarily be resolved in favor of their interests, and the Firm will attempt to resolve such matters fairly, but even fair resolution may be resolved in favor of other Clients, including Funds, that fees or performance fees or in which the Firm or its affiliates have a significant proprietary interest.

On occasion, Adviser may offer a co-investment opportunity to an L.P. in the fund or to another party known to the Firm.

Adviser and its affiliates allocate domestic new issues to the Funds which are currently entitled to receive domestic new issues pursuant to FINRA rules. Foreign new issues are allocated in accordance with the Firm's allocation procedures and are generally allocated to the Funds which identify the opportunity and also may be offered to the Multi-Strategy Funds. If additional shares are received beyond what the initial Funds desired, the shares may be offered to other Funds within the York Group. The new issues are allocated at the discretion of the Adviser's portfolio managers.

On occasion, circumstances arise before settlement of a transaction that result in Adviser adjusting the original order to make securities settle into a different account than was called for under the original order. This is generally done to avoid a violation of client investment restrictions or guidelines, to avoid a negative tax consequence for a client, a miscommunication, or for some other similar reason.

Disclosure of Portfolio Information. Adviser sometimes provides portfolio holdings information to entities that have been retained by fund investors to evaluate portfolio risk. Adviser provides this information in its sole discretion and reserves the right to cease providing the information at any time. Adviser will make reasonable efforts to preserve the confidentiality of the information by entering into confidentiality agreements, but Adviser cannot ensure that the entities to which we provide the information will fulfill their confidentiality obligations.

In the course of conducting due diligence, investors periodically request information pertaining to their investments and pertaining to us and our affiliates. Adviser may respond to these requests and may provide information that is generally not made available to other investors.

#### **Buying or Selling Securities Adviser Recommends to Clients or Purchases for Client Accounts.**

Adviser, its affiliates, and their respective personnel, may invest in the Funds, and in securities or other assets in which the Funds or other clients invest, subject to applicable law and the Codes of Ethics of the Registered Fund and of the Adviser. Under certain circumstances, the compliance department will work with the Firm's partners, outside legal counsel, and other advisors, in order to structure investment alternatives which will allow the Firm's partners to diversify their investments. These opportunities may include investment

funds, exclusively for them, handled by outside managers or other pre-approved investment opportunities. It may also include the purchase of the stocks or bonds of blue chip companies to be held long-term as an investment. The details of this arrangement will be documented in writing. Their ongoing oversight and review will be monitored by the compliance department.

The Firm affiliates, principals, employees and/or related persons may invest in units of real property that are owned by clients as part of their real estate investments. The Firm's employees may be permitted to invest along-side in real estate co-investment opportunities afforded to clients provided that all such clients have first received what the Firm believes to be a "full" allocation. The Firm seeks to address these conflicts in part through disclosure in the Brochure.

From time to time, the Firm and/or its principals donate to charitable organizations that are supported by Clients and/or are supported by an individual employed by one of the Firm's Clients. In general, those donations are made in response to requests from Clients or their personnel. In the case of donations being made by the Firm, such contributions are generally approved by senior management.

#### Item 12. Brokerage Practices

The Adviser or its related Group entities make all of the decisions to buy and sell securities for their respective clients. The Funds, not the Adviser, pay the brokerage commissions. The primary consideration in placing portfolio securities transactions with broker-dealers for execution is to obtain, and maintain the availability of, execution at the best net price available and in the most effective manner possible.

Where permitted by applicable law, the Adviser and its related entities may combine orders for different Funds or accounts for execution together as a batch or block trade. If the execution occurs at multiple prices, often the average price will be allocated to each Fund or account that participated in the order. This is done to obtain favorable execution, including access to lower commissions and better pricing on the orders. If the order is not filled in full, the Adviser and its related Group entities will allocate the partially-filled order among the participating Funds or accounts in a manner consistent with applicable law and in a manner designed not to systematically favor or disfavor any accounts (unless required by law). Funds or accounts that do not participate in the batch or block trade that are separately executed generally will not receive the same price or be charged the same brokerage commissions as those combined in the large batch or block trade, and their execution price and brokerage fees often will not be as favorable as those obtained in the large block or batch trade.

