

ITEM 1
COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

CERBERUS SUB-ADVISORY I, LLC

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ADDITIONAL INFORMATION ABOUT CERBERUS SUB-ADVISORY I, LLC IS ALSO AVAILABLE ON THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

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ITEM 2
MATERIAL CHANGES

Since Cerberus Sub-Advisory I, LLC (the “Adviser”) filed its initial and most recent Part 2A of Form ADV: Firm Brochure on July 29, 2014 (the “Adviser’s Brochure”), there have been no material changes to the Adviser’s Brochure.

ITEM 3
TABLE OF CONTENTS

	<u>Page</u>
ITEM 1	
COVER PAGE.....	1
ITEM 2	
MATERIAL CHANGES	2
ITEM 3	
TABLE OF CONTENTS.....	3
ITEM 4	
ADVISORY BUSINESS	6
A. General Description of Advisory Firm.	6
B. Description of Advisory Services.	6
C. Availability of Customized Services for Individual Clients.	7
D. Wrap Fee Programs.....	7
E. Assets Under Management.	7
ITEM 5	
FEES AND COMPENSATION	8
A. Advisory Fees.	8
B. Payment of Fees.	8
C. Additional Expenses and Fees.	8
D. Prepayment of Fees.	8
E. Additional Compensation and Conflicts of Interest.....	8

ITEM 6	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	9
ITEM 7	TYPES OF CLIENTS.....	10
ITEM 8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
ITEM 9	DISCIPLINARY INFORMATION.....	25
ITEM 10	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	26
	A. Broker-Dealer Registration Status.	26
	B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor Registration Status.	26
	C. Material Relationships or Arrangements with Industry Participants and Affiliated Advisers.	26
	D. Material Conflicts of Interest Relating to Other Investment Advisers.	32
ITEM 11	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	33
	A. Code of Ethics.....	33
	B. Securities That the Adviser or a Related Person Has a Material Financial Interest. ...	35
	C. Investing in Securities That the Adviser or a Related Person Recommends to Clients.....	36
	D. Conflicts of Interest Created by Contemporaneous Trading.	36
ITEM 12	BROKERAGE PRACTICES.....	39
	A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.	39
	B. Aggregated Orders for Various Client Accounts.....	40
	C. Trade Errors.	40
	D. Allocation Errors.....	41

ITEM 13	REVIEW OF ACCOUNTS	42
A.	Frequency and Nature of Review of Client Accounts or Financial Plans.	42
B.	Factors Prompting Review of Client Accounts Other than a Periodic Review.	42
C.	Content and Frequency of Account Reports to Clients.	42
ITEM 14	CLIENT REFERRALS AND OTHER COMPENSATION	43
A.	Economic Benefits for Providing Services to Clients.....	43
B.	Compensation to Non-Supervised Persons for Client Referrals.....	43
ITEM 15	CUSTODY	44
ITEM 16	INVESTMENT DISCRETION	45
ITEM 17	VOTING CLIENT SECURITIES	46
ITEM 18	FINANCIAL INFORMATION	47

ITEM 4

ADVISORY BUSINESS

A. General Description of Advisory Firm.

The Adviser is a Delaware limited liability company founded in May 2013. The Adviser's offices are located in New York City. The Adviser serves as a sub-adviser to (i) two funds (together, the "RICs") registered as investment companies with the SEC under the Investment Company Act of 1940, as amended (the "Investment Company Act") and (ii) a fund authorized by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended (the "UCITS Fund," and together with the RICs, the "Clients"). Each of the Adviser's three Clients is affiliated with one another.

The Adviser is wholly owned by Cerberus Capital Management, L.P. ("CCM"), a Delaware limited partnership and an investment adviser registered with the SEC. The principal owner of CCM is Stephen A. Feinberg, who owns his interests in CCM indirectly through one or more intermediate entities.

The affiliates of CCM are sometimes referred to herein as the "CCM Affiliates." Please refer to CCM's Form ADV Parts 1A and 2A for a more detailed description of CCM's and the CCM Affiliates' respective investment strategies and clients, which include privately-placed pooled investment vehicles (collectively, the "Private Funds"), single investment special purpose investment vehicles and managed accounts (collectively, with the Private Funds, the "CCM Clients").

The Adviser currently only provides services to the Clients but may in the future provide services to other clients. The Adviser is part of the single advisory business of CCM and the CCM Affiliates, and the Adviser, CCM and the CCM Affiliates share resources including, without limitation, personnel, policies and facilities. CCM, the CCM Affiliates and the Adviser are sometimes referred to collectively herein as the "Cerberus Advisers." The Clients and the CCM Clients are sometimes referred to collectively herein as the "Cerberus Clients."

B. Description of Advisory Services.

The Adviser is a private investment firm. The Adviser has been engaged by the advisers of the Clients (each, a "Delegating Adviser") to provide sub-advisory services in respect of a portion of the assets of the Clients designated by the Delegating Advisers (the "Allocated Portion"). The Adviser's mandate in respect of the Allocated Portion is to achieve certain specified returns by generating both current income and capital appreciation through a variety of long and short mortgage-centric investment strategies.

Please see Item 8 for additional information related to methods of analysis, investment strategies and risk of loss.

C. Availability of Customized Services for Individual Clients.

The Adviser tailors its advisory services as described in the Clients' offering and organizational documents and/or the sub-advisory or other agreements between the Adviser and the Delegating Advisers.

D. Wrap Fee Programs.

The Adviser does not participate in wrap fee programs.

E. Assets Under Management.

As of January 1, 2015, (i) the Adviser manages approximately \$153.6 million on a discretionary basis and (ii) CCM manages approximately \$28.1 billion on a discretionary basis. The Adviser's assets under management represents the net asset value of the Allocated Portion. The Adviser does not manage any assets on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

A. Advisory Fees.

Management Fees

The Adviser will receive an annual management fee equal to a percentage of net assets under management. Such management fees generally range from 0.65% to 1.0% of the net assets of the Allocated Portion. The particular percentage will be determined in accordance with the sub-advisory and other agreements between the Adviser and the Delegating Advisers.

Performance-Based Fees

With respect to the UCITS Fund, the Adviser will receive an annual performance-based fee of 5.0% of aggregate realized and unrealized appreciation in the net asset value of the assets comprising the Allocated Portion (after deduction of the Adviser's management fees and applicable expenses), subject to a high water mark and a hurdle rate. The Adviser does not receive any performance-based compensation with respect to the RICs.

B. Payment of Fees.

Management fees are calculated and paid by the Delegating Adviser, and are payable quarterly in arrears. With respect to the UCITS Fund, performance-based fees are calculated and paid by the Delegating Adviser and are payable annually in arrears.

C. Additional Expenses and Fees.

The Clients will pay all expenses other than those expressly stated to be payable by the Adviser pursuant to the sub-advisory or other agreements between the Adviser and the Delegating Adviser. The Adviser shall bear its expenses of providing services pursuant to such agreements.

D. Prepayment of Fees.

The fees received by the Adviser will be paid in arrears.

E. Additional Compensation and Conflicts of Interest.

The Adviser does not accept compensation for the sale of securities or other investment products.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

CCM and the CCM Affiliates receive performance-based compensation in the form of an incentive allocation, an incentive fee and/or performance distributions with respect to most of the CCM Clients. Additionally, the Adviser will receive a performance-based fee with respect to the advisory services provided to the UCITS Fund, as described in more detail in Item 5 of this Brochure.

In the allocation of investment opportunities, performance-based fee/allocation arrangements may create (i) an incentive to favor accounts with performance fee/allocation arrangements over accounts that are not charged, or from which a Cerberus Adviser will not receive a performance fee/allocation and (ii) an incentive to favor accounts from which a Cerberus Adviser will receive a greater performance fee/allocation over accounts from which it will receive a lesser performance fee/allocation. Investment decisions and allocations are made in accordance with the Cerberus Advisers' Investment Allocation Policy and Procedures (the "Allocation Policy"), as such Allocation Policy is in effect at the time of such decision or allocation. The Allocation Policy is designed to ensure that all Cerberus Clients are treated fairly and equitably to prevent this form of conflict from influencing the allocation of investment opportunities among the Cerberus Clients.

ITEM 7

TYPES OF CLIENTS

As of the date of this Brochure, the Adviser's only clients are the RICs and the UCITS Fund. At this time, the Adviser does not anticipate providing investment advisory services to any other clients, although the Adviser may do so in the future. The minimum amounts for investment, if any, by the Clients are specifically negotiated by the Adviser and the Delegating Adviser.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies.

