

Octagon Credit Investors, LLC

Form ADV, Part 2A
(the “Brochure”)

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This Brochure provides information about the qualifications and business practices of Octagon Credit Investors, LLC (“Octagon”). If you have any questions about the contents of this Brochure, please contact us at (212) 400-8400 or mjulian@octagoncredit.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Octagon also is available on the SEC’s Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov.

Octagon may refer to itself as a “registered investment adviser.” You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Item 2: Summary of Material Changes

This Item 2 discusses only material changes made to this Form ADV Part 2A (“Brochure”) since the annual updating amendment to this Brochure filed March 31, 2015.

This Brochure has been updated to reflect that certain separately managed accounts advised by Octagon may invest in collateralized loan obligation (“CLO”) investments and related CLO warehouse vehicles, and that Octagon may receive a performance-based fee for certain separately managed accounts.

Previous versions of this Brochure included disclosures related to Octagon Credit Opportunities, LLC (“OCO”), as a relying adviser of Octagon and sub-adviser of a portion of a Private Fund managed by Octagon. OCO no longer acts as sub-adviser or advises clients, and accordingly references to OCO as a relying adviser have been removed from this Brochure.

This Brochure has been changed due to the re-establishment of an information barrier between Octagon and CCMP Capital Advisors, LLC (“CCMP”), which did not exist in the previous version of this brochure.

Important Note about this Brochure

This Brochure is not:

- ***an offer or agreement to provide advisory services to any person***
- ***an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund (as defined below)***
- ***a complete discussion of the features, risks or conflicts associated with any Fund or advisory service***

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), Octagon provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Fund, together with other relevant governing documents, such as the Fund’s offering or private placement memorandum, prior to, or in connection with, such persons’ investment in the Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of Octagon, persons who receive this Brochure (whether or not from Octagon) should be aware that it is designed solely to provide information about Octagon as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant governing documents. More complete information about each Fund is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by Octagon. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents, the relevant governing documents shall govern and control.

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ITEM 4: Advisory Business

The Firm

Octagon is an investment adviser that focuses on the management of performing, below investment grade corporate debt, including leveraged loans and high-yield bonds, and CLO debt and CLO equity securities. Octagon also invests in stressed and distressed corporate debt on behalf of certain clients, consistent with a client's investment objectives and restrictions. Octagon was founded in 1994 as a business unit of Chemical Bank a (predecessor of JPMorgan Chase & Co.) to create an asset management capability for below investment grade debt investments. Octagon was incorporated in December 1998, separated from The Chase Manhattan Corporation in 1999 and has been independently operated since 1999. CCMP Capital, LLC, the parent company of CCMP Capital Advisors, LLC ("CCMP"), a private equity investment firm, purchased a majority ownership interest in Octagon in July 2008. CCMP Capital, LLC has transferred its interests in Octagon to an affiliated holding company, CCMP Capital Octagon Holdings, LLC. Octagon is not a portfolio company of any private equity fund managed by CCMP. Employees of Octagon currently own approximately 35% of Octagon.

Firm Overview

Octagon generally manages: (1) CLOs; (2) other pooled investment vehicles, including those sponsored by Octagon and by non-affiliated third parties (the "Private Funds," and, collectively with the CLOs, the "Funds"); and (3) separately managed accounts, structured in various entity types and forms, including trusts, partnerships, or limited liability companies (the "Accounts" and, together with the Funds, "Clients"). A Fund or Account may invest in another Fund, including interests issued by a CLO that is managed by Octagon.

As of December 31, 2014, Octagon managed client assets of approximately \$11,179,300,000, of which \$10,128,600,000 is discretionary and \$1,050,700,000 is non-discretionary.

Octagon's investment advisory services focus on corporate debt investments, including, but not limited to, senior secured or unsecured term loans, letters of credit, corporate debt securities (including investment and non-investment grade debt securities, high-yield debt securities and mezzanine debt securities), structured finance securities, including the equity and debt securities of CLOs that are managed by Octagon and other non-affiliated advisers and CLO warehouse vehicles of CLOs managed by Octagon. Octagon invests in both performing credits and distressed debt. Octagon may also utilize total return swaps, credit default swaps, interest rate swaps, foreign currency swaps, options, exchange-traded funds, short credit, and long and short equity investments, money market funds and cash equivalents such as U.S. government securities and commercial paper, and other instruments as determined by Octagon from time to time and permitted by each Client.

Private Funds may, but will not necessarily, employ a “master-feeder” structure for regulatory, tax or investment purposes. Generally, a master-feeder structure vests trading operations in one or more “master” funds while investors typically access the master fund(s) only through one or more “feeder” funds. These feeder funds, in turn, invest (directly or indirectly) in the master fund(s).

Except as otherwise described herein, investments for each Account are managed in accordance with the investment objectives, strategies, restrictions and guidelines communicated to Octagon by the Client or its representatives and as memorialized in an investment advisory contract or other materials (“Account Documents”). Investments for each Fund are managed in accordance with the Fund’s particular investment objectives, strategies, restrictions and guidelines and are generally not tailored to the individualized needs of any particular investor in a Fund. At inception, however, specific asset criteria (*e.g.*, credit quality, diversification) may be established for certain CLOs, sometimes in consultation with prospective CLO investors. Information about each Fund and the particular investment objectives, strategies, restrictions, guidelines and risks associated with an investment, is described in the governing documents (*e.g.*, offering or private placement memorandum, limited liability company agreement, indenture, investment advisory contract) of the Fund (“Governing Documents”), which are made available to investors only through Octagon, another authorized party or representative of an Account or third-party sponsored Private Fund. Since Octagon does not provide individualized advice to the investors (and an investment in a Fund does not, in and of itself, create an advisory relationship between the investor and Octagon), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

ITEM 5: FEES AND COMPENSATION

Compensation and Billing

CLOs

As compensation for its service as the collateral manager of the CLOs, Octagon generally receives a senior management fee, a subordinated management fee and a performance fee (collectively, the “Collateral Management Fees”). The senior management fee has a higher priority in a CLO’s priority of payment waterfalls whereas the subordinated management fee generally ranks below principal and interest payments to senior note holders in the payment waterfalls. Octagon will generally earn a subordinated management fee if over-collateralization and interest coverage tests have been satisfied for all senior CLO note holders. Octagon may also receive an additional management fee at closing of a CLO, subject to the CLO’s governing documents. The senior management fees and subordinated management fees are typically paid by the CLO or its trustee quarterly in arrears, in accordance with its Governing Documents. Performance fees are typically paid later in a CLO’s tenor by the CLO or its trustee in arrears if specific

internal rates of return thresholds are achieved. Please consult a CLO's Governing Documents for additional information regarding such Collateral Management Fees.

Private Funds

As compensation for its service as the investment manager of the Private Funds, Octagon generally receives a management fee. Octagon may, but will not always, receive a performance-based fee with respect to a Private Fund. Performance fees generally reflect the capital appreciation of a Private Fund and may include hurdle rates and/or high water marks. The management fees are typically paid quarterly in arrears. Please consult a Private Fund's Governing Documents for additional information regarding such fees.

Accounts

As compensation for its service as the investment manager of the Accounts, Octagon receives a management fee. Management fees, as well as the timing and manner of payment, are established on a case-by-case basis by Octagon and each client at the beginning of the client relationship. In certain instances, Octagon may also receive a performance-based fee reflecting the capital appreciation of investments that comprise an Account or a portion of an Account after meeting a hurdle rate and/or high water mark.

In no event will a Client pay fees six or more months in advance. To the extent fees are paid in advance, the Client will receive a *pro rata* refund if Octagon is terminated as investment manager prior to the end of a billing cycle. Please consult an Account's Account Documents for additional information regarding such fees. Management and performance fees for the Funds and Accounts may be reduced or waived with respect to certain investments by Octagon's or a related person's personnel, or for others in Octagon's discretion.

For an additional discussion regarding performance-based compensation, please refer to Item 6 – *Performance-Based Fees and Side-by-Side Management*.

Other Fees and Expenses

Clients (as well as, indirectly, any investors therein) may bear, in addition to the fees described above, other fees and expenses, including (1) costs and expenses with respect to any workout, restructuring, recapitalization, amendment, waiver or consent of or with respect to certain investments and the protection or enforcement of rights thereunder; (2) costs and expenses in connection with the acquisition of director and officer insurance; (3) legal, custodial, accounting and related costs and expenses; (4) pricing service costs incurred in valuing investments; (5) expenses incurred in obtaining credit ratings on investments; (6) out-of-pocket travel costs and related expenses incurred in connection with the management of certain investments or Fund offerings including, but not limited to, travel expenses in connection with attendance at Advisory Committee meetings and annual meetings of general and limited partners of a Client; (7) all taxes imposed on a Client and all litigation expenses (and any judgments or settlements paid in connection therewith) and other extraordinary expenses; (8) the costs of forming and maintaining any

alternative investment vehicle and (at the discretion of the general partner of a Client) the costs of maintaining any other pooled investment vehicle through which to invest in the Client (*e.g.*, feeder funds, offshore funds and funds established for employees and former employees); (9) insurance costs; (10) interest and commitment fees payable in connection with credit facilities made available to a Client; (11) fees of outside auditors and tax preparers and the costs of preparation of the books and records and tax returns of a Client, including periodic reports to limited partners, and fund administration service provider expenses; (12) costs of liquidation and termination of a Client; (13) all other costs incurred in connection with the administration of a Client or otherwise that may be authorized by Fund Governing Documents, Account Documents, partnership agreements or approved by a majority in interest of the limited partners or an advisory committee; (14) any other expenses actually incurred on behalf of the Funds and Accounts and paid by Octagon in connection with the management of certain investments; and (15) certain other fees and expenses that may be authorized under a Fund's Governing Documents or an Account's Account Documents. For a more complete discussion of transactions costs that may be incurred, please refer to Item 12 – *Brokerage Practices*.

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

Performance-based compensation will be paid in accordance with Section 205(3) of the Advisers Act or Rule 205-3 thereunder.

“Side-by-side management” refers to the simultaneous management of multiple types of client accounts and/or investment products. For example, as discussed above, Octagon manages the CLOs, Accounts and Private Funds, which may follow similar, complementary or competing investment objectives, policies or strategies. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for Octagon and its employees and affiliates, including, as discussed below, the incentive to favor certain accounts with performance-based fees or accounts that generate multiple levels of fees (*i.e.*, when fee earning Clients invest in Octagon managed CLOs) or accounts in which Octagon and its related persons have a pecuniary interest. Employees of Octagon and CCMP, including persons who serve on Octagon's investment committees or act as portfolio manager to various Clients, may invest in Funds (including funds managed by CCMP), or may take interests in a Fund's general partner and thus participate in the performance fees or “carried interest” paid to the general partner by that fund. Accordingly, Octagon, CCMP, and their respective affiliates and personnel, including persons involved in the management of one or more Clients, may have differing pecuniary interests with respect to different Clients. These persons may have an incentive to favor those Clients in which they have greater pecuniary interests. See Item 10 – *Other Financial Industry Activities and Affiliations*.

