

Piney Lake Capital Management LP

**Four Greenwich Office Park
Greenwich, Connecticut 06831**

March 2019

This “**Brochure**” provides information about the qualifications and business practices of Piney Lake Capital Management LP. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Joseph Bucci, by email at jab@piney-lake.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Piney Lake Capital Management LP is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that Piney Lake Capital Management LP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Piney Lake Capital Management LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

The Firm has had no material changes since its last filing when it reported and began to manage regulatory assets in October 2018.

Item 3: Table of contents

Item 2: Material Changes	2
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation	4
Item 6: Performance-Based Fees and Side-By-Side Management	6
Item 7: Types of Clients.....	6
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9: Disciplinary Information	27
Item 10: Other Financial Industry Activities and Affiliations.....	27
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	27
Item 12: Brokerage Practices.....	28
Item 13: Review of Accounts	29
Item 14: Client Referrals and Other Compensation.....	29
Item 15: Custody	29
Item 16: Investment Discretion	30
Item 17: Voting Client Securities	30
Item 18: Financial Information.....	30

Item 4: Advisory Business

Piney Lake Capital Management LP is a Delaware limited partnership (hereinafter "**Piney Lake**," "**Investment Manager**," "**we**," "**us**," "**our**" or the "**Firm**") which was founded in May 2018 by Michael B. Lazar (the "**Principal**"). Mr. Lazar serves as "**Limited Partner**" to the Firm, and as "**Managing Member**" to the General Partner, Piney Lake LLC.

Piney Lake will provide discretionary investment management services to qualified investors through its private funds: Piney Lake Opportunities ECI Master Fund LP (the "**ECI Master Fund**"), Piney Lake Opportunities Non-ECI Master Fund LP (the "**Non-ECI Master Fund**"), together they comprise the "**Master Funds**"; Piney Lake Opportunities Fund LP (the "**Onshore Fund**"); and Piney Lake Opportunities Offshore Fund LP (the "**Offshore Fund**"). The Onshore and Offshore Funds invest all of their assets in the Master Funds. The Master Funds, Offshore Fund and Onshore Fund are each referred to as a "**Fund**" or "**Client**", and collectively as the "**Funds**" or "**Clients**". The Offshore Fund's and the Onshore Fund's "**Limited Partners**" are hereafter collectively referred to as the "**Investors**" where appropriate.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The Funds' securities are offered and sold on a private placement basis under exemptions promulgated under the "**Securities Act**" of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be "accredited investors" as defined in Securities Act and "qualified purchasers" as defined in the Investment Company Act of 1940. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

We will not tailor our advisory services to the individual needs of any particular Investor. Our investment decisions and advice with respect to the Funds are subject to each Fund's investment objectives and guidelines, as set forth in its respective "**Offering Documents**."

We do not currently participate in a Wrap Fee Program.

As of December 31, 2018, the Firm has regulatory assets under management of \$356,849,014, all managed on a discretionary basis.

Item 5: Fees and Compensation

The fees applicable to each Client are set forth in detail in the Offering Documents. A brief summary of such fees is provided below.

Management Fee

The Fund will pay to the Investment Manager a management fee (the "**Management Fee**") semiannually in advance as of the beginning of each semiannual period.

The Fee will range from 1.5% to 2.0% per annum.

Other Types of Fees or ExpensesExpenses of the Investment Manager and the General Partner

The General Partner of the Funds (the “**General Partner**”) and the Investment Manager (in consideration for the Management Fee with respect to the Investment Manager), will pay all of their respective ordinary administrative and overhead expenses, and, except as provided herein, the General Partner and its affiliates, will be responsible for the expense of providing their services to the Funds, including overhead expenses (including general systems and technology, but excluding systems, data and technology developed or purchased for the predominant benefit of the Master Funds' investment program), office expenses and compensation of their employees. Fees for placement agents for the Funds will be borne by the General Partner and/or the Investment Manager.

Expenses of the Fund

The Funds, except as provided herein, will bear all organizational expenses, operating expenses and other expenses incurred by the Investment Manager, the General Partner and/or the Funds and related to the Funds and the execution of the Master Funds' investment strategy (and a share of the Master Funds' expenses on a *pro rata* basis except as otherwise provided herein), including, but not limited to, expenses related to the formation of the Funds or any direct or indirect subsidiary of the Funds, including without limitation, any financing subsidiary of the Funds and the offering of interests in the Funds, fees, costs and investment-related and investment monitoring expenses (*e.g.*, all costs and expenses related to sourcing, purchasing, structuring, originating, monitoring, disposing of, financing, hedging, developing, negotiating and structuring investments, including costs of advisers, costs in connection with transactions not consummated (*e.g.*, busted deals), costs and expenses in connection with loan servicing and loan administration, expenses incurred in collection of monies owed to the Funds or any financing subsidiary, brokerage commissions, clearing and settlement charges, custodial fees, interest on and fees and expenses arising out of all borrowings made by the Funds or any financing subsidiary, expenses relating to consultants, attorneys, brokers or other professionals or advisers who provide research, advice, proxy voting services or due diligence services with regard to investments, research related expenses, appraisal fees and expenses (including obtaining an independent third-party valuation of assets) and investment banking expenses), legal expenses and other out-of-pocket expenses incurred in connection with the Funds', or any financing subsidiary's legal and regulatory compliance, any insurance (including premiums for policies taken out to cover officers of the General Partner), indemnity or litigation expense, accounting, audit, tax preparation and other tax-related expenses, administration fees and related costs, out-of-pocket costs for investment operational services (*e.g.*, trade administration, processing and settlement, and performance reporting), any taxes, fees or other governmental charges levied against the Fund, or any financing subsidiary, expenses associated with portfolio and risk management including currency hedging, expenses of liquidating the Fund, or any financing subsidiary, expenses incurred in connection with any tax audit or investigation of the Funds, or of any financing subsidiary, and expenses associated with the Funds', or any financing subsidiary's administrative and reporting costs, financial statements and tax returns (including the cost of a third-party administrator that provides accounting and administrative services to the Fund, or any financing subsidiary), expenses of the Advisory Committee of the Funds (the “**Advisory Committee**”) (including the reasonable costs of legal counsel, accountants, financial advisors and/or such other advisors and consultants engaged by the Advisory Committee), annual and/or special meetings of the Partners of the Funds (the “**Partners**”) and periodic reports to the Partners, extraordinary