The Adviser invests primarily in agency and nonagency mortgage-backed securities, various interest rate products and synthetic indices. The Adviser may invest in mortgage loans, mortgage-backed securities and derivatives across the entire capital structure, and may also effect its trading strategy through the investment and trading in instruments of the rates market, including, but not limited to, cash treasury notes, interest-rate swaps, futures, caps/floors, options and swaptions. The Adviser also may invest in mortgage-backed securities collateralized by residential mortgage loans (“RMBS”), asset-backed securities (“ABS”), collateralized debt obligations (“CDOs”), and any other mortgage derivative or real estate-related financial instruments. The types of RMBS in which the Adviser may invest include, without limitation, mortgage-backed securities (“MBS”) collateralized by prime, agency, Alt-A, Alt-B, sub-prime mortgages, MBS pass-throughs, mortgage derivatives (*i.e.*, interest only securities), agency debentures, agency structured notes, servicing rights, wraps and guarantees (from Fannie Mae, Freddie Mac and other entities), and other forms of asset-backed securities and other pools of distressed assets. The Adviser also may purchase pools of performing and non-performing loans (including, without limitation, residential and multi-family properties and small balance commercial (“SBC”) loans). Investments may be made both long and short in a variety of instruments, including, but not limited to, instruments with varying terms with respect to collateral, relative seniority or subordination, purchase price, convertibility, interest requirements and maturity. The Adviser may use leverage for liquidity and investment purposes. The Adviser may (but need not) employ various hedging techniques to mitigate actual or potential risks to which the Clients’ respective portfolios may be exposed.

Risks Relating to the Investment Strategies.

The investment programs for each of the Clients involve a substantial degree of risk. The Adviser has listed certain risks below; however, the list of risks is not comprehensive or complete.

Risks Associated with Residential Mortgage Loans. The Clients may invest in residential mortgage loans, including subprime mortgages. Subprime mortgage loans are generally made to borrowers with lower credit scores. Accordingly, such mortgage loans backing RMBS are more sensitive to economic factors that could affect the ability of borrowers to pay their obligations under the mortgage loans backing these securities. The residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions that may adversely affect the performance of the Clients. A decline or an extended flattening of real estate values may result in increases in delinquencies and losses on residential mortgage loans, particularly with respect to second homes and investor properties and with respect to any residential mortgage loan where the aggregate loan amount (including any subordinate liens) is close to or greater than the related property value.

Another factor that may result in higher delinquency rates is the increase in monthly payments on adjustable-rate mortgage loans (“ARMs”) and/or pay option ARMs, each of which present

special default and prepayment risks. Borrowers with adjustable payment mortgage loans are exposed to increased monthly payments when the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate, as applicable, to the rate computed in accordance with the applicable index and margin. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may not be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans.

Certain residential mortgage loans may be structured with negative amortization features. Negative amortization arises when the mortgage payment in respect of a loan is smaller than the interest due on such loan. On any such mortgage loans, if the required minimum monthly payments are less than the interest accrued on the loan, the interest shortfall is added to the principal balance, causing the loan balance to increase rather than decrease over time. Because the related mortgagors may be required to make a larger single payment upon maturity, the default risk associated with such mortgage loans may be greater than that associated with fully amortizing mortgage loans.

In addition, numerous residential mortgage loan originators that originate subprime mortgage loans have experienced serious financial difficulties and, in some cases, bankruptcy. Those difficulties have resulted in part from declining markets for mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults, or for material breaches of representations and warranties made on the mortgage loans, such as fraud claims.

When a Client purchases loans, its counterparty may make representations and warranties about such loans to the Client. The Client's residential mortgage loan purchase agreements may entitle the Client to seek indemnity or demand repurchase or substitution of the loans in the event a counterparty breaches a representation or warranty given to the Client. However, there is no assurance that the Client's mortgage loan purchase agreements will contain appropriate representations and warranties, that it will be able to enforce its contractual right to repurchase or substitution, or that a counterparty will remain solvent or otherwise be able to honor its obligations under its mortgage loan purchase agreements. The Client's inability to obtain indemnity or require repurchase of a significant number of loans could harm such Client's business, financial condition, liquidity, results of operations and ability to make distributions to its investors. Further, as the market for mortgage loan purchase agreements becomes more competitive, the representations and warranties about such loans to the Clients may become more limited as the counterparties have increased leverage during the negotiations for purchase of such loans.

Interest-Only Mortgage Loans. The Clients may invest in interest-only mortgage loans. Interest-only mortgage loans permit the borrowers to make monthly payments of only accrued interest generally for an initial period following origination. After such interest-only period, the borrower's monthly payment will be recalculated to cover both interest and principal so that the mortgage loan will amortize fully prior to its final payment date. If the monthly payment

increases, the related borrower may not be able to pay the increased amount and may default or may refinance the related mortgage loan to avoid the higher payment. Interest-only mortgage loans reduce the monthly payment required by borrowers during the interest-only period and consequently the monthly housing expense used to qualify borrowers. As a result, the interest-only mortgage loans may allow some borrowers to qualify for a mortgage loan who would not otherwise qualify for a fully amortizing mortgage loan or may allow them to qualify for a larger mortgage loan than otherwise would be the case.

Higher Risk of Loss on Loans Secured by Non-Owner Occupied Properties. The Clients may invest in mortgage loans that are secured by multifamily or mixed use properties, or by properties, including improved and unimproved land, held by borrowers for investment, or as second homes. These mortgage loans may present a greater risk of loss, and the unimproved land may present a significantly greater risk of loss, if a borrower experiences financial difficulties, because these borrowers may be more likely to default on a mortgage loan secured by non-owner occupied property than a mortgage loan secured by a primary residence of a borrower.

Credit Scores May Not Accurately Predict the Performance of the Mortgage Loans. The Adviser may rely on credit scores as part of its due diligence process. Credit scores are obtained by many lenders in connection with mortgage loan applications to help them assess a borrower's creditworthiness. Credit scores are generated by models developed by a third party that analyzed data on consumers in order to establish patterns that are believed to be indicative of the borrower's probability of default over a two-year period. The credit score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. Credit scores range from approximately 250 to approximately 900, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. However, a credit score purports only to be a measurement of the relative degree of risk a borrower represents to a lender (*i.e.*, a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score). Lenders have varying ways of analyzing credit scores and, as a result, the analysis of credit scores across the industry is not consistent. In addition, it should be noted that credit scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of a mortgage loan. Furthermore, credit scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general, and assess only the borrower's past credit history. Therefore, a credit score does not take into consideration the effect of mortgage loan characteristics (which may differ from consumer loan characteristics) on the probability of repayment by the borrower. There can be no assurance that the credit scores of the mortgagors will be an accurate predictor of the likelihood of repayment of the related mortgage loans.

Risks Associated with RMBS. The Clients may invest in RMBS. Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. Prepayments could reduce the yield received on the related issue of RMBS. RMBS are particularly susceptible to prepayment risks, as they generally do not contain prepayment penalties and a reduction in interest rates will

increase the prepayments on the RMBS, resulting in a reduction in yield to maturity for holders of such securities.

Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. Certain mortgage loans may be of subprime credit quality (*i.e.*, do not meet the customary credit standards of Fannie Mae and Freddie Mac). Delinquencies and liquidation proceedings are more likely with subprime mortgage loans than with mortgage loans that satisfy customary credit standards. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers which, among other things, may regulate interest rates and other fees, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. In addition, a number of legislative proposals have been introduced at both the federal, state and municipal level that are designed to discourage predatory lending practices. Furthermore, the laws of non-U.S. jurisdictions may have different, and, in some cases, more onerous obligations. Violation of such laws, public policies and principles may limit the servicer's ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and administrative enforcement. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

It is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Geographic Concentration of Mortgage Loans. The mortgage loans in which the Clients may invest may be concentrated in a specific state or region. Weak economic conditions in these locations or any other location (which may or may not affect real property values), may affect the ability of borrowers to repay their mortgage loans on time. Properties in certain jurisdictions may be more susceptible than homes located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, as well as floods, hurricanes, wildfires, mudslides and

other natural disasters. Declines in the residential real estate market of a particular jurisdiction may reduce the values of properties located in that jurisdiction, which would result in an increase in the loan-to-value ratios. Any increase in the market value of properties located in a particular jurisdiction would reduce the loan-to-value ratios of the mortgage loans and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans.