Conflicts of Interest Associated with Performance Fees and Side-by-Side Management of Accounts

Allocation

Octagon and its related persons have an incentive to allocate investment opportunities based on pecuniary interest. As discussed in Item 5 – *Fees and Compensation*; Item 11 – *Code of Ethics, Participation in Client Transactions and Personal Trading*; and Item 12 – *Brokerage Practices*, Octagon and its related persons may: (1) be entitled to a performance fee; and (2) directly or indirectly maintain investments in one or more Funds or Accounts. Octagon and certain of its personnel are also eligible to receive performance-based compensation in their capacity as the investment manager, general partner or managing member of certain Clients. Accordingly, Octagon and its personnel face a conflict of interest when considering how to allocate investment opportunities among accounts having different fee structures or pecuniary interests. Through its trade allocation policies and procedures and Code of Ethics, Octagon seeks to promote fair and equitable treatment of accounts, over time, based on considerations that are unrelated to pecuniary interests, which mitigate any actual or potential conflict of interest that may exist with respect to, for example, Octagon’s allocation of time, resources and investment opportunities to the Clients that have performance-based compensation arrangements over those Clients that: (1) do not have performance-based compensation arrangements or, if applicable, (2) are not expected to pay performance-based compensation (*e.g.*, with respect to a CLO, when a specified internal rate of return has not been, or is not expected to be, achieved). Allocations of investment opportunities among Clients may be impacted by an agreement with a Client to provide best efforts in obtaining certain types of investments for such Client.

Speculative Investments

The existence of a performance fee may also create an incentive for Octagon to make or recommend more speculative investments on behalf of certain Client accounts than it would otherwise make in the absence of such performance-based compensation. However, certain Funds’ Governing Documents or Accounts’ Documents contain specific investment objectives, strategies, restrictions and guidelines, and, therefore, Octagon’s investment discretion, if any, to select such speculative investments may be constrained. This is particularly true with respect to the CLOs, where the relevant Governing Documents contain specific risk limitations (*e.g.*, diversification requirements, credit-quality limitations).

Valuation

Octagon’s compensation, including through its ownership interests in certain Clients’ Funds, Accounts’ and Clients’ general partners, may be reduced if Octagon determines to write-down the value of a portfolio investment, creating a disincentive for Octagon to do so. As a result, to the extent that Octagon values a portfolio investment higher than its current market value (or where such market values are unreliable), Octagon may benefit by receiving a management fee or incentive allocation that is increased by the impact, if

any, of such valuation discrepancy. Additionally, where an investor purchases or redeems interests in a Fund or Account at a net asset value (“NAV”) that is impacted by a discrepancy in valuation, such investor may receive a greater or lesser interest in (or increased or decreased redemption proceeds from) such Fund than would have been the case absent the discrepancy. Similarly, existing and continuing investors may be subject to dilution or accretion.

Octagon may have a role in determining asset values with respect to Clients and may be required to price an investment when the market price is unavailable or unreliable. Investments that are fair valued in accordance with Octagon’s valuation policies generally will not have reliable market values and the fair value assigned by Octagon to such investments, as determined in good faith by Octagon in accordance with its policies and procedures, may not match the next available and reliable market price or, in retrospect, have been the price at which the investment could have been purchased or sold.

Octagon’s valuation policies serve to mitigate this conflict. Octagon’s valuation policies are consistent with ASC Topic 820, requiring that Octagon assign a “fair value” to certain investments representing “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.” When there is not readily available market pricing information for an investment, Octagon personnel assign a price to the investment based on various factors and inputs and taking into account a variety of relevant pricing methodologies, which may include pre-determined valuation principles for certain investment types and the use of unaffiliated third party pricing services and, or third-party or proprietary valuation models. Because fair value pricing requires the application of judgment to establish a good faith approximation of the value of an asset as of the measurement date at the time the valuation is performed, fair valuation will not necessarily reflect the actual or empirical value of any asset as might be determined with the benefit of hindsight. Thus, the fair value assigned to an asset may not match the next available and reliable market price or, in retrospect, have been the price that would have been paid had that asset actually been sold on the measurement date.

ITEM 7: TYPES OF CLIENTS

As discussed in Item 4 – *Advisory Business*, Octagon manages CLOs, Accounts and Private Funds. The terms and conditions of Client accounts may vary depending on the type of services provided or the type of Client, and these terms and conditions may also vary from Client to Client. In each case, however, the client is required to execute a written investment advisory contract with Octagon. Investors in the Funds and certain Accounts are required to execute a subscription agreement that warrants to certain financial eligibility requirements. Furthermore, the Funds generally impose investment minimums for investors, as described in more detail in the Governing Documents for such Funds. However, in certain circumstances, including with respect to certain investments by Octagon and Octagon’s or a related person’s personnel, such investment

minimums may be reduced. Investment minimums for the Accounts are individually negotiated on a case-by-case basis.

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

Methods of Analysis and Investment Strategies

Octagon employs an investment process based on fundamental credit analysis and collaborative investment team input to identify relative value opportunities, while seeking to minimize downside risk and produce attractive risk-adjusted returns. Octagon's investment professionals identify investment opportunities in the credit markets through industry and company analysis supplemented by information from issuers, underwriters, agents, and sales and trading desks, as well as discussions with company management from time to time. In evaluating potential investments, Octagon focuses on, among other things, industry dynamics and competitive environments, performance history and prospects, investment sponsors and management, projected cash flow generation, quality and value of underlying collateral, downside protection, and relative value opportunities within an issuer's capital structure. Investments in CLOs, CLO warehouse vehicles, and other structured credit products incorporate Octagon's current views and forecasts of leveraged loan and high yield defaults, default recovery rates, loan prepayments rates, loan refinancing and repricing activity, and interest rates (especially LIBOR). Octagon also evaluates the CLO leverage, covenants, and overall structure and terms, as disclosed in the CLO indenture and governing documents. When investing in third-party managed CLOs, Octagon evaluates the Collateral Manager's track record, and investment philosophy. The investment decisions may also take into account the macroeconomic backdrop, technical supply and demand, liquidity, and political and regulatory influences. In connection with portfolio management decisions, portfolio managers take into account the investment guidelines of the Funds and Accounts, including monitoring tests and constraints, and the best interests of investors in conjunction with the investment views of Octagon. This may lead to different investment decisions for the same asset among the Funds and Accounts.

Octagon also invests in stressed and distressed opportunities in high-yield issuers for certain Clients consistent with the clients' investment objectives and restrictions. Octagon conducts fundamental credit and valuation analyses to identify potential stressed and distressed investment opportunities in companies it believes to have long-term, defensible business models at attractive enterprise values, consistent with a Client's risk-adjusted return hurdles for the respective investment. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Octagon will correctly evaluate the value of the assets underlying these investments or the prospects for a successful reorganization or similar action.

In some cases, upon identifying a potentially attractive target company, Octagon will seek to determine the company's "fulcrum security", (*i.e.* or the class of securities or other instruments in the capital structure that will emerge from a restructuring in control of the company's equity). Investing in the fulcrum security is intended to enable a Client to directly influence the outcome of a restructuring, including leading to a Client (by itself or with other interest holders) controlling the equity and the company, when appropriate. This may include joining an ad hoc or official creditor committee that will either influence or steer the company's reorganization plan.

A Client may also invest in a company's stressed or distressed debt securities or other instruments for possible price appreciation rather than to obtain a control position. In evaluating companies for potential investment, Octagon considers, among other things: cyclical downturns and subsequent liquidity pressures or other stresses that may result in the misallocation of corporate capital; the experience and quality of a company's management team; supplier pressures; structural changes within a company's industry; and other factors relating to a company's vulnerability to bankruptcy and ability to successfully reorganize its capital structure.

For certain Clients, a limited amount of assets may be committed, as a supplemental strategy, to certain short-term trading opportunities that seek near-term favorable price movements ("Trading Book Opportunities"). Trading Book Opportunities are sourced by traders and discussed with Octagon's other investment professionals and principals but are not subject to full investment committee review. As a result, there may be increased risk of loss with respect to such opportunities.

Investment Risks

Octagon's investment activities involve a significant degree of risk of loss that you should be prepared to bear. This section contains a discussion of the primary risks associated with Octagon's investment activities. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to a Fund or Account will depend on the nature of the Fund or Account, its investment strategy or strategies and the types of investments held by the Fund or Account.

While Octagon seeks to manage the Funds and Accounts so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved.

Clients and investors should be aware that mandates may be limited to certain types of investments (*e.g.*, leveraged loans, high-yield bonds, CLO debt, CLO equity) and may not be diversified. The Funds and Accounts are generally not intended to provide a complete investment program and Octagon expects that the assets it manages do not represent all of the Client's or investor's assets. Clients and investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

Risks Applicable to the Performing Loan Business

Interest Rate Risk – Debt instruments are subject to interest rate risk. 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 obligations) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments may be negatively impacted by falling interest rates, 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. Interest rate risk is generally greater for investments with longer duration. Interest rates in the U.S. are at or near historic lows, which may increase a Client’s exposure to risks associated with rising interest rates. Rising interest rates may also lead to decreased liquidity in the markets, making it more difficult to sell certain debt instruments.

Prepayment Risk – The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Floating rate issuers and borrowers tend to prepay their obligations when spreads narrow. In general, “premium” obligations (obligations whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” obligations (obligations whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. It may also be difficult to reinvest at similar risk-adjusted returns.

Foreign Exchange (FX) Risk – If a Client invests directly in non-U.S. currencies or in obligations of issuers that are denominated in, or receive revenues in, non-U.S. currencies, or in derivatives that provide exposure to non-U.S. currencies, such Client will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of such investments. Currency rates in non-U.S. countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or non-U.S. governments, central banks or supranational entities (*e.g.*, International Monetary Fund), or by the imposition of currency controls, or the international balance of payments and other economic and financial conditions or other political developments in the United States or abroad. Consequently, a Client’s investment in non-U.S. currency-denominated obligations may reduce the returns of such Fund or Account. Octagon and its Clients may rely on CFTC “de minimis” exemptions or other exemptions in accordance with

Commodity Futures Trading Commission (“CFTC”) rules and regulations that may reduce Octagon’s or the Clients’ ability to hedge currency exchange risks.