expenses and other similar expenses related to the Funds, or any financing subsidiary. In connection with an investment, the Funds may (but are not required to), in the Investment Manager's discretion, engage in hedging transactions designed to reduce the Funds' exposure to interest rate and currency fluctuations, credit deterioration and/or declines in the public market price of such investment or other related risks. Any amounts paid by the Master Funds for or resulting from such hedging transactions will be considered a Master Fund expense relating to such investment.

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

Incentive Allocation

The General Partner will receive the performance-based Incentive Allocation (the “**Incentive Allocation**”) in connection with the management of the Master Funds.

The Incentive Allocation may give rise to potential conflicts of interest, including, but not limited to, the following:

Allocation of Investment Opportunities

The Incentive Allocation may create an incentive for the Investment Manager, an affiliate of the General Partner, to direct the best investment ideas to, or to allocate or sequence trades in favor of, (i) accounts with performance compensation arrangements over accounts that are not charged, or from which the General Partner or the Investment Manager will not receive (e.g., because the account is below its high water mark), performance compensation, and (ii) accounts from which the General Partner or the Investment Manager will receive a greater performance compensation over accounts from which the General Partner or the Investment Manager will receive lesser performance compensation.

Valuation

The Incentive Allocation may create an incentive for the Investment Manager or the General Partner to provide biased valuations, especially with respect to illiquid assets.

Risk

The Incentive Allocation may create an incentive for the Investment Manager or the General Partner to make investments that are riskier or more speculative than would be the case if a performance-based compensation arrangement were not in effect.

Timing and Realization of Investments

The Incentive Allocation may create an incentive for the Investment Manager or the General Partner to time investments, and the realization of investments, so as to maximize the Incentive Allocation rather than the return of the Master Funds.

Item 7: Types of Clients

Our clients will be the Funds. Any initial and additional investment minimums are disclosed in the Offering Documents for the relevant Fund.

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

Investment Objective

The Master Funds will follow an opportunistic investment strategy to generate uncorrelated returns across market cycles. The Investment Manager will employ a distinctive private equity approach to credit investing while focusing primarily on complex, privately negotiated investments in middle market companies. The Investment Manager's approach to investing is focused on solving complex situations with flexible credit and equity-like solutions and will not follow a typical direct lending or distressed debt strategy.

Investment Process

Piney Lake starts its investment process with a detailed fundamental analysis of the underlying company, its challenges and strengths, and its position within its industry. Typically other credit investors begin their process by sourcing a single type of security that is the focus of their investment strategy (e.g., high yield, syndicated loans, mezzanine debt, etc.), and then they allocate capital "top-down" amongst available opportunities in the marketplace for that particular type of security. In Piney Lake's unique process the structure of each investment is driven by the company's particular situation using an iterative, creative, customized and solutions-oriented process.

Risk of Loss Factors

Prospective Investors should carefully consider the risks involved in an investment in the Fund, including, without limitation, those discussed below. Additional or new risks not addressed below may affect the Fund. The following list of risk factors cannot be and is not intended to be exhaustive. Prospective Investors should consult their own legal, tax and financial advisers about the risks of an investment in the Fund. The following risk factors and other relevant risks could have a material adverse effect on the Fund and the Investors' investments therein.

Risks Relating to the Operations and Investment Activities of the Fund***Systems and Operational Risks Generally***

The Fund depends on the Investment Manager to develop and implement appropriate systems for the Fund's activities. The Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain Assets, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Fund's activities. In addition, the Fund relies on information systems to store sensitive information about the Fund, the Master Funds, the General Partner, the Investment Manager, their affiliates and the Limited Partners. Certain of the Fund's and the Investment Manager's activities will be dependent upon systems operated by third parties, including the Administrator, market counterparties and other service providers, and the Investment Manager may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Investment Manager, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Fund's operations may cause the Fund to suffer, among other things, financial loss, the disruption of

its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Cybersecurity Risk

As part of its business, the Investment Manager processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Master Funds and personally identifiable information of the Limited Partners. Similarly, service providers of the Investment Manager, the Fund, the Master Funds, and especially the Administrator, may process, store and transmit such information. The Investment Manager has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Investment Manager may be susceptible to compromise, leading to a breach of the Investment Manager's network. The Investment Manager's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Investment Manager to the Limited Partners may also be susceptible to compromise. Breach of the Investment Manager's information systems may cause information relating to the transactions of the Master Funds and personally identifiable information of the Limited Partners to be lost or improperly accessed, used or disclosed.