Risks Associated with Commercial Mortgage Loans. The Clients may invest in commercial mortgage loans. The value of the Clients' commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include (i) economic and real estate market conditions by industry sectors (*e.g.*, multifamily, retail, office, etc.), (ii) the terms and structure of the mortgage loans and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

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

Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans and CMBS bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation.

Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

The Clients may invest in SBC loans. SBC loans are generally viewed as having a greater risk of loss through delinquency and foreclosure than lending on the security of single family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (*i.e.*, the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses and comply with applicable zoning and laws) rather than upon the existence of independent income or assets of the borrower. Many SBC loans provide recourse only to

specific assets, such as the property, and not against the borrower's other assets or personal guarantees.

Risks Associated with CMBS. The Clients may invest in CMBS and other MBS, including subordinated tranches of such securities. The value of CMBS will be influenced by factors affecting the value of the underlying real estate portfolio, and by the terms and payment histories of such CMBS.

Some or all of the CMBS contemplated to be acquired by the Clients may not be rated, or may be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated CMBS, so-called "B-pieces," in which the Clients may invest have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Securities rated lower than "B" by rating organizations may be regarded as having extremely poor prospects of attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect the Clients from loss.

The Clients may also acquire subordinated tranches of CMBS issuances. In general, subordinated tranches of CMBS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of nonpayment than senior tranches of CMBS or CMBS backed by third-party credit enhancement. As an investor in subordinated CMBS, a Client will be first among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral. In addition, an active secondary market for such subordinated securities is not as well developed as the market for other MBS. Accordingly, such subordinated CMBS may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

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

Asset-Backed Securities. ABS use trusts and special purpose corporations to securitize various types of assets, primarily automobile and credit card receivables. The Clients may invest, either directly or indirectly, through CDOs, in these and other types of ABS that may be developed in the future.

ABS present certain risks that are not presented by MBS. Primarily, these financial instruments do not have the benefit of security interest in the collateral. Credit card receivables, for

example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of entities involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Risks Associated with CDO Investments. Clients may invest in CDOs. The value of the CDOs generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets (the "CDO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO Collateral or proceeds thereof for payment. If distributions on the CDO Collateral are insufficient to make payments on the CDOs, no other assets will be available for payment of the deficiency and following realization of the CDOs, the obligations of such issuer to pay such deficiency generally will be extinguished.

CDO Collateral may consist of high-yield debt securities, loans, ABS and other instruments (which often are rated below investment grade or of equivalent credit quality). High-yield debt securities and loans may be unsecured and subordinated to other obligations of the issuer. The lower ratings of high-yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer and/or economic conditions may impair the ability of the issuer or obligor to make payments of principal or interest.

The lack of an established, liquid secondary market for some CDOs (and CDO equity in particular) may have an adverse effect on the market value of those CDOs and will in most cases make it difficult to dispose of such CDOs at market or near market prices. Additionally, the public markets for high-yield corporate debt securities have experienced periods of volatility and periods of reduced liquidity, and CDOs will be subject to certain other transfer restrictions that may contribute to illiquidity. Therefore, if the Client decides to dispose of any particular CDO, no assurance can be given that it will be able to dispose of such CDO at the prevailing market price, if at all. Such illiquidity may adversely affect the price and timing of liquidations of CDO securities by the Clients.

Subordination of CDO Debt and CDO Equity. A Client's portfolio may consist of CDO equity and subordinate CDO debt. Subordinate CDO debt generally is fully subordinated to the CDO's senior tranches. CDO equity generally is fully subordinated to any CDO debt tranches. To the extent that any losses are incurred by a CDO in respect of its CDO collateral, such losses will be borne first by the holders of the CDO equity, next by the holders of any subordinated CDO debt and finally by the holders of the CDO senior tranches. In addition, if an event of default occurs under the governing instrument or underlying investment while any CDO senior tranches are outstanding the holders thereof generally will be entitled to determine the remedies to be exercised under the instrument governing the CDO. Remedies pursued by such holders could be adverse to the interests of the holders of any subordinated CDO debt and/or the holders of the CDO equity, as applicable.

Hedging Transactions. The Clients may use a variety of financial instruments, such as derivatives, options, total return swaps, caps, floors, futures, forward contracts and indices, both for investment and risk management purposes. The Clients may utilize such instruments to (i) protect against possible changes in the market value of such Client's investment portfolios resulting from fluctuations in the markets and changes in interest rates, (ii) protect such Client's unrealized gains in the value of its investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in such Client's portfolios, (v) hedge against a directional trade, (vi) hedge the interest rate, credit or currency exchange rate on any of such Client's financial instruments, (vii) protect against any increase in the price of any financial instruments such Client anticipates purchasing at a later date or (viii) act for any other reason that the Adviser deems appropriate. Although certain Clients may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk (including unidentified or unanticipated risks), thereby incurring losses to such Client. In addition, such hedging transactions may result in a poorer overall performance for such Client than if it had not engaged in any such hedging transactions. Moreover, the Adviser may determine not to hedge against, or may not anticipate, certain risks and the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

Call Options. The Clients may purchase and sell call options and there are risks associated with the sale and purchase of call options. The seller (writer) of a call option that is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss.

The buyer of a call option assumes the risk of losing its entire premium investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

Put Options. The Clients may purchase or sell (write) put options and there are risks associated with the sale and purchase of put options. The seller (writer) of a put option that is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is fully hedged if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset, in whole or in part, by any gain on the underlying security.

Short Selling. A Client's investment program may include short selling for certain purposes. Such practice can in certain circumstances substantially increase the impact of adverse price movements on such Client's portfolio. A short sale of equity securities involves the theoretical risk of an unlimited increase in the market price of securities sold short. A short sale of a debt instrument such as a bond involves the theoretical risk of an increase in the market price plus accrued interest. Moreover, short selling is limited to securities that can be borrowed, and it may be necessary to cover short positions at an undesirable time and at undesirable prices because securities that were shorted can no longer be borrowed. In such cases, a Client can be bought in (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Futures Contracts. The Clients may invest in futures contracts. The value of futures depends upon the price of the instruments, such as commodities, underlying them. Futures contracts are expected to be used primarily to manage currency and general market risk. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which such Client's positions trade or of its clearinghouses or counterparties.

Futures positions may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at

prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Client from promptly liquidating unfavorable positions and subject such Client to substantial losses or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Trading. Clients may invest in forward transactions. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and cash trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Client. Market illiquidity or disruption could result in significant losses to such Client.

Swap Agreements and Synthetic Assets. The Clients may acquire exposure to the risk of structured finance securities, debt securities and loans synthetically through products such as credit default swaps (including CDS and CDX contracts), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a “Synthetic Asset”). A Synthetic Asset could take many forms, including a credit derivative transaction that references a structured finance security, debt security and loan or a credit derivative transaction that references a portfolio or index of corporate reference entities or a portfolio or index of reference obligations consisting of structured finance securities, debt securities, bonds or other financial instruments (each, a “Reference Obligation”). Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. The Clients will have a contractual relationship only with the synthetic asset counterparty, and not with the issuer(s) (the “Reference Entity”) of the Reference Obligations unless a credit event occurs with respect to any such Reference Obligation, physical settlement applies and the synthetic asset counterparty delivers the Reference Obligation to the Clients. Other than in the event of such delivery, the Clients generally will have no right directly to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and the Clients will not have any rights of set-off against the Reference Entity. In addition, the Clients generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. The Clients also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. The Clients will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity, as well as the documentation risk associated with these instruments.

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

While the Adviser expects that returns on a Synthetic Asset may reflect those of each related Reference Obligation, as a result of the terms of the Synthetic Asset and the assumption of the credit risk of the Synthetic Asset counterparty, a Synthetic Asset may have a different expected return, a different (and potentially greater) probability of default and different expected loss and recovery characteristics following a default.

Repurchase and Reverse Repurchase Agreements. A Client may enter into repurchase and reverse repurchase agreements. When a Client enters into a repurchase agreement, such Client effectively sells securities to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. While the securities are effectively sold, the Client may not be able to vote such securities on issues that may affect the ultimate value of the investment. In a reverse repurchase transaction, a Client effectively buys securities from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by such Client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Client involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such cases may involve costs to a Client. A Client may enter into repurchase and reverse repurchase agreements to, among other things, increase its leverage. The use of such leverage can, in certain circumstances, maximize the losses to such Client. Any event that adversely affects the value of an investment is magnified to the extent that asset or such Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to such Client's investments could result in a substantial loss to such Client, which loss would be greater than if the asset or Client was not leveraged.