Sovereign Risk – Clients may invest in certain non-U.S. debt instruments. Accordingly, the status, interpretation and application of the laws of a non-U.S. jurisdiction, or any changes thereto, may decrease the value of such investments. The value of these investments may also be adversely affected by the overall economy and financial market of a non-U.S. jurisdiction, as well as the actions or inactions of a governmental entity in such jurisdiction. Moreover, the conditions in one country or geographic region could adversely affect investments in a different country or geographic region, including the United States, due to increasingly interconnected global economies and financial markets.

Leverage Risk – Losses incurred on leveraged investments will increase in direct proportion to the degree of leverage employed. The Funds and Accounts will also incur interest expense on the borrowings used to leverage its positions. The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls, depending on a Fund’s or Account’s structure. To the extent the assets have been leveraged through the borrowing of money, the purchase of investments on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the portfolio fail to cover such costs, the Net Asset Value of the leveraged instrument may decrease faster than if there had been no borrowings. Moreover, to the extent Octagon can adjust leverage levels, Octagon could increase (or decrease) leverage at times when it is not advantageous to do so and, as a result, the value of your investment can decrease.

- CLOs: The leverage level is generally fixed at the outset of the respective CLO but varies during the life of the CLO based upon realized losses and gains.
- Accounts: Typically, Octagon’s separately managed accounts do not utilize leverage but are not precluded from doing so. Accounts that hold CLO equity and debt securities and CLO warehouse vehicle investments are affected by the leverage employed by such CLOs or CLO warehouse vehicles. The level of leverage may increase the risk of loss of the CLO investments.
- Private Funds: Certain Private Funds can adjust leverage levels based upon market outlook and other factors. In addition, Private Funds that hold CLO equity and debt securities and CLO warehouse vehicle investments are affected by the leverage employed by such CLOs or CLO warehouse vehicles. The level of leverage may increase the risk of loss of the CLO investments.

Risks Applicable to Both the Performing Loan Business and Non-Performing Loan Business

Credit Risk – Debt instruments are subject to credit risk. Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on an instrument. Financial strength and solvency of an obligor 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 life of an instrument and debt instruments that are rated by rating agencies are often reviewed and may be subject to downgrade. The value of a debt instrument may decline because of concerns about an obligor's ability to make principal or interest payments.

Counterparty Risk – Clients are subject to credit risk with respect to the counterparties to certain swaps, derivatives or other investment contracts, as well as other investments, such as loans. If a counterparty to such an investment becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, trade term disputes or other reasons, Clients may experience significant delays in obtaining any recovery under the investment. Moreover, Clients may obtain only a limited recovery or may obtain no recovery in such circumstances. Certain standardized swaps are subject to mandatory clearing, and more are expected to be in the future. The counterparty risk for cleared derivatives is generally lower than for uncleared derivatives, but cleared contracts are not risk-free.

General Market and Economic Conditions – General economic conditions may affect a Client's activities. Changing economic, political, regulatory or market conditions, interest rates, general levels of economic activity, the price of securities and debt instruments and participation by other investors in the financial markets may affect the value and number of Investments made by the Client or considered for prospective investment. The value of Investments may fluctuate in accordance with changes in the financial condition of portfolio companies and other factors that affect the markets in which the Client invests. Economic, political, regulatory or market developments can affect a single obligor, obligors within an industry, economic sector or geographic region, or the market as a whole. Different parts of the market and different types of investments can react differently to these developments. Every investment has some level of market volatility risk. Economic slowdowns or downturns could lead to financial losses in the Client's investments and net assets of the Client. In addition, many portfolio companies may be similarly subject to the same economic conditions, which could adversely impact the Client's returns.

Possible Hedging Risk – While the Clients are primarily long, some Clients enter into interest rate and foreign exchange hedging subject to their investment restrictions and Governing Documents. Certain Funds may but are not required to, seek to minimize the risk of a decrease in the value of one or more investments by using certain hedging strategies subject to any limitation imposed by the de minimis exemption under CFTC Rule 4.13(a)(3) or any other exemption from registration under the Commodity Exchange Act applicable to the Fund at any time. Hedging techniques involve one or more of the following risks: (1) imperfect correlation between the performance and value of the instrument and the value of other investments or objectives of the Client; (2) possible lack of a secondary market for closing out a position in such instrument; (3) losses resulting from interest rate, spread or other market movements not anticipated by Octagon; (4) the possible obligation to meet additional margin or other payment requirements, all of which could worsen a Client's position; and (5) default or refusal to perform on the part of the counterparty with which a Client trades. Furthermore, to the

extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to applicable law.

Liquidity Risk – The Clients may from time to time invest in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments, which are assets which are subject to Rule 144A). There may be no trading market for these securities and instruments, and holders might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, funds may be required to hold such instruments and securities despite adverse price movements.

Market Volatility Risk – The value of a Client’s investments may decline due to changing economic, political, regulatory or market conditions. Economic, political, regulatory or market developments can affect a single obligor, obligors within an industry, economic sector or geographic region, or the market as a whole. Different parts of the market and different types of investments can react differently to these developments. Every investment has some level of market volatility risk.

Risks Associated with Bankruptcy Cases – Bankruptcy cases are adversarial and may be lengthy. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of Clients. If Octagon were determined to have taken over management and functional operating control of a debtor, it could lose its ranking and priority as a creditor. Reorganizations can involve substantial legal, professional and administrative costs, are subject to unpredictable and lengthy delays and, during the process, the company’s competitive position may erode, key management may depart and the company may not be able to invest adequately.

U.S. bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that Clients’ influence with respect to a class of investments can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

Octagon invests principally in securities and other financial instruments of North American (with a focus on U.S.) issuers and assets located in these regions, although Octagon may invest in securities and other financial instruments of other issuers domiciled, or assets located, elsewhere, particularly Europe. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. The law and process in such jurisdictions may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. While Octagon generally favors jurisdictions where it believes the rule of law is clear, well-developed

and respected, there can be no assurance that the outcome of bankruptcy or insolvency proceedings, particularly in jurisdictions outside the U.S., will result in a favorable outcome. In addition, as more and more companies conduct operations internationally, multi-jurisdictional bankruptcy or insolvency proceedings are increasing in prevalence and the foregoing factors may result in unique challenges that impact the potential recovery and timing thereof.

On behalf of one or more Clients, Octagon may elect to serve on creditors' committees, official or unofficial, equity holders' committees or other groups to ensure preservation or enhancement of such Client's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If Octagon concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to its Clients, it may be necessary to resign from that committee or group if such conflict cannot be appropriately resolved, and Clients may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if a Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

Public and Private "Side" Risk –Loans are negotiated, structured, administered and, as the situation arises, amended on the basis of the borrower providing its lenders with confidential information about the borrower's business. At times, such information may contain material, nonpublic information. As discussed in more detail in Item 10 – *Other Financial Industry Activities and Affiliations* (under the heading "Trading Restrictions Due to Material Nonpublic Information"), under applicable law, Octagon and its related persons are prohibited from improperly disclosing or using material, nonpublic information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a Client of Octagon. However, investors in loans may choose whether to receive borrower information that contains material, nonpublic information. Investors that choose to participate on the "private side" (*i.e.*, investors that choose to obtain borrower information that contains material, nonpublic information) generally may not purchase or sell (but may continue to hold) the securities of the borrower (*e.g.*, high-yield bonds, convertibles, equities) until such time as the information in Octagon's possession is no longer deemed material, nonpublic information. Octagon may participate on either the "private side" or "public side" (*i.e.*, choose to obtain borrower information that does not contain material, nonpublic information). However, if Octagon participates on the "public side" to avoid such trading restrictions, Octagon will not have access to borrower information that may be advantageous to a Client. Furthermore, other market participants could have possession of, and benefit from, such information.

Risks Applicable to the Non-Performing Loan Business

It is anticipated that certain loans purchased by an Octagon multi-strategy Private Fund will be non-performing and possibly in default at the time of purchase. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no

assurance as to the amount and timing of payments, if any, with respect to the loans. By their nature, these investments will involve a high degree of risk. Commercial and industrial loans in workout and/or restructuring modes or under the U.S. Bankruptcy Code and the bankruptcy or insolvency laws of other jurisdictions are subject to additional potential liabilities, which may exceed the value of the Client's original investment. For example, borrowers often resist foreclosure by asserting numerous claims, counterclaims and defenses against the holder of real estate loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure. Under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Client and distributions by Funds to their investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. In addition to being lengthy and expensive, foreclosure and bankruptcy proceedings may disrupt ongoing leasing and management of the underlying real property. While Octagon Clients generally focus on performing loans rather than on distressed or nonperforming loans, to the extent an Octagon Client holds a loan that stops performing, it would also be faced with this risk.

Participations Risk – Interests in loans may be acquired indirectly by purchasing a participation interest from a selling institution. Holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan. Participations in a selling institution's portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the holder will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, the holder generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the holder will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan.

Non-Diversification Risk – The concentration of investments in any one obligor would subject a Client to a greater degree of risk with respect to defaults by such obligor, and the concentration of investments in any one industry or country would subject a Client to a greater degree of risk with respect to economic downturns relating to such industry or country. Any concentration with respect to any particular obligor, industry or country could ultimately result in significant losses to a Client.

Allegations of Equitable Subordination – Under common law principles that, in some cases, form the basis for lender liability claims, certain actions by creditors may result in the subordination of the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, called equitable subordination. Because of the nature of certain distressed investments, a fund holding such investments could be subject to

allegations of lender liability and/or subject to claims from creditors of an obligor that investments issued by such obligor should be equitably subordinated. A significant number of a fund's investments may involve situations in which the fund will not be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims that affect a fund's investments could arise without the direct involvement of the fund.

Investments Longer than Term – Certain distressed investments, for various reasons, may not be capable of an advantageous disposition prior to the date the fund is required to be dissolved, either by expiration of the fund's term or otherwise. A fund may be required to sell, distribute in kind or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Uncertain Exit Strategies – Due to the illiquid nature of many distressed investments, as well as the uncertainties of the reorganization and active management process, Octagon is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

Control Position Risk – Certain distressed investment opportunities may allow a holder to have significant influence on the management, operations and strategic direction of the portfolio companies in which it invests. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a portfolio company could expose the assets of a fund to claims by such portfolio company, its securities holders and its creditors. While Octagon intends to manage each Private Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Insufficient Capital for Follow-On Investments – Following its initial investment in the securities or debt instruments of a portfolio company, a fund holding such investments may have the opportunity to increase its investment in such portfolio company. There is no assurance that the fund will make follow-on investments or that the fund will have sufficient resources to, or be permitted to, make such investments. Any decision not to make follow-on investments or inability to make them may result in missed opportunities or dilution of the investment. Additionally, if one fund has insufficient capital available to make any particular follow-on investment, other fund(s) advised by Octagon may make such investments which could have an adverse (or positive) effect on the first fund.