The service providers of the Investment Manager and the Fund are subject to the same electronic information security threats as the Investment Manager. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Master Funds and personally identifiable information of the Limited Partners may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Investment Manager's or the Fund's proprietary information may cause the Investment Manager or the Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Valuation of Assets and Liabilities

The Master Funds' assets and liabilities are valued in accordance with the Valuation Policy. The valuation of any asset or liability involves inherent uncertainty. The value of an Asset determined in accordance with the Valuation Policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the Master Funds if the judgments of the General Partner regarding the appropriate valuation should prove to be incorrect.

Competition; Availability of Investments

Certain markets in which the Master Funds may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the

Investment Manager will be able to identify or successfully pursue attractive investment opportunities in such environments.

Volatility Risk

The Master Funds' investment program may involve the purchase and sale of relatively volatile Assets and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such Assets and/or markets can adversely affect the value of investments held by the Master Funds.

Credit Ratings

In general, the credit rating assigned by a nationally recognized rating agency to an Asset represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such Assets. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. The Master Funds may incur losses if they make investments based on credit ratings that subsequently change in a way not favorable to the Master Funds' investment objective.

Co-Investments with Third Parties

The Master Funds may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Master Funds or is in a position to take (or block) action in a manner contrary to the Master Funds' investment objectives. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

Litigation Risk

Some of the tactics that the Investment Manager may use involve litigation. The Master Funds could be parties to lawsuits either initiated by it, or by a company in which the Master Funds invest, other shareholders of such company, or U.S. federal, state and non-U.S. governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Master Funds.

Exposure to Material Non-Public Information

From time to time, the Investment Manager may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Master Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Currency Exchange Exposure

The Master Funds may invest in Assets denominated in currencies other than the U.S. dollar. The Fund, however, values its assets in U.S. dollars. The Master Funds may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that Assets suitable for hedging currency or market shifts will be available at the time when the Master Funds wish to use them, or that hedging techniques employed by the Master Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Master Funds' positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

Risks Relating to Investment Strategies

Risk of Loss

No guarantee or representation is made that the Master Funds' investment program, including, without limitation, the Master Funds' investment objectives, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investments otherwise made by the investment professionals of the Investment Manager are not necessarily indicative of their future performance.

Leverage and Borrowing

Leverage for Investment Purposes

The use of leverage will allow the Master Funds to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Master Funds' portfolio. The effect of the use of leverage by the Master Funds in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Master Funds were not leveraged. Any agreements related to the Master Funds' use of leverage may contain covenants restricting the Master Funds' or the Investment Manager's operating flexibility.

Borrowing for Cash Management Purposes

The Master Funds have the authority to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which the Master Funds can borrow will affect the operating results of the Fund.

Costs

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Master Funds' portfolio.

Diversification and Concentration

The Investment Manager may select investments that are concentrated in a limited number or types of Assets. In addition, the Master Funds' portfolio may become significantly concentrated in Assets related to a single or a limited number of issuers, industries, sectors,

strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such Assets.

Lack of Control

The Master Funds will invest in debt instruments and equity securities of companies that they do not control, which the Master Funds may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such Assets will be subject to the risk that the issuer may make business, financial or management decisions with which the Master Funds do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Master Funds' interests. In addition, the Master Funds may share control over certain investments with co-investors, which may make it more difficult for the Master Funds to implement their investment approach or exit the investment when they otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Hedging Transactions

The Master Funds may utilize Assets for risk management purposes in order to: (i) protect against possible changes in the market value of the Master Funds' investment portfolio resulting from changes in interest rates; (ii) protect the Master Funds' unrealized gains in the value of their investment portfolio; (iii) facilitate the sale of any Assets; (iv) enhance or preserve returns, spreads or gains on any Asset in the Master Funds' portfolio; (v) hedge the interest rate, credit or currency exchange rate on any of the Fund's Assets; (vi) protect against any increase in the price of any Assets the Master Funds anticipate purchasing at a later date; or (vii) act for any other reason that the Investment Manager deems appropriate. The Master Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Investment Manager may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Master Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Funds than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Discretion of the Investment Manager; New Strategies and Techniques

While the Investment Manager will generally seek to employ the representative investment strategies and techniques discussed herein, the Investment Manager (subject to the policies and control of the General Partner) has considerable discretion in the types of Assets the Master Funds may trade and has the right to modify the investment strategies and techniques of the Master Funds without the consent of the Limited Partners. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Fund. In addition, any new investment strategy or technique developed by the Master Funds may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Fund.

Risks Relating to Market Conditions Generally

General Economic and Market Conditions

The success of the Master Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Master Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Master Funds' investments. Volatility or illiquidity could impair the Master Funds' profitability or result in losses. The Master Funds may maintain substantial investment positions that can be adversely affected by the level of volatility in the financial markets.

Governmental Interventions

Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Fund's strategies.

Potential Interest Rate Increases

The United States is experiencing historically low interest rate levels. However, the continued recovery of the U.S. economy and recent and potential future changes in U.S. government policy, including the tapering of the U.S. Federal Reserve Board's quantitative easing program, increase the risk that interest rates will rise in the near future. Any future interest rate increases may result in periods of volatility and cause the value of the fixed income securities held by the Master Funds to decrease, which may result in substantial withdrawals from the Fund that, in turn, force the Master Funds to liquidate such securities at disadvantageous prices negatively impacting the performance of the Fund.