Leverage and Borrowing Risks. Certain Clients have the power to borrow funds and may do so when deemed appropriate by the Adviser, including to enhance such Client's returns and satisfy withdrawal requests that would otherwise result in the premature liquidation of investments. Such Clients may borrow funds from brokers, banks and other lenders to finance its investment operations, which borrowings may be secured by assets of the Clients. The use of such leverage can, in certain circumstances, maximize the losses to which such Client's investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that asset or such Client is leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to the Clients' investments could result in a substantial loss to the Clients, which would be greater than if the Clients were not leveraged. Leverage may be achieved through, among other methods, direct borrowing, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. Access to capital could be impaired by many factors,

including market forces or regulatory changes. The Clients generally have unrestricted borrowing powers.

The use of margin and short-term borrowings creates several risks for the Clients. If the value of the Clients' securities falls below the margin level required by a prime broker, additional margin deposits would be required. If the Clients are unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the Clients' position in some or all of the financial instruments that are in the Clients' accounts at the prime broker and cause the Clients to incur significant losses. Furthermore, secured counterparties and lenders may have the right to sell, pledge, re-hypothecate, assign, use or otherwise dispose of collateral posted by the Clients. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Clients may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the Clients' agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Clients.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involves little or no margin deposit and, therefore, provide substantial leverage opportunities for the Clients. Relatively small price movements in these financial instruments may result in immediate and substantial losses to the Clients. Leverage will increase the exposure of the Clients to adverse economic factors such as rising interest rates, economic downturns or a deterioration in the condition of the Clients' investments or their corresponding markets. The use of such leverage can maximize the losses to which the Clients' investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that asset or such Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to such Client's investments could result in a substantial loss to the such Client, which would be greater than if such Client had not been leveraged.

Systemic Risk. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Clients interact on a daily basis. A systemic failure could have material adverse consequences on the Clients and on the markets for securities in which the Clients seek to invest.

Taxes and Derivatives. The regulatory and tax environment for derivative instruments in which a Client may participate is evolving, and changes in the regulation or taxation of such investments may materially adversely affect the ability of such Client to pursue its investment program, the value of the investments held by such Client and such Client's ability to obtain leverage.

Necessity for Counterparty Trading Relationships; Counterparty Risk. The Adviser establishes, on behalf of the Clients, relationships to obtain financing, derivative intermediation and prime brokerage services that permit such Client to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Adviser will be able to maintain

such relationships. An inability to maintain such relationships would limit a Client's trading activities could create losses, preclude such Client from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent such Client from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Adviser establishes additional relationships could have a significant impact on a Client's business due to such Client's reliance on such counterparties.

Some of the markets in which a Client may effect its transactions are over-the-counter or inter-dealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes a Client to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing such Client to suffer a loss. In addition, in the case of a default, a Client could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client has concentrated its transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of a Client's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of a Client's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code) or elsewhere, there exists the risk that the recovery of such Client's securities and other assets from such Client's prime brokers or broker-dealers may be delayed or may be of a value that is less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, a Client may use counterparties located in jurisdictions outside the United States. Such counterparties are subject to the laws and regulations in foreign jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Client and its assets.

A Client is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, a Client has a limited internal credit function which evaluates the creditworthiness of its counterparties. The ability of a Client to transact business with any one or more counterparties, the lack of complete evaluation of such counterparty's financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Client.

Risks of Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. If there is a default by the counterparty to such a transaction, a Client will under most circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such

contractual rights may involve delays or costs which could result in the net asset value of a Client being less than if such Client had not entered into the transaction.

Bank or Broker-Dealer Insolvency. While care is taken in selecting banks and broker-dealers that will maintain custody of certain of the assets of a Client, there is a residual risk that any of such banks or broker-dealers could become insolvent. Additionally, a large percentage of the Clients' assets are held by a limited number of banks and broker-dealers. While most securities and assets deposited with broker-dealers will be clearly identified as being assets of a Client, such Client will be an unsecured creditor with respect to cash balances held with banks and broker-dealers, and hence, such Client may be exposed to a credit risk with regard to such parties.

ITEM 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a Client's or a prospective Client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

The Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor Registration Status.

The Adviser is not registered as, and does not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. While the Adviser may trade a *de minimis* amount of commodity interests, the Adviser is exempt from registration with the CFTC as a Commodity Trading Advisor.

Three CCM Affiliates, Partridge Hill Overseas Management, LLC (“Partridge Hill”), Cerberus Capital Management II, L.P (“CCM II”) and Cerberus Institutional Management II, LLC (“CIM II”) and, collectively with Partridge Hill and CCM II, the “CPO Managers”), have registered as Commodity Pool Operators (“CPOs”) with the Commodity Futures Trading Commission (“CFTC”) and have become members of the National Futures Association (“NFA”). Certain of CCM’s management persons, Stephen Feinberg, William Richter, Andrew Kandel, Jeffrey Lomasky, Mark Neporent, Jonathan Centurino and Scott Stelzer are registered with the NFA as principals, but not associated persons, of each of the CPO Managers. Seth Plattus, another CCM management person, is registered with the NFA as both a principal and an associated person of each of the CPO Managers.

Each of the CPO Managers is a member of the NFA and plans to avail itself of an exemption from certain heightened disclosure and recordkeeping requirements provided by CFTC Regulation 4.7. The CPO Managers’ activities as CPOs enable them to use commodity products as part of their investment strategies and do not conflict with their investment advisory business.

C. Material Relationships or Arrangements with Industry Participants and Affiliated Advisers.

In addition to CCM, each of the following entities is an affiliate of the Adviser and serves as the general partner or managing member of a Private Fund as of January 1, 2015:

- Cerberus Asia Associates, L.L.C.
- Cerberus ASRS Credit Opportunities GP, LLC
- Cerberus Associates, L.L.C.
- Cerberus Associates II, L.L.C.

- Cerberus Associates II, Ltd.
- Cerberus AUS Levered Opportunities Master Fund GP, LLC
- Cerberus CMBS Associates, L.L.C.
- Cerberus CMBS-1GP, LLC
- Cerberus EUF 1 GP, LLC
- Cerberus Global Residential Mortgage Associates, Ltd.
- Cerberus ICQ Levered Opportunities GP, LLC
- Cerberus Institutional Associates, L.L.C.
- Cerberus Institutional Associates II, L.L.C.
- Cerberus Institutional Associates, Ltd.
- Cerberus Institutional Associates II, Ltd.
- Cerberus Institutional Associates (America), L.L.C.
- Cerberus Institutional Associates AD, L.L.C.
- Cerberus Institutional Associates AN, L.L.C.
- Cerberus Institutional Associates CDP IC, L.L.C.
- Cerberus Institutional Associates CP, L.L.C.
- Cerberus Institutional Associates CT, L.L.C.
- Cerberus Institutional Associates HH, L.L.C.
- Cerberus Institutional Associates MA, L.L.C.
- Cerberus Institutional Associates OT, L.L.C.
- Cerberus Institutional Associates PW, L.L.C.
- Cerberus Institutional Associates SC, L.L.C.
- Cerberus Institutional Associates SMRS, L.L.C.
- Cerberus Institutional International Associates, L.L.C.

- Cerberus KRS Levered Opportunities GP, LLC
- Cerberus Levered Opportunities GP, LLC
- Cerberus Levered Opportunities II GP, LLC
- Cerberus Levered Opportunities Master Fund GP, LLC
- Cerberus Levered Opportunities Master Fund II GP, LLC
- Cerberus MG GP, LLC
- Cerberus NJ Credit Opportunities GP, LLC
- Cerberus PEM GP, LLC
- Cerberus Real Estate GP, L.L.C.
- Cerberus Real Estate GP III, L.L.C.
- Cerberus RMBS Associates II, Ltd.
- Cerberus RMBS Associates III, L.L.C.
- Cerberus Siguler Guff GP, LLC
- Cerberus SWC Levered Opportunities GP, LLC
- Styx Associates LLC

Several CCM Affiliates currently serve as management companies to the Private Funds and provide certain administrative and managerial services to the Private Funds.

In addition to the above affiliated general partners, investment managers and management companies, CCM retains and provides compensation to the following CCM Affiliates:

- Cerberus Japan K.K., a Tokyo-based affiliate;
- Cerberus Asia Pacific Advisors Limited, a Hong Kong-based affiliate;
- Cerberus Beijing Advisors Limited, a Beijing-based affiliate;
- Cerberus Deutschland Beteiligungsberatung GmbH, a Frankfurt-based affiliate;
- Cerberus European Capital Advisors, LLP, a London-based affiliate which is registered with the U.K. Financial Conduct Authority;
- Cerberus Iberia Advisors, S.L., a Madrid-based affiliate; and

- Cerberus Global Investment Advisors, LLC, an affiliate with offices in New York and Baarn, The Netherlands.