Certain brokers and dealers selected by the Adviser or its affiliates provide or may agree to provide the Adviser or its affiliates with soft dollar credits which the Adviser and its affiliates may use to purchase certain brokerage and research and other services. These services or products would otherwise only be available to the Adviser for a cash payment. To the extent that the Adviser utilizes commissions to obtain items that would otherwise be an expense of the Adviser, such use of commissions could be viewed as additional compensation to the Adviser. This may create a potential conflict of interest between the Adviser's fiduciary duty to operate the Funds and client accounts in the best interest of the Funds and the desire to receive or direct these soft-dollar benefits. As a result of receiving such services or products, the Adviser has an incentive to use, and to continue to use, such brokers and dealers to effect transactions for the

accounts over which the Adviser or its affiliates exercise trading discretion so long as such brokers and dealers continue to provide such soft dollar credits to the Adviser.

The soft dollar arrangements may entail the provision of internal and external investment research services, investment strategies, special execution capabilities, clearance, settlement, custody or other services including communications and data processing and other similar equipment and services, and the furnishing of stock quotation information. Research services may include, among other things, research concerning market, economic and financial data, statistical information, data on pricing and availability of securities, financial publications, electronic market quotations, performance measurement services, analysis concerning specific securities, companies or sectors, and market, economic and financial studies and forecasts. Research services may be in written or oral form or on-line. Some brokers have other material relationships with the Adviser. Adviser can determine the amount of these brokerage payments based the value of the relationship, and the determination may have subjective elements. Any such brokerage and research services may be used for the benefit of any or all accounts managed by the Adviser and its affiliated advisers, and the brokerage and research services will not necessarily be used for the benefit of all accounts equally or for the accounts whose brokerage transactions generated the soft dollar credits. In fact, a Fund can, on occasion, pay higher commissions without receiving any benefit. Such allocation is in such amounts and proportions as the Adviser or its related advisers determine in their sole discretion. The Adviser or its related York Group entities are authorized to pay any broker who provides such brokerage, research, or other service a commission for executing a transaction that is in excess of the amount of commission that broker or another broker would have charged for effecting that transaction if the Adviser or its related entities determine in good faith that such amount of commission is reasonable in relation to the value of the brokerage, research and other services provided by such broker.

The Adviser intends that all its soft dollar expenditures fall within the 28(e) "safe harbor". Some items are deemed "mixed use" in that they are partially within the so-called "safe harbor" and partially outside. For those items, the Firm uses its discretion and best efforts to allocate the expenses according to what is deemed within and outside of 28(e). The Firm's U.K. trading department generates soft dollars which are used to pay for research in accordance with FSA regulations. On occasion, Adviser enters into commission sharing arrangements whereby soft dollars, which have been generated, are paid to brokers who have provided research services in the past, in lieu of trading with those brokers.

In addition, the Adviser's affiliate based in the United Kingdom generates soft dollars that are used to pay for research in accordance with UK Financial Conduct Authority regulations.

See the attached list of the Firm's soft dollar expenditures.

On some occasions, Adviser and its related entities may separate orders and send them to different executing brokers. This may result in two separate batch or block trades at approximately the same time for the same securities, which may be executed at different prices or at different brokerage commission rates from one another. This may result in less favorable pricing or commission rates than if they had been content in using block or batch trades for execution.

On occasion the Adviser may "step out" or "step in" or send part or all of a commission to a broker who is not the executing broker. On these transactions, the Fund may not be paying the lowest commission rate.

Adviser personnel may receive or give certain gifts and gratuities from or to broker-dealers or other persons with whom Adviser, its affiliates or the Funds do business (including Funds portfolio brokers). This may include such things as tickets to sporting events, or the theater, meals and other entertainment, transportation, attendance at seminars or other educational, training or informational events, logo items and other items of small value, gifts associated with life events such as birthdays, weddings, anniversaries, and other gifts of more substantial value. Receipt of such gifts and gratuities might be viewed as causing a conflict of interest for the Adviser in selecting brokers and dealers and other service providers.