Brexit

The United Kingdom has notified the European Council of its intention to withdraw from the European Union. The ongoing withdrawal process could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on the Fund or the Investment Manager from an economic, financial or regulatory perspective but any such impact could have material consequences for the Fund.

MiFID II

The package of European Union market infrastructure reforms known as "**MiFID II**", in effect from January 3, 2018, is expected to have a significant impact on the European capital markets.

MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime

for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of the Investment Manager to execute the investment program.

Risks Relating to Specific Investments

Loan Investments

The Master Funds' success in the area of loan investing will depend, in part, on their ability to obtain loans on advantageous terms. In purchasing loans, the Master Funds will compete with a broad spectrum of lenders, investors and institutions. Increased competition for, or a diminution in the available supply of, borrowers could result in lower yields on such loans, which could reduce returns to investors.

Leveraged Loans

"Leveraged loans" are loans made to companies with a below investment-grade rating from any nationally recognized rating agency. Such loans may be performing poorly when the Master Funds acquire them. There is no assurance that the Investment Manager will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. The Master Funds may lose their entire investment or may be required to accept cash, property or securities with a value less than the Master Funds' original investment and/or may be required to accept payment over an extended period of time.

Bank Loans

Bank loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Master Funds to directly enforce their rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Master Funds. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

Second Lien Loans

The Master Funds may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances.

In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy that can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products. Beginning in August 2007, the market for many loan products, including second lien loans, contracted significantly which made virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. Many participants ceased underwriting and purchasing certain second lien loan products. There can be no assurance that the market for second lien loans will not contract further.

Bridge Loans

It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including LBOs, where they serve as advisers to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer-term financing is not available at the time the funds are needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing; however, due to market conditions affecting the availability of these other sources of financing (principally high-yield bond transactions), bridge loan commitments have been and may be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities. Borrower and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing may be uncertain and can be affected by, among other things, market conditions and the financial condition of the borrower at the maturity date of the bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan may provide for the bridge loan to be converted to a longer term loan. If bridge loans are not repaid (or cannot be disposed of on favorable terms) on the dates projected by the Investment Manager, there may be an adverse effect upon the ability of the Investment Manager to manage the Assets of the Master Funds in accordance with its models and projections or an adverse effect upon the Master Funds' performance and ability to make distributions.

Debtor-in-Possession ("DIP") Loans

Loans to companies that have filed for protection under Chapter 11 of the Bankruptcy Code, as amended, are most often asset-based, revolving working-capital facilities put into place at the outset of a Chapter 11 case to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. While such loans are generally less risky than many other types of loans as a result of their seniority in the debtor's capital structure and because their terms have been approved by a U.S. federal bankruptcy court order, it is possible that the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay in full the DIP loan.

Fraud Associated with Loans

Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Master Funds to perfect or effectuate a lien on the collateral securing the loan. The Master Funds will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Master Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

The Master Funds' Investments in Middle Market Companies Carry Particular Risks

The Master Funds primarily invest in middle-market companies based in North America. Investments in these companies involve significant risks, including that these companies may, relative to larger companies: (i) have more limited financial resources and may be more unable to meet their obligations, which may reduce the value of the Master Funds' collateral and reduce the Master Funds' ability to realize guarantees that it may have obtained in connection with its investment; (ii) be more susceptible to competitors, market conditions and general economic conditions, due to their shorter operating histories, narrower product lines, smaller market shares and greater reliance on key personnel; (iii) may not be subject to regulatory reporting requirements and, as such, may disclose very little public information regarding their operations and results, which may adversely affect the Investment Manager's and the Master Funds' abilities to make well-informed investment decisions; (iv) experience greater fluctuations in operating results and capital requirements to support operations, finance expansion or maintain competitive position; and (v) have increased difficulty accessing the capital markets to meet future capital needs.

Fluctuations in Receipt of Proceeds

It is possible that the General Partner will experience fluctuations in the timing and amount of proceeds the Master Funds receive in the form of interest and fee income and in connection with the realization of investments in loans and other debt instruments in which the Master Funds have invested. Such fluctuations are generally due to, among other things, changes in the interest rates payable on the debt instruments acquired by the Master Funds, the default rate on such debt instruments, the level of the Master Funds' expenses (including the interest rates payable on the Master Funds' borrowings), variations in and the timing of the realization of investments, the degree to which the Master Funds encounter competition in the markets and general economic conditions. As a result of these factors, the amounts of distributions to Limited Partners may fluctuate substantially.

Incurrence of Additional Debt by Borrowers

Although the Master Funds expect to negotiate approval rights limiting or preventing borrowers from incurring further debt in addition to the loans, any such increase of debt levels could impair the ability of borrowers to service their loans, which in turn could result in higher rates of delinquency and loss on the loans originated by the Master Funds or otherwise underlying the Master Funds' investments.

Insufficient Collateral

To the extent the Master Funds originate loans based upon the adequacy of the borrower's collateral, an incorrect valuation of such collateral may result in unforeseen losses. Despite performing due diligence on the collateral, including, where appropriate, by engaging third

party independent valuers to estimate the value of the collateral pledged by the borrower, the inherent uncertainty of valuation of collateral may result in values that differ significantly from the values that can ultimately be obtained for such collateral. In addition, even if collateral is initially valued correctly, changes in market conditions, regulations or other circumstances, or changes directly related to such collateral, may materially adversely affect the value thereof.