CCM Affiliates provide advice on Asian, European and other non-U.S. investment opportunities.

With respect to U.S. investment opportunities, CCM retains and provides compensation to the following CCM Affiliates: (i) Cerberus California, LLC, a Los Angeles-based affiliate and (ii) Cerberus Capital Chicago LLC, a Chicago-based affiliate.

For a complete list of all related advisers of the Adviser, see Section 7.A. of Schedule D to the Adviser's Form ADV Part 1.

Ancillary Fees

The Cerberus Advisers may receive directors' fees, break-up fees and other fees in connection with a Cerberus Client's investments. The amount received by the Cerberus Advisers will typically reduce dollar-for-dollar the management fees, incentive fees, incentive allocations or carried interest to be received by the Cerberus Advisers from the Private Funds or managed accounts owning such investments.

Management of Multiple Clients

As indicated above, the Cerberus Advisers manage a number of Cerberus Clients, some of which have or are expected to have investment programs that are similar and/or overlap. The organizational documents and investment management agreements of the Cerberus Clients generally do not curtail the Cerberus Advisers' ability to create successor funds to the Cerberus Advisers' other existing platforms, as well as separate accounts or other investment funds or vehicles relating or complementary to the Cerberus Advisers' other existing platforms or new investment strategies and platforms. In addition, the Cerberus Advisers may in the future establish, sponsor and/or otherwise become affiliated with other pooled investment vehicles, companies, investors and accounts that have investment programs that are similar to and/or overlap with the investment programs of its current Cerberus Clients or that may engage in the same or similar business as such current Cerberus Clients using the same or similar investment and/or business strategies. For example, a Cerberus Adviser could establish a fund that focuses on investing in a single industry or geographic region or of a certain investment type, such as European NPLs or MBS, which could invest side-by-side with an existing Cerberus Client in deals in that industry or geographic region or of that investment type. The Cerberus Advisers anticipate that new pooled investment vehicles (or additional classes or series of interests in its current Cerberus Clients), single-investor funds and/or managed accounts, each with investment programs that are similar to and/or overlap with the investment programs of current Cerberus Clients, will be created in the future.

Each of the Cerberus Advisers will devote so much of its time, and the time and resources of their operations team, to the affairs of each Cerberus Client as in their judgment the conduct of each Cerberus Client's business reasonably requires, and none of the Cerberus Advisers will be obligated to do or perform any act or thing in connection with the business of any Cerberus Client not expressly set forth in such Cerberus Client's governing documents. Generally, the

Cerberus Advisers exercise investment responsibility on behalf of, or directly or indirectly purchases, sells, holds or otherwise deals with, any portfolio investment for the account of multiple Cerberus Clients and multiple businesses. No Cerberus Client will and no investor will, by reason of being an investor in a Cerberus Client, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Cerberus Advisers from the conduct of any business other than the business of such Cerberus Client or from any transaction in investments effected by the Cerberus Advisers for any account other than that of such Cerberus Client.

As a result of the foregoing, the Cerberus Advisers and their personnel may have conflicts of interest in allocating their time and resources among the Cerberus Clients, in allocating investments among the Cerberus Clients and other entities and in effecting transactions among the Cerberus Clients and other entities, including ones in which the Cerberus Advisers or their personnel may have a financial interest. Accordingly, each of the Cerberus Advisers will devote so much of their time and will allocate the time and resources of their operations team to their Cerberus Clients as in their judgment the conduct of each Cerberus Client's account reasonably requires.

Acquisitions by Portfolio Companies

Certain investment opportunities may be suitable acquisitions by a Cerberus Client and by the portfolio companies of such Cerberus Client or other Cerberus Clients. If a Cerberus Adviser believes, in its discretion, that an investment opportunity is better suited for acquisition by a portfolio company than by the Cerberus Clients, such Cerberus Adviser may offer such investment opportunity to the portfolio company. As a result, a Cerberus Client may not participate in such opportunity if such portfolio company is not a portfolio investment of such Cerberus Client, or may be indirectly participating in such opportunity in a different percentage than if such investment opportunity was acquired by such Cerberus Client and/or other Cerberus Clients directly. The Cerberus Advisers generally seek to have portfolio companies invest in investment opportunities that provide synergies to their existing businesses and assist in the overall profitability of such portfolio companies.

Co-Investment Opportunities

The Cerberus Advisers may, from time to time, offer certain investors or Cerberus Clients the right or opportunity to co-invest with other Cerberus Clients in certain portfolio investments. The Cerberus Advisers are generally not obligated to arrange co-investment opportunities for all investors in a Cerberus Client or all Cerberus Clients, and investors and Cerberus Clients generally will not be entitled or have any right to participate in such an opportunity solely by reason of being a Cerberus Client or an investor in a Cerberus Client. The Cerberus Advisers' decision to offer (or not offer) co-investment opportunities to any investor generally will be made in its sole discretion, and the Cerberus Advisers may allocate co-investment opportunities instead to investors in other Cerberus Clients or to third parties. The Cerberus Advisers may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by the Cerberus Clients.

The Cerberus Advisers generally may offer such opportunities in instances in which the amount available for investment exceeds the amount the Cerberus Advisers believe should be invested by the Cerberus Clients. The Cerberus Advisers may also offer co-investment opportunities to other persons or entities (including the Cerberus Clients' portfolio companies) based on a number of factors, including, but not limited to, (i) the extent by which the size of the transaction exceeds the amount the Cerberus Advisers believe should be invested by the Cerberus Clients, (ii) the ability of such persons or entities to generate future investment opportunities or provide other benefits to the Cerberus Clients and/or (iii) the ability of such persons or entities to provide analytical and market advice or other expertise that may be valuable to the Cerberus Clients. The Cerberus Advisers may, from time to time, permit members of their operations team to co-invest in an investment involving their assistance.

Financing with Other Affiliated Funds

Applicable tax and regulatory considerations may sometimes lead to certain investments being structured in a manner such that a Cerberus Client (or an entity through which a Cerberus Client makes an investment) obtains debt financing from (or enters into a similar transaction with) other Cerberus Clients or other entities affiliated with such Cerberus Client or the Cerberus Advisers. In such cases, the equity interest of such Cerberus Client is subordinate to such loans and, accordingly, there may be circumstances in which the loans made by the other Cerberus Clients are repaid in full while such Cerberus Client is not able to recoup its equity investment or earn an adequate return. These transactions, however, are generally structured so that the projected return to the equity investment of such Cerberus Client, after taking into account such borrowings, if obtained, would exceed the return to the other Cerberus Clients with respect to their loans. The Cerberus Advisers will act in the best interests of all of the Cerberus Clients, in their good faith discretion, in determining the amount of each such investment opportunity to structure as debt, the amount to structure as equity and the terms of any debt instruments.

The equity holders and debt holders of a particular investment may have conflicting interests during the term of such an investment, especially if the investment is underperforming. In such circumstances, the Cerberus Advisers will seek to ensure that all procedures that are necessary and proper, in its discretion, are implemented so that the interests of each Cerberus Client are protected and that all such transactions are fair and appropriate to, and in the best interests of, each of the parties thereto.

Conflicts Among Clients Relating to Different Investments in the Capital Structure of Portfolio Companies, Issuers and Borrowers

The Cerberus Clients may invest in different layers of the capital structure of a portfolio company, issuer or borrower. For example, a Cerberus Client (i) may own debt of a portfolio company, issuer or borrower while another Cerberus Client owns equity in the same portfolio company, issuer or borrower, (ii) may own debt of a portfolio company, issuer or borrower while another Cerberus Client owns a different tranche or other class or issue of debt of the same portfolio company, issuer or borrower and/or (iii) may own equity of a portfolio company, issuer or borrower while another Cerberus Client owns a different equity security of the same portfolio company, issuer or borrower. Furthermore, a Cerberus Client may participate in debt originated to finance the acquisition by other Cerberus Clients of an equity or other interest in a portfolio

company, issuer or borrower. To the extent a reorganization or other major corporate event occurs with respect to such portfolio company, issuer or borrower, conflicts may exist between such Cerberus Client and other Cerberus Clients. The Cerberus Advisers will seek to resolve such conflicts of interest in a fair and equitable manner.