### **Trade Error Policy**

Client account transactions may be effected on occasion in a manner that differs from what was intended for the account. Adviser reviews any trade errors that it discovers, on a case-by-case basis, and decides what corrective steps to take if any, after reviewing the error with one of the Firm's principals. **The funds often bear the gain or loss from an error. Investors should refer to their respective Fund's offering documents for more information regarding the handling of trade errors.**

#### Item 13. Review of Accounts

The Funds are reviewed daily by the portfolio manager responsible for that particular Fund. In addition, each Fund is reviewed regularly by the firm's Risk Management Committee, Compliance Department, and Chief Investment Officer. The Compliance Department also reviews and performs various tests on the Funds regularly, providing oversight and review of the trading activity and investment activity within each strategy.

Investors receive monthly capital account statements for their investments in each Fund. Additionally, investors receive monthly and quarterly written updates of the activity in their Fund and the relevant markets.

#### Item 14. Client Referrals and Other Compensation

The Adviser or the Funds or their affiliates may compensate broker-dealers for placement of investors in the Funds. The Adviser or the Funds or their affiliates may, from time to time, invest in a hedge fund which compensates broker-dealers for placement of investors in the Funds. The Funds may compensate third parties for referrals of clients to those Funds. The Funds are on the investment platforms of several large banks including Credit Suisse. Adviser may have placement agreements with these banks whereby the banks are compensated for investors they refer to the Funds. The Adviser and/or other Firm entities, or the Funds, may pay placement fees, certain expenses, and servicing fees to certain other broker-dealers or solicitors, acting as placement agents that place investors for the Funds, as described in the offering documents of the relevant Funds, that may be based on a percentage of the assets initially invested, or remaining invested over time, from the investor, or based upon fees received by Adviser, in respect of shareholders placed by that placement agent.



On occasion, the Adviser executes transactions with prime brokers that sponsor events, meetings or other communications between potential investors and us. These capital introduction services are provided incidental to other brokerage services. Sometimes, Adviser pays to attend conferences, seminars and other events that are attended by prospective investors, but are not specifically designed as capital introduction events. Furthermore, broker-dealers or their affiliates may introduce us to prospective investors and will continue to have business relationships with, and execute brokerage transactions on behalf of the funds. Certain counterparties have established platforms to allow their clients to invest in our funds through feeder funds. The Adviser may pay the platform sponsors out of the fees we receive from funds with respect to the assets invested through each respective platform.

Item 15. Custody

The Adviser may be deemed to have constructive custody of certain client assets pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the “Custody Rule”), as a result of fee payments or the service of its affiliates as general partners to private investment partnerships or otherwise. Actual custody of funds and other client assets, however, is at a qualified custodian, not at the Adviser. Currently, the qualified custodians utilized by the Adviser for the Funds’ cash and securities comprising the assets of the Funds are Goldman Sachs & Co., JP Morgan Chase Clearing Co., State Street Bank and Trust Company, UBS, LLC., Credit Suisse Securities USA, and Morgan Stanley, Inc. except as otherwise disclosed in the disclosure documents for a particular Fund, or as otherwise directed in the case of the managed accounts.

On occasion, some assets or certificates will not be accepted by the qualified custodians and such assets or certificates will be custodied by the Adviser in accordance with applicable SEC guidance.

To ensure compliance with the Custody Rule, the Adviser reasonably believes that all investors in the Funds will be provided with audited financial statements for the respective Funds, prepared by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board, in accordance with International Financial Reporting Standards, within 120 days of the end of the respective Funds’ fiscal years. In addition, investors receive capital account statements on a monthly basis, directly from the Adviser’s administrator, State Street Corp. Investors should carefully review such audited financial statements and capital account statements.

The Firm runs a CLO which has its assets custodied at U.S. Bank.

The Adviser’s use of qualified custodians is reviewed periodically and may change without notice.

Item 16. Investment Discretion

The Adviser exercises investment discretion over all of the Funds and accounts that it manages. Investors in the Funds do not have the ability to impose limitations on the Adviser’s discretionary authority. This authority is established through the subscription documents completed and signed by each investor prior to investing in the fund. Prospective investors in the Funds are provided with offering documents prior to their investment and are encouraged to carefully review the

offering documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk.