Participation on Creditors' Committees – Holders of distressed investments may participate on committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy or seek to negotiate directly with debtors with respect to restructuring issues. In situations where a fund

chooses to join creditors' committees, the fund would likely be only one of many participants, each of whom would be interested in obtaining an outcome that is in its individual best interests. There can be no assurance that participation on a creditors' committee will yield favorable results in such proceedings, and such participation may entail significant legal fees and other expenses. Participation on such committees may expose a fund to liability to other creditors.

Participation in restructuring activities frequently provides the participant with material nonpublic information that may restrict the participant's ability to trade in the company's securities or other debt instruments. Determination of whether information is material and nonpublic and how long knowledge of such information restricts trading is a matter of considerable uncertainty and judgment. While Octagon and its affiliates each intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, there may be circumstances where Clients trade in a company's securities or debt instruments while engaged in restructuring activities relating to that company. Such trading creates a risk of litigation and liability that may result in significant legal fees and potential losses. See Item 10 – *Trading Restrictions Due to Material Nonpublic Information*.

Risks Related to Specific Types of Investments

Below is a table of risks where an "X" indicates that a particular type of investment may be material to a Fund's or Account's investment strategy. If a box does not have an "X," it does not necessarily mean that a Fund or Account is precluded from investing in the type of investment indicated. If a box does have an "X," it does not necessarily indicate that every Client of that type utilizes the identified investment strategy.

Investment Class	CLOs	Accounts	Private Funds
Leveraged Loans	X	X	X
Fixed Income Investments	X	X	X
High-Yield Investments	X	X	X
Non-U.S. Leveraged Loans	X	X	X
Debtor-in-Possession (DIP) Loans	X	X	X
Derivatives	X		X
Structured Finance Obligations	X	X	X

Investment Class	CLOs	Accounts	Private Funds
Zero-Coupon & Deferred Interest Bonds	X		X
Options			X
Short Selling			X*
Futures		X	X
Bridge Financing			X
U.S. Government Securities		X	X
Cash Equivalents	X	X	X
Distressed Securities			X*
Minority Investments			X*
Investments in Less Established Companies			X*
Bankruptcy Claims, Trade Claims and Other General Unsecured Claims			X*
Equity Investments			X*

Leveraged Loans – Most Client portfolios are expected to consist of non-investment grade senior secured loans, notes, and bonds and interests therein that are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that any such investments will generally be subject to greater risks than investment grade corporate obligations. The prices of these investments may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, U.S. and non-U.S. economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of such investments. Additionally, non-investment grade senior secured loans, notes and bonds and interests therein have significant liquidity and market value risks since they are not traded in organized exchange markets but are traded by banks and other institutional counterparties. Furthermore, because such loans are

* Only in the case of a multi-strategy Private Fund.

privately syndicated and the applicable loan agreements are privately negotiated and customized, such loans are not purchased or sold as easily as publicly listed securities.

While loans are generally intended to be secured by collateral, losses could result from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. Octagon cannot guarantee the adequacy of the protection of a Client's interests. Furthermore, Octagon cannot assure Clients that claims may not be asserted that might interfere with enforcement of such Client's rights. In the event of a foreclosure, Clients may assume direct ownership of the underlying collateral. The liquidation proceeds upon sale of collateral may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

If a Client invests in a derivative or other investment contract with economic exposure to non-investment grade senior loans, notes, and bonds and interests therein, the Client is unlikely to have voting rights with respect to the underlying borrower, depending on the financing terms of the contract.

Fixed Income Investments – Fixed-income investments pay fixed rates of interest. The value of fixed-income investments will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income investments can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed-income investments are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

High-Yield Investments – Clients may invest in high-yield investments which may pay fixed, variable or floating rates of interest. High-yield investments face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt investments tend to reflect individual corporate developments to a greater extent than do higher-rated investments, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated investments. Companies that issue such investments are often highly leveraged and may not have available to them more traditional methods of financing. Major economic recessions could disrupt severely the market for such investments and may have an adverse impact on the value of such investments. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such investments to repay principal and pay interest thereon and increase the incidence of default of such investments. As with other investments, there may not be a liquid market for certain high-yield investments, which could result in Clients being unable to sell such investments for an extended period of time, if at all. In addition, as with other types of investments, the market for high-yield investments has historically been subject to disruptions that have caused substantial

volatility in the prices of such investments. Consolidation in the financial services industry has resulted in there being fewer market makers for high-yield investments, which may result in further risk of illiquidity and volatility with respect to high-yield investments, and this trend may continue in the future.

Non-U.S. Leveraged Loans – Clients may invest in obligations of non-U.S. obligors. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (1) less publicly available information; (2) varying levels of governmental regulation and supervision or changes in economic or monetary policy; (3) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws; (4) fluctuating currency exchange rates (see “*Foreign Exchange (FX) Risk*”, above); and (5) less liquid, developed or efficient trading markets. Moreover, non-U.S. obligors may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies.

Debtor-in-Possession (DIP) Loans – DIP loans are generally senior secured loans to companies that have filed for bankruptcy. Although such loans contain certain contractual protections for lenders, investments in DIP loans are generally subject to all of the risks described under “*Leveraged Loans*,” above, and have additional heightened risks due to the financial distress of the borrower. DIP loans are also subject to the risk that the bankruptcy court could render decisions in a manner that is contrary to the intent of the borrower or lender, including Octagon, or commercial standards. In addition, DIP loans may be difficult to value.

Derivatives – Certain Clients may make use of various derivative instruments, such as options, futures, forwards and interest rate, credit default and total return swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (1) dependence on the ability to predict movements in the price of the investments hedged; (2) imperfect correlation between movements in the investments on which the derivative is based and movements in the assets of the underlying portfolio; and (3) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio’s assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Structured Finance Obligations – Octagon may cause Clients to invest in structured finance obligations. These investments will typically consist of equity or debt securities issued by private investment funds, typically CLOs, which invest on a leveraged basis in bank loans, high yield debt or other asset groups, though Octagon may also invest for

Clients in other types of structured finance obligations. Investors in the CLOs and structured finance securities ultimately bear the credit risk of the underlying collateral. In some instances, such as in the case of most CLOs, the structured finance securities are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their degree of risk. If there are defaults or the relevant collateral otherwise underperforms, scheduled payments to senior tranches of such securities take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. In addition to the general risks associated with investing in debt securities, CLO securities carry additional risks, including but not limited to: (1) the possibility that distributions from collateral assets will not be adequate to make interest or other payments; (2) the quality of the collateral may decline in value or default; and (3) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

In addition, the performance of structured finance obligations will be affected by a variety of factors, including its priority in the capital structure of the issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying loans or other assets that are being securitized, and the adequacy of and ability to realize upon any related collateral. Rating agencies could also underestimate the default risks of the underlying loans and bonds and how likely defaults could be correlated. The value of an investment in structured finance obligations will depend on the investment performance of the assets in which the structured finance obligation invests and will therefore be subject to all of the risks associated with an investment in those assets. Clients investing in structured finance obligations will not own such assets directly and will therefore not benefit from general rights applicable to the holders of assets, such as the right to indemnify and the rights of setoff, or have voting rights with respect to such assets.

Certain Clients invest in subordinated/equity tranches of CLOs, which are subordinated to CLO debt tranches. These securities represent leveraged investments in the underlying assets of the CLOs. These securities are subject to increased risks of default relative to the holders of superior priority interests in the same CLO. In addition, at the time of issuance of the CLO equity securities, the net asset value of the equity tranche will be less than the amount paid as a result of formation costs of the CLO structure borne by the CLO equity securities holders. Clients who invest in these securities will be in a first loss position with respect to realized losses on the assets of the CLOs in which such Clients are invested. The fair value of these securities could be significantly affected by changes in the CLO's underlying assets' financial ratings, market value or fair value, scheduled amortization payments, defaults, recoveries, capital gains and losses, prepayments and interest rates. Changes in the market value or fair value of underlying assets could result in covenant defaults that may in turn reduce or halt the distribution of cash to Clients holding these securities or trigger a liquidation of the CLO. In certain circumstances, interest and principal proceeds otherwise payable to these securities could be diverted and these securities may suffer a loss of all or a portion of their value.

In instances where a Client invests in CLO equity or debt securities but does not hold a controlling position in any class of the securities issued by the CLO, the Client will not have the ability to control decisions to be made by any of the related class of investors in the CLO. There may be an investor in each such class who controls a majority of the related class who may have interests different from those of the Client and will control or have significantly more control than the Client over decisions to be made by that class.

Zero-Coupon and Deferred Interest Bonds – Certain Clients may invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the investment at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

Options – Trading options is highly speculative and may entail risks that are greater than investing in other investments. Prices of options are generally more volatile than prices of other investments. In trading options, Octagon speculates on market fluctuations of investments and securities exchange indices while investing only a small percentage of the value of the investments underlying such option. A change in the market price of the underlying investments or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that Octagon purchases options that it does not sell or exercise, the Private Funds will suffer the loss of the premium paid in such purchase. To the extent Octagon sells options and must deliver the underlying investments at the option price, the Private Funds have a theoretically unlimited risk of loss if the price of such underlying investments increases. If Octagon must buy those underlying investments, the Private Funds risk the loss of the difference between the market price of the underlying investments and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which Octagon can dispose of such an option may be less than in the case of an exchange traded option.

Octagon may cause the Private Funds to buy or sell over-the-counter options—options on investments that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The risk of nonperformance by the obligor on such an option may be greater, and the ease with which Octagon can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

Short Selling – Octagon, on behalf of one or more Private Funds, is authorized to engage in short selling of securities, including equities, or other debt instruments. Short selling is

highly speculative in nature, and may involve greater risks than other investment strategies. In a short sale, the seller sells a security or asset it does not own, typically that it has borrowed from a broker or dealer. The seller is obligated to return the borrowed security or asset to the broker or dealer, by purchasing it prior to the date when delivery to the broker or dealer is required. Octagon will engage in short selling when it has analyzed the financial and business conditions of an issuer, among other factors, and believes that the value of a security or asset is likely to decline between the date of the short sale and the date when the security or asset must be returned to the broker or dealer. Short selling carries the risk that the market value of the asset or security could rise, rather than fall, which would result in a theoretically unlimited loss to the Fund. Short selling also carries a risk that the security or asset will not be available for purchase prior to the time seller is obligated to return it to the broker or dealer.