A Cerberus Client may also invest in portfolio companies or other assets in which other Cerberus Clients already have an investment. A Cerberus Client may provide follow-on funding for a portfolio company, which may benefit both such Cerberus Client and other Cerberus Clients. Such Cerberus Client will not make such an investment unless the Cerberus Adviser believes the investment fits within such Cerberus Client's investment program. Additionally, another Cerberus Client may invest in a portfolio company in which a Cerberus Client has a pre-existing investment. There can be no assurance that a Cerberus Client will wish to make such follow-on investment or have available capital to do so, and the inability to make such follow-on investment may result in dilution of such Cerberus Client's investment in the portfolio company.

In managing the Cerberus Clients' assets, businesses and operations, the Cerberus Advisers may engage third-party service providers, including, but not limited to, underwriters, investment banks and other consultants and agents. Any such third parties will be engaged based on a variety of factors as set forth the Cerberus Advisers' compliance policies, including, but not limited to, the perceived quality of service, expertise, reputation and the ability to provide future services to the Cerberus Clients.

To address these potential conflicts of interests in its material relationships, the Cerberus Advisers have adopted policies and procedures, including a Code of Ethics and Business Conduct and the Allocation Policy. For a more detailed discussion of the Cerberus Advisers' Code of Ethics and Business Conduct and its allocations and conflicts of interest policies, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

The Adviser does not anticipate recommending or selecting other investment advisers for the Clients, and does not have other business relationships with any such advisers that create a material conflict of interest.

As described in this Brochure, the Adviser is an affiliate of CCM and the CCM Affiliates. The Adviser, CCM and the CCM Affiliates share resources including, without limitation, personnel, policies, and facilities. As also described in this Brochure, the Adviser, CCM and the CCM Affiliates have adopted policies and procedures to mitigate and disclose any material conflicts of interest.

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

A. Code of Ethics.

The Cerberus Advisers have implemented a personal securities trading policy, which is incorporated by reference into the Cerberus Advisers' Code of Ethics and Business Conduct (the "Code of Ethics"), that prohibits employees from engaging in transactions with respect to the securities of any issuer, public or private, subject to certain limited exceptions. One of the exceptions to the prohibition on personal trading of certain types of securities (generally, governmental securities, money market instruments, money market funds, open-end mutual funds, exchange-traded funds and unit investment trusts) is where employees do not have any opportunity to benefit from any of the private, proprietary or confidential information of the Cerberus Advisers or the Cerberus Clients. In addition, employees may transact in exchange-traded funds and participate in private investments upon advance written notice to and written approval from the Securities Compliance Committee of the Cerberus Advisers. Consistent with the foregoing policies, it is possible that employees of the Cerberus Advisers will purchase or sell securities or other instruments of the type or kind of securities or other instruments also purchased and sold for the Cerberus Clients.

The Cerberus Advisers are committed to the highest standards of ethical conduct. In furtherance thereof, the Cerberus Advisers' Code of Ethics designates a Compliance & Risk Management Committee (the "Compliance & Risk Management Committee") charged with the implementation of the Code of Ethics. The Code of Ethics specifies and prohibits certain types of transactions deemed to create actual conflicts of interest, the potential for conflicts or the appearance of conflicts, and establishes general guidelines for the conduct of the Cerberus Advisers' personnel as well as clearance and/or reporting requirements and enforcement procedures.

In recognition of the trust and confidence placed in the Cerberus Advisers by the Cerberus Clients and investors in the Cerberus Clients, and to give effect to the Cerberus Advisers' belief that their operations should be directed to the benefit of the Cerberus Clients, the Cerberus Advisers, including the Adviser, adopted the following general principles to guide the actions of their employees:

- (i) The interests of the Cerberus Clients are paramount. All employees must conduct themselves and their operations to give maximum effect to this tenet by assiduously placing the interests of the Cerberus Clients before their own.
- (ii) All permitted personal transactions in securities by employees must be accomplished so as to avoid the appearance of a conflict of interest on the part of such personnel with the interests of the Cerberus Clients.
- (iii) All employees must avoid actions or activities that allow a person to profit or benefit from his or her position with respect to the Cerberus Clients or that otherwise improperly bring into question the person's independence or judgment.

- (iv) All employees must report any violation(s) of the Code of Ethics or inappropriate conduct to the Compliance & Risk Management Committee.
- (v) All employees must comply with all applicable laws, rules and regulations, including Federal securities law.

The Cerberus Advisers require that all Cerberus Advisers' personnel avoid any relationship or activity that might impair, or even appear to impair, such individual's ability to make objective and fair decisions when performing job functions. The Code of Ethics prohibits Cerberus Advisers' personnel from using Cerberus Advisers' property or information for personal gain or personally taking for themselves any opportunity that is discovered through their position at the Cerberus Advisers. The Code of Ethics further requires that employees disclose any situation, including situations pertaining to the employee's family members, which reasonably could be expected to give rise to a conflict of interest. The Code of Ethics also contains general prohibitions against fraud, deceit and manipulation, as well as additional restrictions and requirements regarding gifts, entertainment and outside activities.

The Cerberus Advisers have adopted a Securities Compliance Policy and have designated a Securities Compliance Committee charged with the implementation of such Policy. The Securities Compliance Policy sets forth, among other things, policies and procedures regarding material nonpublic information and proprietary Cerberus Adviser information and employee accounts and trading. The policies and procedures contained in the Securities Compliance Policy are designed to (i) provide for the proper handling of both material nonpublic information about companies or other issuers and proprietary information of the Cerberus Advisers, (ii) prevent violations of laws and regulations prohibiting the misuse of material nonpublic information about companies or other issuers and/or proprietary information of the Cerberus Advisers and (iii) avoid situations that might create an appearance that material nonpublic information about companies or other issuers or proprietary information of the Cerberus Advisers has been misused. In furtherance thereof, the Securities Compliance Policy prohibits employees from misusing material nonpublic information and/or nonpublic proprietary information, and sets forth general and specific procedures to restrict the flow of material nonpublic information from employees performing investment, transactional, lending, finance, private research and/or private analysis activities at the Cerberus Advisers to employees responsible for or involved in the securities trading activities of the Cerberus Advisers.

Notwithstanding the internal screening procedures set forth in the Securities Compliance Policy, there may be certain instances where the Cerberus Advisers receive material nonpublic information due to their various activities on behalf of the Cerberus Clients and are restricted from purchasing or selling securities or other instruments for the Cerberus Clients. The Cerberus Advisers seek to minimize those cases whenever possible, consistent with applicable law and the Securities Compliance Policy, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

The Securities Compliance Policy is incorporated by reference to the Code of Ethics. The Adviser will provide a copy of the Code of Ethics to any Client or prospective client upon request.

The Cerberus Advisers' personnel are required to certify to their compliance with the Code of Ethics, including the Securities Compliance Policy, on an annual basis.

Subject to applicable regulatory restrictions, certain employees of the Cerberus Advisers may be permitted to invest directly or indirectly in the Private Funds. Such investors may be in possession of information relating to the Private Funds that is not available to other investors and prospective investors. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to investors and it is possible that such employees may withdraw on the basis of information that is not available to the other investors and prospective investors. Investments by the senior management and key employees of the Cerberus Advisers in the Private Funds could incentivize such employees to increase or decrease the risk profile of such Private Funds

B. Securities That the Adviser or a Related Person Has a Material Financial Interest.

A Cerberus Client may (i) make a loan to, (ii) purchase a security or other instrument or asset (including participations in loans or other investments) from, (iii) sell a security, instrument or other asset (including participations in loans or other investments) to or (iv) otherwise engage in cross-trades with another Cerberus Client; provided that, with respect to certain Cerberus Clients and certain material transactions described in such Cerberus Client's organizational documents, the Cerberus Adviser receives approval to do so from such Cerberus Client's advisory board or other committee.

Notwithstanding the foregoing, and subject to the Cerberus Client's organizational documents, such advisory board approval is generally not required with respect to (i) any loan to, (ii) purchase of a security or other instrument or asset from or (iii) sale of a security or other instrument or asset to an Affiliate or another Cerberus Client if such transaction (x) is between the Cerberus Client and any special purpose vehicle or alternative investment vehicle (provided that the Cerberus Adviser believes in good faith that such transaction does not present a conflict of interest), (y) is an allocation adjustment effected at cost plus a use of funds charge made in accordance with the Allocation Policy (including, for example, a final allocation of an investment made within 45 days of the date of origination or acquisition) or (z) is made for tax or regulatory purposes. For the avoidance of doubt, any transaction with a portfolio company of any Cerberus Client that is effected in compliance with law, at market prices and on terms at least as favorable to such Cerberus Client as are generally obtainable on an arm's-length basis from unrelated third parties for transactions of such nature, shall not be deemed a material transaction with another Cerberus Client that requires the approval of such advisory board.