For individual accounts, the Adviser's investment authority is fully set forth in each account's investment management agreement, which must be fully executed prior to the Adviser providing advisory services to such accounts.

#### Item 17. Proxy Voting

The Adviser has adopted proxy voting policies and procedures, to guide the Adviser's exercise of this responsibility on behalf of the Funds and other clients. Information on the proxy voting record of the Adviser is available upon request. The Firm uses the vendor Institutional Shareholder Services ("ISS") to help track and document proxy votes. Each portfolio manager reviews the specific issue and votes in accordance with what he believes to be the best interests of the Funds. Usually, this vote is with management.

Funds advised by the York Group entities and separate accounts are supervised by certain members of the management team at Adviser, which may include members of the Investment Committee. In each case, the voting is subject to the advisory agreements of the respective Funds and managed accounts. With respect to shareholder governance, covenants, social issues and other votes, it is the policy of Adviser to discuss each of these votes and issues internally in order to determine its position on a case by case basis. Adviser may, upon occasion, delegate, pursuant to its approved voting procedures, the right to vote on particular issues to the individual monitoring that investment.

The Adviser has in place procedures to identify conflicts it may have in voting proxies. In the event of a conflict, Adviser may abstain from voting if the vote is not likely to be affected; retain a disinterested third party adviser to advise on the vote; vote the shares in proportion to other "yes" and "no" votes received by the issuer; or take such other actions, as may be appropriate in the particular context.

Investors may obtain a copy of Adviser's proxy voting policies and proxy voting records by contacting the Adviser's Chief Compliance Officer at 212-300-1372.

#### Item 18. Financial Information

The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial conditions reasonably likely to impair its ability to meet contractual commitments to its Funds or investors, and has never been the subject of a bankruptcy petition. As such, the Adviser has nothing to disclose pursuant to this Item.

#### Item 19. Management Persons

The following is a list of Adviser's management personnel:

James G. Dinan was born in 1959. He received a B.S. in Economics, *summa cum laude*, from the Wharton School of the University of Pennsylvania in 1981 and an M.B.A. from the Harvard

Business School in 1985. Since 1991, Mr. Dinan has been involved with the management of investment Funds, including but not limited to York Capital Management, L.P., York Credit Opportunities Funds, L.P., York Global Value Partners, L.P., and related non-U.S. investment Funds. He is a member of the Firm's Investment Committee.

Daniel A. Schwartz was born in 1967. He joined Mr. Dinan in 1993 in the business of the management of investment Funds, and became a member of the managing partner of certain general partnerships which are Adviser's related persons ("Managing Partner") in 1996. Mr. Schwartz received a B.A., *magna cum laude*, from Yeshiva University and an M.S. in Industrial Engineering from Columbia University. He is a member of the Firm's Investment Committee.

Jeffrey A. Weber was born in 1965. He is the President of the Adviser, having joined York in October 2004. From 1992 to 2004, he managed William A.M. Burden & Co., L.P., most recently as its President and Chief Executive Officer. Mr. Weber received a B.A., *cum laude*, from Williams College and an M.B.A. from Harvard Business School.

William Vratatos was born in 1969. Bill joined York Capital Management in January 2002 and is a Partner of the Firm. Bill is a Co-Portfolio Manager of the York Credit Opportunities and York Distressed Mortgage funds. From 1997 to 2002, he worked at Georgica Advisors LLC as a Portfolio Manager specializing in media and communications equities and distressed securities. From 1995 to 1997, he rejoined Morgan Stanley & Co., Inc. as an investment banker, where he worked for two years prior to attending business school. Bill is currently a member of the Board of Directors of The Buckley School and is a member of the Board of the Museum of the City of New York. Bill received a B.A. in English from Dartmouth College and an M.B.A. from Harvard Business School.

Michael Y. Weinberger was born in 1975. Michael joined York Capital Management in July 2000 and is a Partner of the Firm. Michael is a Portfolio Manager of the York Select funds. From 1996 to 1998, he was an investment banker at Lehman Brothers Inc. Michael is currently President of Sinai Schools, where he has also served on both the Board and Executive Board. Michael received a B.S. in Finance from the Wharton School of the University of Pennsylvania and an M.B.A. from Harvard Business School.