Futures – Futures trading will have effects on the Private Funds similar to the effects of leverage. The Private Funds may participate in market price fluctuations of investments underlying futures (or options on futures), while investing only a small percentage of the value of those underlying investments. The Private Funds may open a futures position by placing with a futures commission merchant an initial margin that is small relative to the value of the futures contract, making the transaction “leveraged”. If the market moves against a Private Fund’s position or margin levels are increased, the Private Fund may be called upon to pay substantial additional funds on short notice to maintain its position. If a Private Fund were to fail to make such payments, its position could be liquidated at a loss, and the Private Fund would be liable for any resulting deficit in its account. Futures positions may be illiquid because, among other things, exchanges may limit fluctuations in certain futures contract prices during a single day. Once the price of a contract for a particular future has increased or decreased by an amount equal to the “daily limit”, positions can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Such an occurrence could prevent Octagon from liquidating unfavorable positions and subject a Private Fund to substantial losses. In addition, Octagon may not be able to effect futures contract trades at favorable prices if trading volume in those contracts is low. Some Octagon Clients may use futures, among other instruments to hedge currency risk. (See above for a discussion of risks associated with hedging and foreign exchange.)

CLO Warehouse Vehicles – Certain Clients may invest in the first loss position of CLO warehouse vehicles, managed by Octagon, used to acquire loans on an interim basis that are expected to be sold into a future CLO to be managed by Octagon. CLO warehouse vehicles take a variety of forms. During the warehouse period, the collateral manager, on behalf of the CLO issuer, commits to acquire or acquires (directly or indirectly through a total return swap) the loans which the CLO issuer intends to purchase at the CLO closing at which time it issues its CLO securities. While it is expected that the warehouse will be fully repaid and extinguished at the CLO closing, there typically will be no assurance that the future CLO will be consummated or that the loans held in such a warehouse vehicle are eligible for purchase by the CLO. CLO warehouses are leveraged investments. Although the collateral manager on behalf of the CLO issuer selects the loans to go into the warehouse, the senior warehouse lender generally must consent to the loans acquired

during the warehouse period and may also have consent rights with respect to material modifications or sales of such loans. The senior warehouse lender may have interests that are different than those of the Clients. During the warehouse period, loans may be sold at a loss which may result in a loss to the Clients of all or a portion of their investment in the warehouse. Many CLO warehouses include mark-to-market triggers, which may require first loss providers to commit additional capital to avoid liquidation of the warehouse assets. CLO warehouses may require first loss/equity capital to be committed from time to time and the Clients take the risk that they or other first loss / equity warehouse investors will not advance capital when required. If these requirements are not met or other representations, warranties or covenants in the warehouse documents are breached, or if the CLO fails to close, the warehouse lender may require a liquidation of the warehouse assets which may result in a loss to the Clients of all or a portion of their investment in the CLO warehouse vehicle.

Bridge Financings – From time to time, a Private Fund may lend to portfolio companies on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. However, for reasons not always in the Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by the Fund.

U.S. Government Securities – U.S. Government securities include a variety of securities that differ in their interest rates, maturities, and dates of issue. While securities issued or guaranteed by some agencies or instrumentalities of the U.S. Government (such as the Government National Mortgage Association) are supported by the full faith and credit of the United States, securities issued or guaranteed by certain other agencies or instrumentalities of the U.S. Government (such as Federal Home Loan Banks) are supported by the right of the issuer to borrow from the U.S. Government, and securities issued or guaranteed by certain other agencies and instrumentalities of the U.S. Government (such as Fannie Mae and Freddie Mac) are supported only by the credit of the issuer itself. Although Fannie Mae and Freddie Mac are now under conservatorship by the Federal Housing Finance Agency, and are benefiting from a liquidity backstop of the U.S. Treasury, no assurance can be given that the liquidity backstop will continue to be made available by the U.S. Treasury or that Fannie Mae and Freddie Mac will not be placed into receivership. If the U.S. Government fails to continue supporting Fannie Mae or Freddie Mac in the same manner that the U.S. Government currently is, or Fannie Mae or Freddie Mac are placed into receivership, the market price of securities issued by Fannie Mae or Freddie Mac may decline significantly and such securities may suffer losses. Investments in these securities are also subject to interest rate risk, prepayment risk, extension risk, and the risk that the value of the securities will fluctuate in response to political, market, or economic developments.

Cash Equivalents – Clients may hold or invest in cash and cash equivalents, which may include money market funds, U.S. government treasury bills, notes, bonds, bank deposits and commercial paper. Investments in cash and cash equivalents do not necessarily

protect against the risk of loss and the value of an investment could decline. Furthermore, under adverse market conditions, a Client may not have immediate access to its cash investments. Because these investments provide relatively low income, a defensive or transition position may not be consistent with achieving the Client's investment objective. Furthermore, the Client's fees and expense may exceed the return on such cash equivalents.

Distressed Securities – An Octagon multi-strategy Private Fund may invest in securities and obligations of issuers that are, at the time of the investment, in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. In the future, Octagon may also advise other funds or accounts that invest in distressed securities. Distressed securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities are likely to be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, except as otherwise agreed, there is no minimum credit standard that is a prerequisite to a Client's investment in any instrument and a significant portion of the obligations and securities in a portion of a multi-strategy Private Fund may be considered significantly less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Octagon will correctly evaluate the value of the assets underlying these investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Client invests, the Client may lose its entire investment, may be required to accept cash or securities with a value less than the Client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Client's investments may not compensate the Client adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security or instrument the value of which may be less than the purchase price to the Client of the security in respect to which such distribution was made.

In certain transactions, the Client may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Investments in Less Established Companies – A multi-strategy Private Fund may invest a portion of its assets in the securities or debt instruments of less established companies. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. Even if there is a public market for these securities or debt instruments, securities or debt instruments of less established companies may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow.

Bankruptcy Claims, Trade Claims and Other General Unsecured Claims – Octagon may provide advice regarding interests in bankruptcy claims, trade claims and other general unsecured claim holders of a debtor. Bankruptcy claims are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are 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. Trade Claims generally include, but are not limited to, claims of suppliers for goods delivered and not paid, claims for unpaid services rendered, claims for contract rejections and claims related to litigation. Bankruptcy and trade claims are frequently unsecured and may be subordinated to other unsecured obligations of the debtor. The repayment of unsecured claims is subject to significant uncertainties, including potential set-off by the debtor as well as the other uncertainties described herein with respect to other distressed securities or debt instruments. Such investments could, in certain circumstances, subject a multi-strategy Private Fund to certain additional potential liabilities that may exceed the value of their original investments. A claim may be transferred or assigned before or after a petition in bankruptcy is filed, including after a proof of claim has been filed. Investments in bankruptcy claims, trade claims and high risk receivables may also entail special risks including, but not limited to, fraud on the part of the assignor of the claim as well as logistical and mechanical issues which may affect the ability of the Private Fund or its agent to collect the claim in whole or in part. In addition, under certain circumstances, payments to and distributions by these Clients to their respective limited partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws.

Equity Investments – Private Funds may acquire, either directly or through conversion of debt investments, equity securities in portfolio companies. This may include minority equity investments in private companies where the Private Fund has limited influence, and limited liquidity that may result in substantial losses. Equity securities generally involve a high degree of risk and 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 or debt instruments and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources.

Octagon manages one or more multi-strategy Funds or Accounts which include a combination of the aforementioned risks.

ITEM 9: DISCIPLINARY INFORMATION

Not applicable.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Other Financial Industry Affiliations

Octagon is affiliated with other entities engaged in the financial services business and, in some cases has business arrangements with such entities that are material to its advisory business or to its Clients. These are described in more detail below and, in some cases, may cause Octagon's or a related person's interests to diverge from the best interests of a Client.

CCMP, a private equity investment adviser, is registered as an investment adviser with the SEC. CCMP Capital Octagon Holdings, LLC, an affiliate of CCMP, owns a majority interest in Octagon and three members of Octagon's Board of Managers are CCMP personnel. CCMP Capital Advisors (UK), LLP ("CCMP (UK)"), an affiliate of CCMP, is registered with the Financial Services Authority in the United Kingdom. CCMP and CCMP (UK) are under common control.

CCMP's primary investment activity is, on behalf of the private equity funds it manages, making equity investments in privately owned companies, or making equity investments in publicly owned companies in connection with taking them private. CCMP focuses on buyout and growth equity investments in North America and Europe. In addition, CCMP has the ability to invest in distressed debt opportunities in at least one of the investment funds it manages. Octagon is not a portfolio company of the private equity funds managed by CCMP.

Other Investment Related Activities

Octagon has filed for an exemption from registration as a commodity trading adviser in accordance with CFTC Rule 4.14(a)(8) and from registration as a commodity pool operator in accordance with CFTC Rule 4.13(a)(3) on behalf of each of the Funds, as applicable.

Conflicts of Interest Associated with Affiliated Advisers and Other Business Activities

As described above, CCMP's affiliate owns a majority interest in Octagon. Octagon's investments generally consist of different investment asset classes from those that CCMP generally invests in on behalf of its managed private equity funds, however investment opportunities may overlap, particularly as related to distressed investment opportunities, or if CCMP private equity fund portfolio companies issue debt that represents an appropriate investment for Octagon Clients. In some cases, Octagon or CCMP may impose restrictions on Octagon's freedom to trade in loans or securities of issuers that have been, or imminently will be, acquired by CCMP. Octagon and CCMP maintain separate investment committees which are responsible for making the investment decisions on behalf of each adviser's Clients, in accordance with their investment strategies. Although CCMP has the right to appoint one member of Octagon's general investment committee, CCMP has not exercised that right and no CCMP personnel currently serve on Octagon's investment committees.