The Cerberus Advisers have implemented policies and procedures to ensure that any cross trades and principal transactions must be, in the reasonable determination of the Cerberus Advisers, in the best interests of each Cerberus Client participating therein. Such transactions will be executed at market price (or fair value), measured in accordance with the Cerberus Advisers' valuation policies and procedures, and will comply with all fiduciary requirements and any legal or other requirements established by the Cerberus Advisers for the benefit of each of the Cerberus Clients which participate in such transaction. The Cerberus Advisers will receive no transaction-based compensation in connection with cross trades (other than the management fees

and incentive allocations/fees otherwise payable by the Cerberus Clients participating in such transaction).

Generally, the Cerberus Clients' assets and liabilities are valued in accordance with the Cerberus Advisers' valuation policy and procedures. In making valuation determinations, the Cerberus Advisers may be deemed subject to a conflict of interest, especially with respect to illiquid assets and securities, as the valuation of such assets and liabilities may affect the compensation of certain employees of the Cerberus Advisers. There is no guarantee that the value determined with respect to a particular asset or liability by the Cerberus Advisers will represent the value that will be realized by the Cerberus Client on the eventual disposition of the related investment or that would, in fact, be realized upon an immediate disposition of the investment.

Pursuant to organizational documents of certain Cerberus Clients, the Cerberus Advisers are authorized, on behalf of the investors, to select one or more persons, who shall not be a CCM Affiliate, to serve on a committee, the purpose of which is to consider and, on behalf of the investors, approve or disapprove, to the extent required by applicable law or deemed advisable by the Cerberus Adviser, principal transactions, certain other related-party transactions and certain other transactions and matters. The person(s) so selected may be exculpated and indemnified by such Cerberus Client in the same manner and to the same extent as the Cerberus Adviser is so exculpated and indemnified. To the extent such person or committee is asked to approve any matter, its decision will be binding on all investors. The decision to seek consent for a transaction or other matter from the person or committee described in this paragraph will be made by the Cerberus Adviser, at its sole discretion.

In no event will any cross trade or principal transaction be entered into unless it complies with applicable law.

C. Investing in Securities That the Adviser or a Related Person Recommends to Clients.

See response to Item 11(A).

D. Conflicts of Interest Created by Contemporaneous Trading.

The Adviser and the CCM Affiliates continuously examine and modify their policies and procedures, including, without limitation, those governing investment allocations and other policies and procedures described in the Adviser's Brochure, to best achieve the Cerberus Advisers' goal of fair and equitable treatment of all advisory clients (and investors therein) in light of the Adviser's and the CCM Affiliates' then current operations and market environment.

The Cerberus Advisers manage investments on behalf of a number of Cerberus Clients. Certain Cerberus Clients have investment programs that are similar to or overlap with each other, and, therefore, such Cerberus Clients may participate with each other in investments.

Investment Allocation Policies

Investment decisions will be made in accordance with the Allocation Policy, as such policy and procedures are in effect at the time of such decision or allocation. Investment decisions and allocations are not necessarily made in parallel among all Cerberus Clients. If an investment is appropriate for one or more of the Cerberus Clients, the investment generally will be allocated among such Cerberus Clients *pro rata* based upon the target percentage holdings of that type of investment for each such Cerberus Client and available investment capital for such Cerberus Clients, with available investment capital determined as follows: (i) with respect to the Cerberus Clients that are commitment funds (and not Lending Funds, as defined below), available investment capital is the capital commitments to each such Cerberus Client, (ii) with respect to the Cerberus Clients that are not commitment funds, available investment capital is the net asset value of each such Cerberus Client and (iii) with respect to the Cerberus Clients that have a primary investment objective and/or primary investment strategy of originating and investing in loans to third parties (the “Lending Funds”), available investment capital means undrawn capital commitments and available cash of each such Lending Fund. In addition, for the purposes of determining the amount of an investment to be allocated to the Cerberus Clients that utilize dedicated leverage facilities in connection with their investment programs (*e.g.*, Lending Funds), such Cerberus Clients’ available investment capital will be increased by the leverage available to such Cerberus Clients.

To the extent any Cerberus Client does not have sufficient capital available to fund its *pro rata* allocation of any particular investment (whether as a result of such Cerberus Client’s existing investments, commitments for future investments, reserves for anticipated future cash needs, or otherwise), such Cerberus Client will participate in such investment only to the extent of its capital available to do so, and any excess amount that otherwise would have been allocated to such Cerberus Client for such investment will instead be allocated to other Cerberus Clients, as applicable, as described above.

Notwithstanding the foregoing, hedging transactions, follow-on investments, re-securitization transactions and similar investments generally will be allocated *pro rata* in accordance with the holdings of each Cerberus Client of the underlying investment to which such hedge, follow-on investment or re-securitization transaction relates, subject to certain exceptions.

A Cerberus Adviser, in its sole discretion, may make non-*pro rata* allocations among the Cerberus Clients based upon a wide variety of factors including, among other things, tax and regulatory considerations, the overall portfolio composition of such Cerberus Clients, different terms governing such Cerberus Clients and the risk profile and investment restrictions (including limitations with respect to leverage) for such Cerberus Clients.

In addition, the initial allocation of any investment among the Cerberus Clients may be subject to subsequent adjustment within the 45 day period immediately following such investment to reflect any adjustments in the Cerberus Clients during such period (such as the launch of one or more new Cerberus Clients, increases in capital or leverage commitments with respect to applicable Cerberus Clients, or similar matters) that would normally be taken into consideration at the time of such investment allocation. Any Cerberus Clients that did not participate in the

initial allocation of an investment that is subsequently allocated a portion of such investment (or did participate in the initial allocation of an investment and is subsequently allocated an additional portion (*e.g.*, due to an increase in capital commitments) of such investment) will be charged an amount representing the cost of the capital invested by the Cerberus Clients that received the initial allocation of such investment, and such amount will be paid to each of the Cerberus Clients that received the initial allocation of the investment and from which a portion of the investment is reallocated. The cost of capital charge will be paid with respect to the reallocated portion of each investment only, and will be at a rate determined by the Cerberus Adviser in its reasonable discretion representing the prevailing market rate at which the Cerberus Clients could reasonably borrow cash at the time of the investment reallocation. Such cost of capital charge will be calculated from the date of the initial deployment of capital with respect to such investment by the Cerberus Clients that received the initial allocation of such investment through the date of payment of for such deployed capital by the Cerberus Clients that received the subsequent reallocation. The reallocation and cost of funds charge will be based on the cost of the investment regardless of whether the value of the investment increases or decreases after its purchase.

Although sales of investments held by multiple Cerberus Clients generally are expected to be sold by the Cerberus Clients on a *pari passu* basis, the Cerberus Adviser, in its sole discretion may sell investments from various Cerberus Clients on a non-*pro rata* basis based on a wide variety of factors including those described above in respect of allocations of investment opportunities. Accordingly, it is possible that one Cerberus Client may be selling an investment, while another Cerberus Client is retaining or investing more capital in the same investment.

Because the Cerberus Advisers may make non-*pro rata* allocations, two or more Cerberus Clients with similar or overlapping investment programs may produce results that are materially different from each other.

Allocations to a Cerberus Client are subject to the terms and limitations set forth in the governance documents of such Cerberus Client.

A copy of the Adviser's current investment allocation policy and procedures is available upon request.

Tax Issues Impacting Investment Allocations

Certain Cerberus Clients may have tax considerations that limit the types of investments such Cerberus Clients may make and that impact the method by which investments are structured. As a result, such Cerberus Clients may have different allocations of investment opportunities than they might otherwise have in the absence of such tax considerations. In addition, as a result of tax considerations, certain Cerberus Clients may end up investing in different levels of the capital structure of a portfolio company. For example, investments may be structured so that one Cerberus Client receives loans from, or makes loans to, another Cerberus Client. In structuring such investments, the Cerberus Advisers will weigh the conflicting interests of the different Cerberus Clients in determining the amount to allocate to debt and equity and the terms of these loans.

ITEM 12

BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

With respect to the Allocated Portion, the Adviser, subject to the terms of the applicable sub-advisory and other agreements between the Adviser and the Delegating Advisers, has the authority to choose the broker or dealer to be used in purchases or sales conducted on behalf of the Clients.