Christophe Aurand was born in 1971. He is a Senior Managing Director and the Chief Investment Officer, York International. Mr. Aurand studied international finance and financial markets at Ecole Supérieure de Commerce de Reims in Reims, France and received an M.B.A. with Honors from the Wharton School of the University of Pennsylvania.

Zalman Jacobs joined York Capital in March 2008 and is a Senior Managing Director, Co-Head of Private Equity at York Capital. Prior to joining York Capital, he worked at Leucadia National Corporation, where he co-led an investment group for the past eleven years. Previously, Zalman worked as a Vice President at The Carlyle Group. Prior to that, he was a Vice President at the Giza Group in Tel Aviv, Israel, and a corporate attorney at Davis, Polk & Wardwell. Zalman currently is a member of the Board of Managers, in his capacity as a York employee, of PL Manufacturing LLC. He received a B.A. in History, *magna cum laude* and *Phi Beta Kappa*, from Columbia College and a J.D. from Harvard Law School.

Luis Medeiros joined York Capital in March 2008 and is a Senior Managing Director, Co-Head of Private Equity at York Capital and a partner of the Firm. Prior to joining York Capital, he worked at Leucadia National Corporation, where he co-led an investment group for the past eleven years. Previously, Luis worked as a Principal at The Carlyle Group. Prior to that, he was

a senior executive at The Artery Organization, a major Washington, DC real estate development, construction and management firm. Before that, Luis was a Manager of Taxation at Coopers & Lybrand specializing in structured transactions. Luis received a B.S. in Accounting from the University of Maryland and an M.B.A. from The George Washington University.

David Damast was born in 1977. He joined York Capital in July 2006 and is a partner of the Firm. Prior to joining York, he worked as an associate in the mergers and acquisition department at Morgan Stanley. Previously, David held various positions in the investment banking division at Morgan Stanley. David received a B.S. in Economics from The Wharton School and an M.B.A. from the Harvard Business School.

Christian Reyntjens joined York Capital in March 2004 and is a Partner of the Firm, based in London, focusing on European investments. Christian is also the Portfolio Manager of the York European Opportunities Fund and European Focus Funds. From 2000 to 2004, he worked at Merrill Lynch & Co., Inc. as an investment banker in the Mergers and Acquisitions Group. Christian received an M.S. in Banking and Finance from HEC Lausanne, Switzerland and a B.S. and M.S. in Management Engineering, *cum laude*, from the Catholic University of Leuven, Belgium.

Jeanne Manischewitz joined York Capital Management in March 2005 and is a Partner of the Firm, focusing on credit investments. From 2002 to 2005, Jeanne worked as a Senior Credit Analyst and Trader at Moore Capital Advisors LLC. From 1998 to 2002, she was a Vice President and Distressed Credit Analyst at Halcyon Partnerships. For the two years prior, she was an investment banker at Salomon Smith Barney Holdings Inc. Jeanne received a B.A. in Philosophy from Princeton University.

Masahiko Yamaguchi joined York Capital Management in July 2007 and is a Partner of York Capital Management Asia (HK) Advisors Limited. Masa is a Co-Portfolio Manager of the York Asian Opportunities and York Asian Event-Driven UCITS funds. Prior to joining York, he worked on event driven, value and risk arbitrage investments across Asia at Citadel Investment Group, based in Tokyo. Previously, he worked as an investment banker at Morgan Stanley in Tokyo. Masa received a B.A. from Keio University.

Ronald Sofer joined York Capital Management in February 2007 and is a Partner of York Capital Management Europe (UK) Advisors LLP. Ron is a Co-Portfolio Manager of the York European Focus funds. Prior to joining York, he worked as an investment banker at Morgan Stanley in the European Financial Sponsors Group and the European Financial Institutions Industry Group. Ronald is a graduate of Balliol College, Oxford University with a B.A. Honors Degree and an M.A. in Modern Language.

Matthew Bonanno joined York Capital Management in July 2010 and is a Partner of the Firm. Prior to joining York Matthew was at the Blackstone Group where he worked as an Associate focusing on restructuring, recapitalization and reorganization transactions. Prior to joining the Blackstone Group, Matthew worked on financing and strategic transactions at News Corporation and as an Investment Banker at JP Morgan and Goldman Sachs. Matthew received a B.A. in History from Georgetown University and an MBA in Finance from The Wharton School of the University of Pennsylvania.