The Master Funds' Investments May Lack Liquidity

The potential lack of liquidity in the Master Funds' investments may materially and adversely affect the Fund's value. As the Master Funds primarily make loans to private companies, substantially all of its investments are less liquid than publicly traded securities and may be subject to contractual, statutory or regulatory prohibitions on disposition. While the Investment Manager anticipates that the Master Funds will hold a significant portion of such investments until realization, should the Investment Manager determine it to be advisable to earlier dispose of any such investments, the Fund may have difficulty doing so and in certain cases may only be able to sell such investments at substantial discounts to face value. In addition, the Master Funds' leverage facilities may be structured as CLOs. In connection therewith, and in order to comply with the U.S. Risk Retention Rules and/or the EU Risk Retention Rules, the Master Funds may hold a portion of the debt and/or subordinated debt or equity of such CLOs. The Fund may be required to hold these securities for an extended period of time, which would result in a Withdrawing Limited Partner holding a small portion of its Withdrawal Capital Account for an extended period of time.

Secondary Market Sale of Loans

The Master Funds may hold loans to maturity; however, the Master Funds reserve the right to sell or dispose of any loans prior to maturity if the Investment Manager determines that such disposition is in the best interest of the Master Funds. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to other markets.

The Master Funds' Debt Investments May Involve Substantial Risk

The Master Funds' debt investments may involve substantial risk and the Master Funds could lose all or part of their investment. Although it is expected that debt investments of the Master Funds will not typically be rated by any rating agency, the Investment Manager believes that if such investments were rated, they would be below investment grade (*i.e.*, rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Rating Service). Investments in debt that is rated below investment grade quality are speculative and involve substantial risk that the issuer/borrower may not pay interest or repay principal as required. As a result, the market prices of such debt investments may be subject to abrupt and erratic movements in price and liquidity. Borrowers that are the subject of such loans and that issue such debt instruments are often highly leveraged and may not have available to them more traditional methods of financing. Fluctuations in market value of certain of these instruments may impact the Master Funds' ability to utilize leverage. The Master Funds may also invest in assets other than first lien loans, including junior-ranking, less secure and riskier second lien loans, contractually subordinated mezzanine debt and "private for life" high-yield securities, which are all by their nature, riskier investments.

Participation and other Indirect Economic Interests

Although it is not currently anticipated, a portion of the assets of the Master Funds may consist of participation interests or other indirect economic interests in loans or other debt obligations. In such circumstances, the Master Funds will not directly own the debt obligations underlying such participation or other economic interests and/or have custody thereof. As a result, the Master Funds will be exposed to the risk that the assets of the holder/custodian of any such underlying debt obligation may be subject to the claims of third-party creditors or other parties. In addition, as an owner of participation interests or other indirect economic interests (including as a member of a loan syndicate), the Master Funds may not be able to assert any rights against borrowers of the underlying indebtedness, and may need to rely on the holder/custodian (or other financial institution) issuing the participation interests or such other entity charged with the responsibility for asserting such rights, if any. Such holders/custodians and financial institutions or other entities may have reasons not to assert their rights, whether due to a limited financial interest in the outcome, other relationships with the underlying defaulting borrowers, the threat of potential counterclaims or other reasons, that may differ from the interests of the Master Funds. The failure of such holders/custodians and financial institutions or other entities to assert their rights (on behalf of the Master Funds) or the insolvency of such entities could materially adversely affect the value of the Assets of the Master Funds.

Weak Economy Could Trigger Defaults

Any substantial economic slowdown could increase delinquencies, defaults and foreclosures, and adversely affect the Master Funds' portfolio of loans and/or the Master Funds' ability to originate loans. Periods of economic slowdown or recession may be accompanied by decreased demand for credit, decreased asset values (including real estate values) and an increased rate of delinquencies, defaults and foreclosures. Any material decline in asset values would increase the loan-to-value ratios on loans that the Master Funds hold, weaken the Fund's collateral coverage and increase the possibility and severity of a loss if a borrower defaults. A lack of equity in a property may reduce the incentive a borrower has to meet its payment obligations during periods of financial hardship, which might result in higher delinquencies, defaults and foreclosures. These factors would reduce the Master Funds' ability to originate loans and increase their losses on loans.

Distressed Borrowers

While it is currently not the primary focus of the Master Funds, the Master Funds may invest in loans and debt instruments of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Master Funds, they involve a substantial degree of risk. Distressed borrowers may be less likely to meet their obligations in connection with such loans or debt instruments, and the inability to meet such obligations may result in certain loans of the Master Funds becoming nonperforming. The level of legal and financial sophistication necessary for successful investment in the loans issued to, or the debt instruments of, companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Investment Manager will correctly evaluate the value of the assets collateralizing the loans invested in by the Master Funds or the prospects for a successful reorganization or similar action, if any, or the general performance of such loans. In addition, to the extent that the Master Funds invest in loans or debt instruments with respect to companies that subsequently undergo bankruptcy or similar liquidation proceedings, such investments may be subject to additional risks. Many of the events within a bankruptcy case are adversarial and often beyond the control of creditors. Although creditors generally are afforded an opportunity to object to significant actions, there is the possibility that a bankruptcy court could approve actions that