Due to (1) the ownership structure of Octagon and CCMP, (2) the nature of the accounts managed by each (for purposes of this discussion, "Clients") and (3) direct and indirect investment by certain Octagon and CCMP personnel in Octagon and CCMP, funds managed by Octagon and CCMP as well as in the general partner vehicles of such funds (through which such persons may receive performance based compensation), Octagon and CCMP, their parent companies and their respective personnel may have differing investment, compensatory and other pecuniary interests that could serve to influence such persons to favor one Client over another – including in circumstances where personnel are in a position to influence investment or other decisions that impact Clients. These interests could vary over time in the event of ownership changes among Octagon and CCMP. This could lead to conflicts of interest among Octagon and CCMP and their respective Clients. For example, Octagon's performing loan Clients may invest in bank loans or high-yield securities of portfolio companies owned by CCMP Clients, which may be in the same or different positions in the portfolio company's capital structure. If a common portfolio company were to experience financial difficulty, the interests of an Octagon Client as a holder of debt could differ from the interests of a CCMP Client as a holder of the equity securities. While Octagon believes that the amount of a portfolio company's bank loans or high-yield securities owned by Octagon Clients would typically be insufficient to create a material conflict of interest between Octagon Clients and CCMP Clients, some exceptions may occur. As discussed in greater detail below, where a conflict of interest does arise, Octagon and CCMP expect to resolve the conflict on a case-by-case basis with Octagon acting in a manner it believes to be in the best interest of Octagon Clients and CCMP acting in a manner it believes to be in the best interest of its Clients.

Trading Restrictions Due to Material Nonpublic Information

Although Octagon and CCMP share common areas within the same office space, Octagon and CCMP personnel are otherwise separated from each other by physical barriers and access to non-common areas within the office space is strictly controlled. Octagon and CCMP maintain separate technology platforms and systems as well as hard documents and files. In addition, discussions and interactions between the two firms are subject to the compliance policies and procedures that have been implemented within and between their respective businesses, including the establishment of information barriers in order to mitigate the potential for any conflict of interest involving material nonpublic information concerning an issuer of securities or a borrower of bank loans.

Specifically, Octagon and CCMP have implemented certain information barriers in order to limit information that may be exchanged between Octagon and CCMP. However, a breach or failure of these information barriers could occur and there could be residual material nonpublic information that was shared or deemed to be shared prior to the implementation of the information barriers, which may result in Octagon Clients being unable to engage in certain transactions they would otherwise find attractive, or being able to engage in such transactions only during limited periods of time. This can result in an Octagon Client not being able to acquire or sell an investment that it otherwise might have acquired or sold.

In an effort to manage possible risks from the inadvertent sharing of such information notwithstanding the barriers described above, both Octagon and CCMP maintain a Code of Ethics and provide training to supervised persons with respect to the receipt and handling of material nonpublic information. In addition, Octagon's and CCMP's respective Chief Compliance Officers each maintain a list of restricted securities as to which Octagon and CCMP may have access to material nonpublic information and in which certain clients are not permitted to trade. Nevertheless, notwithstanding the maintenance of restricted lists and other internal controls, it is possible that the internal controls relating to the management of material nonpublic information could fail and result in Octagon, or one of its investment professionals, buying and selling a security while, at least constructively, in possession of material nonpublic information. Inadvertent trading on material nonpublic information could have adverse effects on Octagon's reputation, result in the imposition of regulatory or financial sanctions, or Octagon could be required to refrain from taking an investment action. Each of these could negatively impact Octagon's ability to perform its investment management services on behalf of the Octagon Clients.

Octagon may decline to receive certain information available to loan market participants, which may include material nonpublic information about a loan issuer, in order to avoid trading restrictions with regard to securities of that issuer, even though access to such information may have been advantageous to a Client investing in loans. Clients and investors may be adversely affected by such restrictions.

Competition for Resources, Time or Attention

Certain of Octagon's investment professionals may divide their business time among multiple Clients (including parallel funds, co-investment entities and alternative investment vehicles). As noted above, Octagon and CCMP and their personnel may have various investment and other pecuniary interests (including interests in performance compensation paid by certain Clients) with respect to Octagon and CCMP's Clients. Octagon and CCMP and their personnel may have an incentive to devote more resources, time or attention to certain Clients, investment or activities based on pecuniary or other interests.

Overlapping Opportunities

Overlapping opportunities (including competing and conflicting investments as well as co-investments) may create a variety of conflicts of interest among Octagon Clients, and potentially CCMP and its Clients.

Overlapping opportunities include situations where clients invest in a common portfolio company whether in the same, similar or different classes of securities. Investments may be made at the same or different times and/or prices, and such investments may or may not have been coordinated. Clients will not always have the same economic interests or investment objectives with respect to the portfolio company, including with respect to views on the operations or activities of the portfolio company, the targeted returns for the investment and the timeframe for, and method of, exiting the investment. Depending on the nature of the opportunity or investments, and of the potential actions that Octagon or CCMP may take in connection therewith, Octagon or CCMP, acting in a fiduciary capacity, may take an investment position or action for certain Clients that may be different from, or inconsistent with, an action or position taken for other Clients having similar or different investment objectives, or investments and actions may overlap or compete with other Clients.

Potential conflicts of interests among Clients, as well as some of the means through which Octagon seeks to mitigate these conflicts, are described below. In addition to those conflicts, the ability to invest Clients in overlapping opportunities itself may create a conflict for Octagon, as potential efficiencies of such investments, when weighed against the related policies, procedures and conflicts associated therewith, may create an incentive for Octagon to favor (or disfavor) opportunities that fall within the permissible investment universe for more Clients as opposed to opportunities in which a narrower range of Clients can invest. Co-investments also may have the effect of benefiting or adversely impacting Clients and create other potential conflicts of interest, including those described below.

Octagon has developed processes, including those described below, to reasonably mitigate any incentive it may have to direct more favorable investments to certain Clients, to engage in transactions where the assets of some Clients are committed to transactions that may unduly benefit other Clients, or otherwise to resolve conflicts based on pecuniary or other interests.

Allocation of Opportunities.

Certain conflicts arising from overlapping opportunities are partially mitigated through structural limitations on the ability of a Client to invest in certain opportunities or requirements to obtain approval for such investments. New investment opportunities will be allocated among Clients as described in Item 12 – *Aggregation and Allocation of Orders* below.

Similar investments may be acquired by different Clients at different times and at lower or higher prices. Alternatively, investments may be made in securities or debt instruments of the same issuer that differ significantly including with respect to seniority, interest rates, security, dividends, voting rights, and participation in liquidation proceeds. The different prices paid for, or terms of, securities or debt instruments held by such investment vehicles may create conflicts of interest. Octagon and CCMP will be acting in the best interests of their respective Clients and may take actions that are adverse to the interests of one another.

As discussed Items 11 and 12, below, Octagon Clients will often co-invest through aggregated transactions. It is not anticipated that CCMP Clients will co-invest with Octagon clients on a distressed debt opportunity that may be appropriate for their respective clients; however, it is possible that such clients may independently invest in the same opportunity.

Conflicting Interests as to Common Portfolio Companies.

Portfolio companies may issue different classes of securities with differing rights and, in some cases, rights may differ even among the same class of interests. Clients will not necessarily hold the same or similar securities as, and may acquire interests at different times or at higher or lower prices than, other Clients. Each Client's interests may occupy a different position in the portfolio company's capital structure and may have different rights as to seniority, security or collateral rights, interest rates, dividends, voting or consent rights, and participation in liquidation proceeds. In some cases, a Client may hold interests in a broader spectrum of the capital structure of a portfolio company than other accounts.

Clients that hold interests in common portfolio companies will not always have identical goals and/or investment objectives, including as these may relate to the structuring of, or exercise of rights with respect to, investment transactions and the timeframe for and method of exiting the investment. Subsequent decisions made by an adviser as to a Client's holdings of interests in a portfolio company issuer may also cause one Client's interest in, and rights with respect to, the portfolio company to differ from another's. As a result, their respective goals and interests may diverge, particularly when the issuer experiences financial distress. When called upon to take action with respect to an investment (*e.g.*, to sell, to vote, or to exercise a right or remedy) a Client's overall holdings, and related rights, may be such that it is in the Client's best interest to take action (or refrain from taking action) in a manner that would be contrary to the interest of a person holding only the particular class of interest on which the right is conferred, when

doing so is in the overall best interests of the Client based on its overall holdings. In these circumstances, other Clients that have co-invested with such a Client in some, but not all, of the classes of interests of the issuer held by that Client may be disadvantaged. As discussed below, because Octagon intends to take actions in the best interest of its Clients, Octagon may, for example, cast votes for some Clients in favor of a particular proxy question while voting other Clients' holdings against that proxy question. Such actions may adversely impact some or all Clients.

Subsequent investments by Clients in a common portfolio company (*e.g.*, when a new holder invests in a portfolio company but the existing holder lacks sufficient assets to make a follow on investment) may harm existing holders through diluting or otherwise disadvantaging the value of investments held by existing holders or impacting the cost to existing holders of implementing portfolio decisions or strategies. In other cases, a subsequent investment might have the effect of increasing the value of the existing holders' interests in the portfolio company but, in hindsight, have provided little or no benefit to new holders. Although subsequent investments may improve the prospects of a portfolio company (or even be necessary to prevent a portfolio company from failing), in determining to make an investment or in negotiating the terms and conditions of any such investment, or subsequent amendments or waivers, or in voting proxies or exercising rights with respect to such investments, Octagon may find that its own interests, the interests of a Client, and/or the interests of one or more other Clients could conflict. In cases where an issuer in which multiple Clients hold interests acquired at different points in time or in different positions within the issuer's capital structure experiences financial distress, decisions over the terms of any workout will raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, the holder of a more senior position in an issuer could be better served by the liquidation of the issuer in which it may be paid in full whereas holders of more junior positions might prefer a reorganization that holds the potential to create or preserve value for equity holders.

Resolving Conflicts Related to Overlapping Opportunities and Investments.

As the investments held by, and actions taken with respect to, different Clients will depend on the particular interests of those Clients (which may not be aligned, particularly where Clients hold different, or overlapping but not identical investments in an issuer), decisions made by Octagon for one Client differ from those made for, and in some cases may harm the interests of, other Clients. Octagon recognizes that the mitigants described in this Item 10 may not be sufficient to prevent or resolve every conflict that might arise from overlapping investments. When considering whether to pursue a particular course of action, including asserting available claims or remedies, factors that may be considered include the costs of pursuing the course of action (or alternative courses of action) and the likelihood of a favorable outcome. As a result, not every potential claim or course of action will be pursued and it will not always be the case that conflicts will be able to be resolved in the best interest of any particular client nor can there be any assurance that actual or potential conflicts of interest can be resolved such that the ultimate terms of an investment (or an amendment to such terms) will be as favorable as they would be in the absence of such conflicts.

Because these conflicts vary based on the particular circumstances that exist at the time the conflict arises and must be resolved, it is anticipated that most conflicts will be resolved on a case-by-case basis pursuant to general fiduciary principles, under which Octagon (and CCMP as applicable) will seek to resolve potential conflicts associated with overlapping opportunities (including those described herein) in the best interests of each client without consideration of: (1) Octagon's own interests; (2) CCMP's interests; or (3) the interests of other Clients.