Akbar Rafiq joined York Capital Management in June 2011 and is a Partner of York Capital Management Europe (UK) Advisors LLP. Akbar is a Co-Portfolio Manager of the York European Distressed Credit funds. Prior to joining York, Akbar worked as a Vice President and Senior

Distressed Debt Analyst at Deutsche Bank AG, London. Previously, Akbar held various positions in the investment banking division at Bear, Stearns and Co. Inc. In addition, Akbar worked as an Associate for a private equity firm, Alta Communications. Akbar received a B.A in Economics from the University of Rochester and an M.B.A from the London Business School.

John Fosina was born in 1959. He is a Managing Director and Chief Financial Officer of the Adviser, having joined the Firm in April 2010. Previously he spent 24 years at Merrill Lynch in a variety of senior finance and administrative roles. Among other positions, he was the Merrill Lynch Corporate Controller and Principal Accounting Officer. He received his B.S. in accounting from Wake Forrest University and is a Certified Public Accountant.

Richard P. Swanson was born in 1955. He joined York Capital Management in January 2012 and is a Managing Director and the General Counsel of the Firm. Richard is a member of the Firm's Executive and Operating Committees. Prior to joining York, Richard spent several years as a Partner with the law firm Arnold & Porter LLP in its Securities Litigation and Enforcement department. Previously, he was a Partner at Thelen Reid & Priest. Richard has represented York since the Firm's inception. Richard is also a Trustee of the New York County Lawyer's Association, as well as the past chair of its Committee on the Supreme Court. He is also a past co-chair of ALI-ABA's Accountants' Liability, Sarbanes-Oxley and Corporate Governance programs and a past chair of the New York State Bar Association's Committees on Securities and Federal Legislation. Richard is a Trustee of BRC, a homeless services organization, and a past chair of the Wesleyan Alumni Fund. Richard received his B.A. from Wesleyan University and his J.D. from Harvard Law School.

Mark D. Schein was born in 1966. He is a Managing Director and Chief Compliance Officer of the Adviser, having joined the Firm in January 2005. Previously, he spent three years at U.S. Trust Company and Schwab Capital Markets, where he was director of broker-dealer compliance and anti-money laundering compliance, respectively. Previously, he worked for six years as an assistant district attorney in Bronx County and five years as trial counsel in the NYSE enforcement division. He received his B.A. in Economics and American Studies from Williams College and J.D. from Vanderbilt Law School.

Item 20.        Soft Dollar Vendors

The following is a list of vendors the adviser is currently paying for using soft dollars. This list is not be all-inclusive and may be different from prior or future soft dollar lists included in the Form ADV. It is subject to change without notice.

Bloomberg Finance LP	Thomson Reuters Financial
Debtwire	Buckingham Research
ABR Investment Strategy LLC	Cleveland Research Co.
TSX, Inc. (Toronto Stock Exchange)	NYSE Market, INC.
Options Pricing Reporting Authority	Elevation
Street Account, LLC	Hedgeye Risk Management
Wall Street Source	The Deal, LLC
Trade the News	S & P Capital IQ
DealReporter	Gavekal Research
Blaylock Beal Van, LLC	FTSE International Ltd.
Perfect Information, Ltd.	Borsa Italiana
Standard & Poor's	Dow Jones- Daily Bankruptcy Review
Dow Jones & Co.	32 Advisors
Vessels Value Ltd	Thomson 3000 Xtra
Dow Jones International	Thomson One Investment Analysis
Trepp Management Services	HM Global Capital LLC
London Stock Exchange	Data Explorers
Howard Weil	IDC

ITG

JMP

JNK Securities

New street Research LLP

OTR Global

ROE equity Research

US Capital Advisors

BBSP

Covenant Review LLC

TMX Group

S & P Ratings Direct

Robert Willens Consulting

Some additional brokers and research providers are paid with soft dollars through a standard commission sharing arrangement with our soft dollar broker. These brokers are not listed above.