may be contrary to the interests of the Master Funds. The duration of bankruptcy proceedings is often difficult to accurately predict, and such proceedings may be lengthy. The administrative costs in connection with bankruptcy proceedings are frequently high and will be paid out of the debtor's estate (other than out of assets or proceeds thereof that are subject to valid and enforceable liens and other security interests) prior to any return to unsecured creditors and equity holders. In connection with a bankruptcy proceeding, the General Partner, on behalf of the Master Funds, may seek representation on creditors' committees or other groups to ensure preservation or enhancement of the Master Funds' positions as creditors. If the Master Funds are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of their investments in such company while they continue to be represented on such committee or group. In addition, the Master Funds' return on investment can be adversely affected by the passage of time during which the plan of reorganization of a bankrupt debtor is being negotiated, approved by the creditors and confirmed by the bankruptcy court. Reorganizations outside of bankruptcy are also subject to unpredictable and potentially lengthy delays.

Debt Securities

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Interest Rate Risk

Changes in interest rates can affect the value of the Master Funds' investments in fixed-income instruments. Increases in interest rates may cause the value of the Master Funds' debt investments to decline. The Master Funds may experience increased interest rate risk to the extent they invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Future Funding Obligations

The Master Funds may from time to time incur funding obligations that may arise in the future in connection with an investment. For example, the Investment Manager may cause the Master Funds to purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Master Funds would be obligated to fund the amounts due. If the Master Funds are unable to pay their obligations when due, the Master Funds could face significant penalties that could materially adversely affect their returns. The Master Funds may also enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to the Master Funds.

Corporate Debt

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Master Funds may be paid interest in kind in connection with their investments in corporate debt and related financial instruments (*e.g.*, the principal owed to the Master Funds in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater

market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Master Funds may experience substantial losses.

Mezzanine Debt

Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of the Master Funds to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of the Master Funds or similar event, the Master Funds' debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt

Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt

Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination

When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Equitable Subordination

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). If the Master Funds engage in such conduct, the Master Funds may be subject to claims from creditors of an obligor that debt held by the Master Funds should be equitably subordinated.

Lower Credit Quality Obligations.

Most of the Master Funds' debt investments will likely be in lower grade obligations. The lower grade investments in which the Master Funds may invest may be rated below investment grade by one or more nationally-recognized statistical rating agencies at the time of

investment or may be unrated but determined by the Investment Manager to be of comparable quality. Debt securities rated below investment grade are commonly referred to as "junk bonds" and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. The debt that the Master Funds may invest in typically will not be rated by any rating agency, but the Investment Manager may believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service or lower than "BBB-" by Standard & Poor's Corporation). The Master Funds may invest without limit in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization.

Investment in lower grade investments involves a substantial risk of loss. Lower grade securities or comparable unrated securities are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for lower grade debt tend to be very volatile and are less liquid than investment grade securities. For these reasons, Limited Partners' investments in the Fund will be subject to the following specific risks: increased price sensitivity to a deteriorating economic environment; greater risk of loss due to default or declining credit quality; adverse company specific events are more likely to render the issuer unable to make interest and/or principal payments; and if a negative perception of the lower grade debt market develops, the price and liquidity of lower grade securities may be depressed. This negative perception could last for a significant period of time.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a lower grade issuer to make principal payments and interest payments than an investment grade issuer. The principal amount of lower grade securities outstanding has proliferated in the past decade as an increasing number of issuers have used lower grade securities for corporate financing. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. Similarly, downturns in profitability in specific industries could adversely affect the ability of lower grade issuers in that industry to meet their obligations. The market values of lower grade debt tend to reflect individual developments of the issuer to a greater extent than do higher quality investments, which react primarily to fluctuations in the general level of interest rates. Factors having an adverse impact on the market value of lower grade debt may have an adverse effect on the Master Funds' net asset value. In addition, the Master Funds may incur additional expenses to the extent that Master Funds are required to seek recovery upon a default in payment of principal of or interest on Assets. In certain circumstances, the Master Funds may be required to foreclose on an issuer's assets and take possession of its property or operations. In such circumstances, the Master Funds would incur additional costs in disposing of such assets and potential liabilities from operating any business acquired.

The secondary market for lower grade debt may not be as liquid as the secondary market for more highly rated debt, a factor which may have an adverse effect on the Master Funds' ability to dispose of a particular Asset. There are fewer dealers in the market for lower grade securities than investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and asked price is generally much larger than higher quality instruments. Under adverse market or economic conditions, the secondary market for lower grade debt could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become highly illiquid. As a result, the Master Funds could find it more difficult to sell these instruments or may be able to sell the securities only at prices lower than if such instruments were widely

traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating our net asset value.

Since investors generally perceive that there are greater risks associated with lower grade debt of the type in which the Master Funds may invest in, the yields and prices of such debt may tend to fluctuate more than those for higher rated instruments. In the lower quality segments of the fixed income markets, changes in perceptions of issuers' creditworthiness tend to occur more frequently and in a more pronounced manner than do changes in higher quality segments of the income securities market, resulting in greater yield and price volatility.