Funds and Accounts as Related Persons

As discussed above, Octagon acts as the investment adviser to the Funds and Accounts and receives management fees in the ordinary course of business and may receive performance fees. A Fund or Account may be a related person of Octagon because: (1) Octagon acts as a general partner or a managing member (or in a similar capacity) to the Fund; and/or (2) Octagon and its personnel and related persons may directly or indirectly maintain substantial investments in the Fund or Account. Additionally, although such a transaction would not be in the ordinary course of business, a CLO portfolio may invest in a portion of the liabilities of another CLO, where Octagon acts as collateral manager to each CLO. Also, one or more Clients may invest in CLO equity and/or debt securities of CLOs where Octagon acts as collateral manager to such CLOs, and may also invest in CLO warehouse vehicles that are expected to form part of the portfolio of future CLOs to be managed by Octagon. In these instances Octagon will (and may during the warehouse) receive fees (which in addition to management fees may include performance fees depending on Octagon meeting internal rates of return thresholds) and payment or reimbursement of certain expenses from the CLOs, in addition to fees and expenses paid to it by one or more Clients. These additional fees or other benefits received by Octagon from CLOs in which it acts as collateral manager create potential conflicts of interest with such Clients since Octagon may be incented to invest such Clients in CLOs it manages when other investment opportunities in CLOs managed by other investment advisers exist for such Clients. The negotiation between Octagon and one such Client as to the minimal percentage of securities of CLOs managed by Octagon invested for such Client serves as a partial mitigant as it pertains to this Client arrangement. For a discussion of the investments by Octagon and its personnel in the Funds and Accounts, please see Item 6 – *Performance-Based Fees and Side-by-Side Management* and Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*.

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

Code of Ethics

Octagon has adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act covering such matters as (1) general standards of business and personal conduct; (2) the proper use and safeguarding of confidential information; (3) prohibitions

against securities transactions when in possession of material, nonpublic information; (4) personal conflicts of interest, including outside activities and gifts; and (5) personal securities transactions policies.

Any client or prospective client may obtain a copy of the Code of Ethics upon request by contacting Octagon at the contact information that appears on the cover page of this Brochure.

Participation or Interest in Client Transactions

As discussed in Item 5 – *Fees and Compensation* and Item 6 – *Performance-Based Fees and Side-by-Side Management*, Octagon and its related persons may: (1) be entitled to a performance fee; and (2) directly or indirectly maintain investments in one or more Funds. For example, certain key personnel of Octagon (including, but not limited to, Octagon’s portfolio management personnel responsible for the management of the Funds and Accounts) or CCMP (including, but not limited to, CCMP’s portfolio management personnel) who are “knowledgeable employees” (as defined in Rule 3c-5 under the Investment Company Act of 1940) or who meet the Fund’s financial eligibility criteria may invest, and have invested, in certain Funds. Octagon and its affiliates also directly or indirectly maintain investments in some or all of the Funds.

These interests may create an incentive to favor one Client over another when, for example, placing trades, aggregating orders or engaging in cross or principal trades, as applicable. Octagon maintains policies and procedures, including the Code of Ethics and policies and procedures regarding the aggregation and allocation of investments (please see Item 12 – *Brokerage Transactions*), reasonably designed to ensure that Octagon and its personnel service all client accounts in a manner consistent with the duties an adviser owes to its clients and applicable law and without considering such persons’ ownership, compensatory or other pecuniary or financial interests.

Due to “co-investment” and “carried interest” arrangements, most of Octagon’s senior investment professionals will also have a financial interest in the securities purchased and sold by the Funds, which may create an incentive for Octagon to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based arrangement, although any capital commitments to a particular Fund by the direct and indirect partners of the Fund should tend to reduce this incentive. In addition, Octagon’s determination of fair value of an investment may impact the calculation of the management fee and carried interest to the extent such valuation would result in a write down, which could incentivize Octagon to refrain from writing down the investment.

Cross Trades

A cross trade occurs where an adviser effects a transaction between two or more different funds or accounts over which the adviser exercises discretionary management authority. Although an investment adviser may find it advantageous to effect such cross trades (*e.g.*, to minimize transaction expenses), these transactions pose the potential for conflicts of

interest because an adviser could effect a transaction on terms more favorable to one client than the other.

Octagon may cause a Fund or Account to acquire or dispose of an investment in cross trades between the Fund or Account and other clients advised by Octagon or its affiliates. For example, during the wind-down period of a CLO, Octagon may purchase assets of the CLO on behalf of a Fund or Account, provided such purchase is consistent with the Fund's Governing Documents or Account's Account Documents. Such trades will be effected at market value or, in the absence of a readily ascertainable market value, at "fair value" as reasonably determined by Octagon in accordance with its relevant policies and procedures. Although Octagon generally does not intend to engage in a large percentage of cross trades, Octagon will only effect cross trades if the trades are: (1) pre-approved by Octagon's Chief Executive Officer and Chief Compliance Officer; and (2) consistent with applicable law, industry standards, a Fund's Governing Documents or Account's Account Documents and Octagon's policies and procedures.

Principal Trades

Principal transactions are transactions conducted by an investment adviser with a client when the adviser or its affiliate is acting as principal for its own account and knowingly buys securities from, or sells securities to, a client. Principal transactions may pose the potential for conflicts of interest between an adviser and its client.

To the extent that a Fund or Account is deemed to be controlled by Octagon and its related persons (generally, if more than 25% of the Fund's or Account's assets are attributable to proprietary and personal investments by Octagon and its related persons), any transaction between the Fund or Account and another account advised by Octagon will be treated as a "principal transaction." Octagon may effect such trades at market value or, in the absence of readily ascertainable market value, at "fair value" as reasonably determined by Octagon in accordance with its relevant policies and procedures, provided that Octagon obtains consent to such transaction from the client following written disclosure prior to settlement of such transaction, in accordance with applicable law. Although Octagon generally does not intend to engage in principal trades, Octagon will only effect principal trades if the trades are: (1) pre-approved by Octagon's Chief Executive Officer and Chief Compliance Officer; and (2) consistent with applicable law, industry standards, a Fund's Governing Documents or Account's Account Documents and Octagon's policies and procedures.

Inconsistent Investment Positions, Timing of Competing Transactions and Transactions with Other Clients

As discussed in greater detail in Item 10, above, Octagon may take investment positions or actions for one or more Funds or Accounts that may be different from, or inconsistent with, an action or position taken for one or more other Funds or Accounts having similar or differing investment objectives and such actions may be taken at differing and potentially inopportune times. When a position is established or disposed for one Fund or Account ahead of, or contemporaneously with, similar portfolio decisions or strategies

for another Fund or Account, market impact, liquidity constraints, or other factors could result in one or more Funds or Accounts receiving less favorable trading results, the costs of implementing such portfolio decisions or strategies could be increased, such Funds or Accounts could be diluted, the values, prices or investment strategies of another Fund or Account could be impaired or such Funds or Accounts could otherwise be disadvantaged. For example, one Fund or Account may sell an investment and the other Funds and Accounts may maintain or add to their position in the same investment. The initial sale may result in a decrease in the price of the investment which the other Funds and Accounts continue to hold, and, as a result, the value of an investment in the other Funds or Accounts may decrease, depending on the market impact of such sale. Furthermore, if Octagon also acts as collateral manager of a CLO in which a Client invests, as a registered investment adviser, Octagon will owe fiduciary duties separate to such Client and to the CLO and may take, or may be required by contract or applicable law to take, actions that are not in the best interests of or may be adverse to the interests of such Client.

ITEM 12: BROKERAGE PRACTICES

Selection of Broker-Dealers

Pursuant to the investment guidelines set in the relevant Governing Documents or Account Documents, Octagon may have the authority to determine, without obtaining specific consent of a client, the securities and loans to be bought or sold (and the amounts thereof) on behalf of the Funds and Accounts. Octagon is authorized to determine the broker or dealer to be used in each of such transactions, if any. Octagon may use broker-dealers who provide placement agent services but will not take such services into account when selecting broker-dealers to execute transactions for Clients.

Octagon has a fiduciary obligation to seek to obtain “best execution” in executing portfolio transactions on behalf of its clients. However, Octagon does not typically pay commissions for each securities or loan transaction, but rather, it seeks to obtain the best overall terms at the time of execution. In certain Private Funds, Octagon executes options trading through a prime broker pursuant to a fixed commission schedule. Such commissions are not expected to have a material impact on fees and expenses; however, such commissions may not be the lowest available. In addition, in some cases, Octagon’s transactions on behalf of the Funds and Accounts are privately negotiated and do not involve the use of a broker or dealer. In those cases, Octagon seeks to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to the Funds and Accounts.

In executing transactions for Clients and selecting brokers or dealers, Octagon shall use commercially reasonable efforts to seek the best overall terms available, and shall execute or direct the execution of all such transactions in a manner permitted by law and in a manner that it believes to be in the best interest of the Client, taking into account all factors it deems relevant including, but not limited to, the timing for such purchase or

sale, the breadth of the market in the relevant security or loan, market conditions, assignment fees, price, the financial condition and execution capability of the broker or dealer and the reasonableness of any basis. Pursuant to its investment determinations for a client, in placing orders with brokers and dealers, Octagon will use commercially reasonable efforts to obtain the best net price and the most favorable execution of its orders. If Octagon believes that the most favorable terms and executions are obtainable from more than one broker or dealer, it may give consideration to placing portfolio transactions with those brokers and dealers who also furnish research, execution and other services to the client or to Octagon itself (“soft dollar services”).

Octagon presently has no soft dollar arrangements in place, although certain broker-dealers selected by Octagon may provide over-the-transom, proprietary research at no stated cost or requirement of executing a particular amount of transactions. In the event Octagon initiates a soft dollar service arrangement, the Chief Compliance Officer and Operating Committee must first approve the arrangement. Soft dollar services, if any, might be used to service all of Octagon’s Clients, or just those Clients paying for the service. Soft dollar service arrangements could give rise to a conflict of interest because Client brokerage commissions would be used to pay for research, execution and other services that Octagon would have otherwise been required to pay for out of its own expenses. Furthermore, Octagon would have an incentive to select a broker or dealer that provides such research, execution and other services over those that do not provide such services. However, notwithstanding such incentive, Octagon remains obligated to seek to obtain “best execution” in executing portfolio transactions on behalf of Clients.