The Cerberus Advisers will generally effect transactions with brokers that (with respect to U.S. securities) are registered with the SEC and are members of the Financial Industry Regulatory Authority. The Cerberus Advisers will select brokers on the basis of their ability to provide best execution (including both the trade price and commission and a variety of other factors).

Investors in the Clients may include investors affiliated with brokers or, possibly, brokerage firms themselves. The fact that any such investor has invested in a Client will not be taken into consideration in selecting brokers (including prime brokers).

1. Research and Other Soft Dollar Benefits.

The Cerberus Advisers have not entered into written soft dollar arrangements. The Cerberus Advisers will attempt to negotiate the lowest available commission rates commensurate with the assurance of reliable, high quality brokerage services; however, the Cerberus Advisers may select brokers that charge a higher commission or fee than another broker would have charged for effecting the same transaction; provided, that the selection of a broker will be made on the basis of best execution, taking into consideration various factors, including commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to efficiently execute transactions, the broker's facilities, and the broker's provision or payment of the costs of research and other services or property that are of benefit to the Cerberus Advisers or other Cerberus Clients to which the Cerberus Advisers provide investment services; provided, further, that the Cerberus Advisers may be influenced in their selection of brokers by their provision of other services, including, without limitation, capital introduction, marketing assistance, consulting with respect to technology, operations, equipment and office space, and other services or items. Such execution services, research, investment opportunities or other services may be deemed to be soft dollars. As noted above, however, the Cerberus Advisers have not entered into written soft dollar arrangements. The Cerberus Advisers do not generate soft dollar credits that may be applied to goods or services through the trading or other activities of the Cerberus Clients.

The provision by a broker of research and other services and property to the Cerberus Advisers creates an incentive for the Cerberus Advisers to select such broker since the Cerberus Advisers would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a Cerberus Client. Any research, services or property provided by a broker may benefit any Cerberus Client of the Cerberus Advisers and such

benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

2. Brokerage for Client Referrals.

As discussed above, subject to best execution, the Cerberus Advisers may consider, among other things, capital introduction, marketing assistance, consulting with respect to technology, operations, equipment and office space, and other services or items in selecting broker-dealers for Client transactions. The Cerberus Advisers do not receive Client or investor referrals in exchange for brokerage business.

3. Directed Brokerage.

The Adviser does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer.

B. Aggregated Orders for Various Client Accounts.

If the Cerberus Advisers determine that the purchase or sale of the same security is in the best interest of more than one Cerberus Client, the Cerberus Advisers may, but are not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Cerberus Client will receive the average price with transaction costs allocated *pro rata* based on the size of each Cerberus Client's participation in the order as determined by the Cerberus Advisers. In the event of a partial fill, allocations generally will be made on a *pro rata* basis on the initial order but may be modified on a basis the Cerberus Advisers deem appropriate, including for example, in order to avoid odd lots or *de minimis* allocations.

C. Trade Errors.

The Cerberus Advisers have adopted a trade error policy and related trade error procedures to facilitate the prompt and appropriate resolution of trade errors. Trade errors may occur as a result of mistakes made on the part of an executing broker, or mistakes on the part of the Cerberus Advisers' personnel, including, but not limited to, portfolio managers, traders and/or operations staff. Trade errors may include, for example, keystroke errors that occur when entering transactions into electronic trading systems, failures of oral or other communications between and among the Cerberus Advisers' investment staff, trading staff and operations staff, or between the Cerberus Advisers' personnel and the third parties, such as executing brokers, with whom the Cerberus Advisers conduct trading activities or typographical or drafting errors related to purchase contracts or similar agreements. In accordance with the Cerberus Advisers' trade error policies and procedures, (i) all trade errors, if any, are promptly and appropriately reviewed, evaluated and resolved, (ii) any gains or losses resulting therefrom are allocated properly between the applicable Cerberus Adviser, the applicable Cerberus Clients and, where applicable, third parties and (iii) all such allocations are consistent with the applicable Cerberus Adviser's contractual, legal and fiduciary obligations to the applicable Cerberus Client, whether pursuant to the governance and constituent documents of such Cerberus Client, the agreements between such Cerberus Adviser and such Cerberus Client, the Advisers Act, and/or other laws rules and regulations applicable to the Cerberus Advisers and the Cerberus Clients. Gains and losses from

multiple trade errors, if any, generally are not netted. Rather, each trade error generally is separately resolved in accordance with the policy and procedures described herein.

The Cerberus Advisers strive to correct all trade errors prior to the settlement of any transaction, and to minimize gains and losses resulting from trade errors. Trade errors caused by third parties, such as executing brokers, are the responsibility of the third party and the Cerberus Advisers endeavor to have the affected Cerberus Clients reimbursed for such trade errors by such third parties. Such reimbursements generally are in accordance with the agreements in effect from time to time between the Cerberus Advisers and such third parties, such third parties' customer policies and procedures and governing law. The Cerberus Advisers do not absorb and are not otherwise responsible for losses resulting from trade errors caused by third parties and the Cerberus Advisers do not utilize soft dollar arrangements in resolving trade errors.

To the extent that a trade error may occur on the part of the Cerberus Advisers' personnel, it almost always would occur as part of the business of the Cerberus Advisers in effecting transactions for the Cerberus Clients in the ordinary course of their businesses. Thus, to the extent of any trade errors with respect to a Cerberus Client, (i) all gains in such Cerberus Client's account resulting from such trade errors will remain in such Cerberus Client's account for the benefit of such Cerberus Client and (ii) in accordance with the exculpation and indemnification provisions contained in the applicable sub-advisory and other agreements between the Adviser and the Delegating Advisers, all losses resulting from trade errors (that are not reimbursed by third parties, such as executing brokers) caused by the negligent action or negligent omission of the Adviser or its agents shall be borne by the affected Client, and not the Adviser.

The Cerberus Advisers maintain records of trade errors which include, among other things, the date that the trade error occurred, a description of the persons and entities involved in and the circumstances surrounding the trade error and the means by which the trade error was addressed and/or resolved. Such records are maintained in accordance with the Cerberus Advisers' recordkeeping policies.

D. Allocation Errors.

The Cerberus Advisers seek to confirm that the proper allocations are made across the Cerberus Clients for all investment opportunities, which allocations are made subject in all respects to applicable law and, in the case of the Clients, certain specified guidelines and/or trading restrictions set forth in the applicable sub-advisory and other agreements between the Adviser and the Delegating Advisers. However, should an error be made with respect to the allocation of a particular investment opportunity, the Cerberus Advisers will seek to correct such error, where possible, to put each Cerberus Client involved in such allocation error in the same place as it would be if such error had not occurred.

ITEM 13

REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

The Cerberus Advisers perform various daily, monthly, quarterly and other periodic reviews of the Cerberus Clients' portfolios. Daily reviews include account liquidity monitoring by the Cerberus Advisers' risk personnel and members of the Financial Risk Management Sub-Committee, as well as trade reviews by the Cerberus Advisers' Chief Compliance Officer and various personnel in Operations, Trading and Compliance. Monthly reviews include portfolio valuation, price validations and account concentration monitoring by the Cerberus Advisers' Chief Financial Officer and risk personnel. Quarterly reviews include portfolio valuation reviews by the Cerberus Advisers' Valuation Committee.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of the Allocated Portion may be triggered by any suspicious or unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

The Adviser or other Cerberus Advisers will provide periodic reports to the Delegating Adviser, including financial, performance and other information. The Adviser will respond to the Delegating Adviser's request for additional information, while maintaining the confidentiality of sensitive non-public and proprietary information related to the operations and investments of the Cerberus Advisers and the Cerberus Clients.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

Other than described herein, the Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services to the Clients.

B. Compensation to Non-Supervised Persons for Client Referrals.

While CCM and the CCM Affiliates may enter into arrangements with third party placement agents, distributors or others to solicit investors or clients, the Adviser does not anticipate entering into any such arrangements.

ITEM 15
CUSTODY

The Adviser will not have custody of any funds or securities of the Clients.

ITEM 16
INVESTMENT DISCRETION

Subject to investment guidelines set forth in the applicable sub-advisory and/or other agreements between the Adviser and the Delegating Adviser, the Adviser has been appointed as a sub-adviser to the Clients, with discretionary trading and investment authorization over the Allocated Portion.

ITEM 17
VOTING CLIENT SECURITIES

The Adviser will not be responsible for voting proxies for the Clients.

ITEM 18
FINANCIAL INFORMATION

The Adviser is not required to include a balance sheet for its most recent financial year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to the Clients and has not been the subject of a bankruptcy petition at any time during the past ten years.