Distressed Obligations

The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, re-characterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Master Funds' investments in any Assets. Obligations in which the Master Funds invest may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing the Master Funds' investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which the Master Funds invest, the Master Funds may lose their entire investment, may be required to accept cash or securities with a value less than their original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Master Funds' investments may not compensate the Limited Partners adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

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

Bankruptcy Claims

The Master Funds' investments include debt and equity of financially distressed companies. In the event that the issuer files for bankruptcy protection, the Master Funds will likely be unable to sell its claims without realizing a significant loss and may be unable to recover

current interest on such claims during the course of the bankruptcy case. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. To the extent debt investment is unsecured (*i.e.*, has no collateral securing repayment), such claims may have a lower priority than secured claims (which have first recourse to the collateral securing such claim). In addition, the debt of an issuer in bankruptcy may be adversely affected by an erosion of the issuer's business and overall value. Accordingly, there can be no guarantee that a debtor will be able to satisfy all of its liabilities or that the Master Funds will be able to recover the entire amount of their bankruptcy claims.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Master Funds (in their roles as creditors). Furthermore, there are instances where creditors lose their priority under Title 11 of the United States Code (the "**Bankruptcy Code**") (*i.e.*, are equitably subordinated) if, for example, they have engaged in misconduct that harms other creditors. In those cases where the Master Funds are found to have engaged in such misconduct, the Master Funds may lose their priority.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, the approval of the plan by creditors and confirmation of the plan by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Master Funds; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the issuer may not be able to reorganize and may be required to sell its assets either as a going concern or as part of a liquidation. As a result, even in those circumstances where the Master Funds may recover the entire amount of their bankruptcy claims, the Master Funds may be adversely impacted by any costs incurred by the Master Funds in representing their interests in a debtor's bankruptcy case.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Master Funds' influence with respect to a class of securities can be lost by virtue of the size of their claim relative to the claims of the entire class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for certain taxes) may impair the recovery of an investment in a bankruptcy claim.

The Master Funds intend to invest some of their assets in Assets of issuers domiciled, or assets located, globally. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

The Investment Manager, on behalf of the Master Funds, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Master Funds' positions as a creditor or equity holder. A member of any

such committee or group may owe a fiduciary duty and be subject to certain obligations to all members the committee represents and/or to other similarly situated parties. The Investment Manager may resign from that committee or group for any reason, including, for example, if the Investment Manager concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Master Funds. In such case, the Master Funds may not realize the benefits, if any, of participation on the committee or group. In addition, if the Master Funds are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of or increasing their investments in such company while they continue to be represented on such committee or group.

The Master Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of litigation and to engage in litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Master Funds.

Rating Agencies

Future actions of any rating agency can adversely affect the market value or liquidity of CLOs. Rating agencies rating a CLO may change their published ratings criteria or methodologies for CLOs at any time in the future. Further, such rating agencies may retroactively apply any such new standards to the ratings of the CLO securities purchased by the Master Funds. Any such action could result in a substantial lowering (or even withdrawal) of any rating assigned to any such CLO security, despite the fact that such CLO security might still be performing fully to the specifications set forth for such CLO security in the related transaction documents. The rating assigned to any CLO may also be lowered following the occurrence of an event or circumstance despite the fact that the related rating agency previously provided confirmation that such occurrence would not result in the rating of such CLO being lowered. Additionally, any rating agency may, at any time and without any change in its published ratings criteria or methodology, lower or withdraw any rating assigned by it to any class of CLO security. If any rating initially assigned to any CLO security is subsequently lowered or withdrawn for any reason, holders of such security may not be able to resell their security without a substantial discount. Any reduction or withdrawal to the ratings on any class of CLO security may significantly reduce the liquidity thereof and may adversely affect the CLO issuer's ability to make certain changes to the composition of the CLO assets since the CLO's indenture may contain restrictions on portfolio modifications that are tied to the ratings on the CLO's securities.

A rating agency may also revise or withdraw its ratings of a CLO security as a result of a failure by the issuer or the manager of such CLO to provide it with information requested by such rating agency or comply with any of its obligations contained in the engagement letter with such rating agency, including the posting of information provided to the rating agency on a website that is accessible by rating agencies that were not hired in connection with the issuance of the CLO securities as required by law. In addition, a CLO security may receive an

unsolicited rating, which may have an adverse effect on the liquidity or the market price of such CLO security. Any such revision or withdrawal of a rating as a result of such a failure might adversely affect the liquidity and value of the CLO security.

Warehouse Agreements

The Master Funds may enter into warehouse agreements ("**Warehouse Agreements**") with certain collateral managers, including the Investment Manager. Pursuant to such Warehouse Agreements, the Master Funds may provide financing, either directly or indirectly, for the purchase of assets, or may own certain assets ("**Warehouse Securities**") in anticipation of such assets constituting the collateral of a CLO or other structured transaction (a "**Structured Transaction**"). Upon the closing of the Structured Transaction to which the Warehouse Agreement relates, the Master Funds may or may not purchase securities issued in such Structured Transaction. The Master Funds may not achieve their investment objectives in financing the warehouse if the Warehouse Securities are not purchased in the Structured Transaction or where the Structured Transaction fails to close. A collateral manager will purchase Warehouse Securities from the warehouse for a Structured Transaction only to the extent that the collateral manager determines that such purchases are consistent with the investment guidelines of the Structured Transaction, the restrictions contained in the collateral management agreement and applicable law. If Warehouse Securities are not purchased for a Structured Transaction, depending on the terms of the Warehouse Agreement, Warehouse Securities may be liquidated, which may result in a profit or a loss to the Master Funds, or the Master Funds may take possession of the Warehouse Securities. In either case, the Master Funds will bear the risk that the value of such Warehouse Securities may be below their purchase price. If a Structured Transaction fails to close, in addition to the foregoing risks, the Master Funds may not be paid for financing the warehouse facility.