In addition, Octagon may use a variety of broker-dealers to execute transactions, some of which may also refer clients or investors to Octagon or the Funds. Such referrals can create a conflict of interest because they benefit Octagon without benefitting the Funds. As a matter of policy, Octagon does not allocate brokerage to compensate any broker for, or in recognition of, client or investor referrals; however, the Fund may select a broker-dealer that has referred, or may refer, business when doing so is consistent with its duty to seek best execution. To prevent brokerage commissions from being used to compensate brokers for past or expected referrals, Octagon will not allocate brokerage business to a broker that has referred or may intend to refer clients or investors unless Octagon determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to a Fund or Account.

Aggregation and Allocation of Orders

If it is determined that the purchase or sale of the same asset is in the best interest of more than one Client, the applicable trader(s) may, but is not obligated to, aggregate orders placed simultaneously in order to seek to obtain best execution and reduce transaction costs to the extent permitted by applicable law. Such orders will be placed, and associated transaction costs allocated, in accordance with the applicable organizational documents for the Clients involved. Clients participating in aggregated trades are allocated positions based on the average price achieved for such trades.

If Octagon is presented with an investment opportunity that falls within the investment objectives of more than one Client, Octagon will allocate the opportunity among one or more of such Clients on a basis that Octagon determines in good faith is appropriate taking into consideration such factors as:

- the fiduciary duties owed to a Client;
- the primary mandates of Clients;
- the purchasing capacity available to Clients;
- any restrictions or limitations on investment;
- the perceived liquidity of an investment;
- the relation of such opportunity to the investment strategy of the Client;
- reasons of portfolio balance; and
- any other consideration deemed relevant by Octagon.

Allocation decisions will be made by the portfolio managers responsible for the purchase and sale of investments for the respective Clients. Although such allocations may be *pro rata* as to participating Clients, for a variety of reasons including but not limited to those reasons above, *pro rata* allocation of investment opportunities is unlikely. Octagon does not prescribe one specific manner in which assets will be allocated among Clients, and Octagon may use rotational, percentage or other allocation methods, as permissible under a Client's respective Governing Documents or Account Documents. In certain circumstances, Octagon may give special consideration to certain Clients such as a new account (including, as discussed above, those in which Octagon and/or its personnel have a direct or indirect interest or those that pay a performance-based fee, as discussed in Item 6 – *Performance-Based Fees and Side-by-Side Management*) and/or a Client with a substantial amount of purchasing capacity, taking into consideration the factors described above. Allocations of investment opportunities among Clients may be impacted by an agreement with a Client to provide best efforts in obtaining certain types of investments for such Client.

ITEM 13: REVIEW OF ACCOUNTS

Nature and Frequency of Client Account Reviews

Each Fund and Account has one assigned portfolio manager. One Private Fund also utilizes underlying asset class managers. On a daily basis, Octagon's portfolio managers and analysts will monitor events relating to the investments held by such Funds and Accounts, including their performance and credit quality. The Governing Documents for the Funds and Account Documents for the Accounts contain certain investment restrictions and, with respect to the CLOs and Accounts, may contain other tests, such as detailed coverage tests, portfolio profile tests, and/or collateral quality tests, that will be monitored. For the CLOs, the trustee prepares schedules of fees and expenses,

distributions and dividends (the “priority of payment waterfalls”), which are reviewed and agreed to by Octagon’s finance group. On a monthly and quarterly basis (as applicable), Octagon’s finance group reviews investment holdings for compliance with their respective investment guidelines. For those Clients whose organizational documents require a trustee or administrator to produce monthly or quarterly compliance reports, the finance group also works with them to review and approve such reports. The applicable portfolio manager for each such account will receive and review a copy of the monthly and quarterly reports, as applicable. In addition, the Chief Investment Officer meets with portfolio managers as needed to review the trustee’s or administrator’s account reports or to discuss riskier credits that may be held in an account.

For the Private Funds, Octagon’s finance group or administrator generates a daily flash profit and loss report based on daily third-party mark-to-market values of fund positions. This report is reviewed by Octagon’s finance group and portfolio managers.

Octagon’s investment committee consists of Octagon’s Chief Investment Officer and portfolio managers. The Strategic Review Committee (which includes Octagon’s investment committee and Heads of Business Development and Investor Relations) meets monthly to review current macro-economic trends. As necessary, Octagon’s investment committee will meet to approve new investments. Octagon’s investment committee also meets at least weekly to review assets that are held in each Fund’s or Account’s portfolio, rotating by industry. If special developments occur, Octagon’s investment committee will meet as necessary.

Octagon manages a multi-strategy Private Fund that utilizes a fund investment strategy committee, responsible for determining the allocation of available fund assets among the classes of credit instruments comprising the fund strategy. In addition, the fund investment strategy committee is responsible for establishing leverage and hedging parameters in the fund. The fund investment strategy committee consists of members of Octagon’s general investment committee. Octagon’s general investment committee provides oversight to this Private Fund with respect to performing loans, high yield bonds, CLO debt, CLO equity, and hedging strategies. A separate investment committee for stressed and distressed credit and short strategies provides oversight to this portion of the Private Fund. This investment committee includes members of Octagon’s general investment committee, and may include additional Octagon investment professionals. Investments by this multi-strategy Private Fund are subject to approval by the relevant investment committee for the fund and strategy.

Octagon’s Operating Committee (which includes Octagon’s Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Managing Director of Portfolio Administration and Managing Director of Business Development) provides oversight over all trading for Octagon clients, including, but not limited to, best execution, trade errors, valuation, allocation and aggregation, adherence to investment guidelines and related issues. Octagon’s Operating Committee meets several times per year.

Frequency and Content of Client Account Reports

Octagon will provide written reports at such frequency and include such information as will be required by the applicable agreements with each Client. As a general matter, however, investors in the CLOs receive monthly trustee reports and quarterly note valuation reports from each CLO's Trustee. These reports are reviewed for accuracy and completeness by Octagon.

Investors in the Accounts receive monthly trustee reports from their account's trustee. The Private Funds and certain Accounts also receive an annual audit of their account pursuant to their respective organizational documents. Other reports may be given as per the terms of each particular investment advisory agreement. Investors in the Private Funds receive reports as provided for in such Fund's Governing Documents.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Octagon may enter into placement agent agreements from time to time in connection with its periodic activities in raising capital for Funds.

ITEM 15: CUSTODY

Due to certain arrangements, Octagon may be deemed to have "custody" of certain Client accounts within the meaning of Rule 206(4)-2 under the Advisers Act because Octagon may have access to or authority over funds and securities held in these accounts for purposes other than issuing trading instructions. If Octagon is deemed to have custody over your account, your custodian will send you periodic account statements (generally on a quarterly basis) indicating the amounts of any funds or securities in your account as of the end of the statement period and any transactions in the account during the statement period. You should review these statements carefully. Additionally, you should contact us immediately if you do not receive account statements from your custodian on at least a quarterly basis. If you should discover any discrepancy between the account statements, please contact us immediately.

With respect to any Private Funds for which Octagon is deemed to have custody, Octagon may comply with Rule 206(4)-2 under the Advisers Act by providing investors in the Private Fund with audited financial statements within 120 days following the Private Fund's fiscal year end. Investors should review these audited financial statements carefully. If you have not received audited financial statements timely, please contact us immediately.

As noted in Item 13 – *Review of Accounts*, above, Octagon may provide you, separately, with reports or account statements providing information about the account. You should compare these carefully to the account statements you receive from your custodian or the audited financial statements you receive from Octagon.

ITEM 16: INVESTMENT DISCRETION

As discussed in Item 4 – *Advisory Business*, Octagon generally provides advisory services on a discretionary basis to the Funds and Accounts. The limits upon Octagon’s investment discretion are established with the investors in the Funds and Accounts, and are ultimately reflected in the Governing Documents for a Fund or Account Documents for an Account. These limits are established on a case by case basis and will vary from Fund to Fund or Account to Account.

ITEM 17: VOTING CLIENT SECURITIES

Octagon has adopted written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. Under these policies and procedures, Octagon will vote proxies in the best economic interests of its clients over the long term and will not place its interests above those of its Clients. These policies and procedures also include how Octagon addresses material conflicts that may arise between its interests and those of its Clients. However, due to the nature of Octagon’s business, it is rare that Octagon will be asked to vote a proxy for a publicly traded equity security held on behalf of a Fund or Account. The following is a brief summary of Octagon’s proxy voting guidelines.

All proxy materials received by Octagon are forwarded to Octagon’s Chief Compliance Officer or his or her designee. The Chief Compliance Officer records on a log the name of the company to which the proxy materials relate, the date the proxy materials are received and the date by which the proxy needs to be voted.

Upon completion of a reconciliation process, the Chief Compliance Officer forwards the proxy materials to the appropriate investment committee member for voting. The investment committee or its designee shall vote all proxies in the best interests of Octagon’s Clients pursuant to the goals of the Client’s investment strategy. The investment committee will follow the procedures set forth in the policies and procedures in order to ensure that proxies are voted in the best economic interests of Octagon’s Clients. Securities held in Octagon’s multi-strategy Private Fund will be voted by the fund strategy investment committee.

Prior to exercising voting authority on any other matter, the respective investment committee shall review the proxy materials and undertake a reasonable investigation to determine whether any of the matters to be voted on present a material conflict of interest between Octagon and the interests of its Clients.

Where the investment committee’s investigation determines that a material conflict of interest may exist, it shall take reasonable steps to ensure that the conflict does not influence the investment committee to vote a proxy in a manner that is not in the best interests of its Clients. These steps may include, but are not limited to any one or a

combination of the following: (1) consult with Octagon's outside counsel to determine how to vote in a manner that will be in the best interests of its Clients; and (2) erecting information barriers around conflicted personnel to ensure that they do not influence the voting decision.

The investment committee shall make and maintain a record describing any steps taken to prevent a potential material conflict of interest from causing a proxy to be voted in a manner that is not in the best economic interest of its Clients. Where the investment committee determines that no material conflict of interest exists, the matter shall be analyzed based on its specific facts and circumstances and the investment committee shall vote on the matter in the best interests of its Clients.

Clients of Octagon, as well as investors in the Funds, may obtain (1) information about how Octagon voted proxies on their behalf; and (2) a copy of Octagon's proxy voting policy and procedures, by contacting Investor Relations, at:

Octagon Credit Investors, LLC
Attn: Head of Investor Relations
245 Park Avenue, 16th Floor
New York, New York 10167
(212) 400-8400
ecrawford@octagoncredit.com
www.octagoncredit.com

ITEM 18: FINANCIAL INFORMATION

Not applicable.