Effects of Regulation on CLO Market

Legislative or regulatory action taken by the U.S. federal government or any U.S. regulatory body (or other authority or regulatory body) in response to economic conditions or otherwise may negatively impact the liquidity and value of CLOs. For example, the "Volcker Rule" contained in the Dodd-Frank Act, which imposes limitations on the ability of banking entities and their affiliates to invest in private investment funds such as CLO issuers, may have a substantial negative impact on the liquidity and value of CLOs. No prediction can be made as to how any modifications made to the Volcker Rule will affect the liquidity and value of CLOs purchased by the Master Funds.

Convertible Securities

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

Equity Securities Generally

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Master Funds have not hedged against such a general move. The Master Funds also may be exposed to risks that issuers will

not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Illiquid Securities

Certain Assets may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such Assets. Valuation of such Assets may be difficult or uncertain because there may be limited information available about the issuers of such Assets. The market prices, if any, for such Assets tend to be volatile and may not be readily ascertainable, and the Master Funds may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The sale of restricted and illiquid Assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of Assets eligible for trading on national securities exchanges or in the over-the-counter markets. The Master Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Master Funds may be required to hold such Assets despite adverse price movements. Even those markets which the Investment Manager expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

PIPE Transactions

Private investments in public companies whose stocks and/or bonds are quoted on stock exchanges or which trade in the over-the-counter securities market, a type of investment commonly referred to as a "**PIPE**" transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly-issued securities of smaller capitalization companies, which may be less likely to be able to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Master Funds acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Master Funds' ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Master Funds are able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Master Funds may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Master Funds' investments.

Preferred Stock

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock)

at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Restricted Securities

Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by the Master Funds. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

Structured Notes

Structured notes, variable rate mortgage-backed and asset-backed securities each have rates of interest that vary based on a designated floating rate formula or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. The movements in specific indices or interest rates may be difficult or impossible to hedge.

Undervalued Securities

The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Funds' investments may not adequately compensate for the business and financial risks assumed.

Unlisted Securities

Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Non-U.S. Investments

Investing in the Assets of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in Assets of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies

that may restrict the Master Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Master Funds may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Master Fund's rights in such markets. Accordingly, the protections accorded to the Master Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Dependence on Developing Countries

The level of commodity prices can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made many developing countries, particularly China, disproportionately large users of commodities and has increased the extent to which commodity prices are dependent on the markets of those developing countries. Political, economic and other developments that affect these developing countries may affect the level of certain commodities and, thus, the value of the Master Funds' investments. Because certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply-related events in those countries could have a disproportionate impact on the prices of commodity futures contracts and other types of financial instruments in which the Master Funds will invest. Events affecting the prices of commodities tend to affect prices worldwide, regardless of the location of the event.

Item 9: Disciplinary Information

This Item is inapplicable.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

While the Fund may trade commodity interests, the Investment Manager and the General Partner, with respect to the Fund, are each exempt from registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator (a "CPO") pursuant to CFTC Rule 4.13(a)(3).

We do not recommend or select other investment advisers for our clients.

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

Code of Ethics and Personal Trading

Piney Lake has adopted a "Code of Ethics" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also

are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees are required to direct their brokers to send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Piney Lake's "**Employee Investment Policy**." Employees are prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm's Restricted List.

Employees must obtain pre-approval from the CCO before: (i) making a transaction in Covered Accounts of Reportable Securities, including any IPO; (ii) engaging in any outside business activities that may present a conflict with the employees' duties at the Firm; or (iii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor or client, upon request.

Participation or Interest in Client Transactions

Neither we nor our related persons generally purchase any securities for our own accounts from, or sell any securities for our own accounts to, the Funds. We may purchase or sell securities that we also recommend to our clients. The Firm will be cognizant of its fiduciary duty to its clients if this occurs. We may solicit qualified clients to invest in a Fund. We could be considered to have recommended an investment in a Fund as suitable for a client as a result of our relationship with the Fund. We will inform each client of our relationship with a Fund prior to the client's investment, but we do not intend to advise clients as to the appropriateness of the investment and we will not receive any compensation for selling interests in a Fund (except to the extent that we receive our Management Fee and Performance Allocation from Investors).

We disclose these, and other potential conflicts of interest, to Investors in the Funds' offering documents. Offering documents are delivered to Investors prior to their investment and Investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving us, our affiliates, or the executive officers of the foregoing.

Item 12: Brokerage Practices

Piney Lake is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

Best Execution

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Item 13: Review of Accounts

Our portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds’ offering documents. In these reviews, the Firm pays particular attention to any changes in the investment’s fundamentals, overall risk management and changes in the markets that may affect price levels. Piney Lake engages in active management for the Funds and the Firm reviews transactions, positions and cash balances on a daily basis.

Account Reporting

We perform various periodic reviews of each client’s portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

Item 14: Client Referrals and Other Compensation

This Item is inapplicable.

Item 15: Custody

We will comply with Rule 206(4)-4 of the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision. Annually, upon completion of the Funds' annual audit, we will distribute the audited financials to Investors within 120 days of the Funds' fiscal year end.

Item 16: Investment Discretion

We will have full discretionary authority over the Master Fund including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

Item 17: Voting Client Securities

In compliance with the Advisers Act's Proxy Voting Rule, we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.