

ITEM 1
COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

CERBERUS CAPITAL MANAGEMENT, L.P.

March 29, 2019

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ADDITIONAL INFORMATION ABOUT CERBERUS CAPITAL MANAGEMENT, L.P. ALSO IS AVAILABLE ON THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

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ITEM 2

MATERIAL CHANGES

Since Cerberus Capital Management, L.P. (the “Adviser”) filed its most recent Part 2A of Form ADV: Firm Brochure on March 30, 2018 (the “Adviser’s Brochure”), there have been no material changes to the Adviser’s Brochure. Items 4, 5, 8, 10 and 11 have been updated to reflect more detailed disclosure with respect to the information set forth in each such Item. The Advisers (as defined in Item 4) continued to provide investment management and administrative services to new Clients (as defined in Item 4) during calendar year 2018 and into calendar year 2019 and expect to continue to do so for the remainder of calendar year 2019.

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ITEM 4

ADVISORY BUSINESS

A. General Description of Advisory Firm.

The Adviser is a Delaware limited partnership founded in 1992. The Adviser is headquartered in New York City and has seventeen affiliated advisory offices located in the United States (“U.S.”), Europe, Asia, Africa and South America. The principal owner is Stephen A. Feinberg, who owns his interests in the Adviser indirectly through one or more intermediate entities.

The Adviser and its affiliates (the “Affiliates”) (the Adviser and the Affiliates are sometimes collectively referred to as the “Advisers”) provide investment management and administrative services to privately placed pooled investment vehicles (collectively, the “Private Funds”), single investment special purpose investment vehicles and managed accounts (collectively, with the Private Funds, the “Clients”) based on their respective investment objectives.

An Affiliate of the Adviser, Cerberus Sub-Advisory I, LLC, became a U.S. Securities and Exchange Commission (the “SEC”) registered investment adviser on June 19, 2013. Cerberus Sub-Advisory I, LLC serves as the sub-adviser to one fund registered as an investment company with the SEC under the Investment Company Act of 1940, as amended (the “1940 Act”). Although separately registered as an investment adviser with the SEC, Cerberus Sub-Advisory I, LLC is effectively part of the single advisory business of the Advisers.

The Advisers tailor their advisory services as described in the investment program of the relevant Client’s private placement memorandum, as set forth in such Client’s organizational documents and/or as set forth in the investment management agreement with such Client. Please refer to Item 8 for a more detailed description of Advisers’ investment strategies as well as the securities and other instruments purchased by Clients under the management of the Advisers.

Four affiliates of the Adviser, Partridge Hill Overseas Management, LLC (“Partridge Hill”), Cerberus Capital Management II, L.P. (“CCM II”), Cerberus Institutional Management II, LLC (“CIM II”) and Cerberus Real Estate Capital Management, LLC (“CRECM” and, collectively with Partridge Hill, CCM II and CIM II, the “CPO Managers”), have registered as Commodity Pool Operators (“CPOs”) with the Commodity Futures Trading Commission (“CFTC”) and have become members of the National Futures Association (“NFA”). Certain management persons of the Adviser are registered as principals and/or associated persons of such entities.

Since the filing of the Adviser’s last Brochure through March 29, 2019, several new Clients have been launched. For a complete list of all Clients that the Advisers provide administrative and/or investment management services, see Section 7.B. of Schedule D to the Advisers’ Form ADV Part 1.

The Advisers provide investment management services to the Clients on a discretionary basis. With respect to one Private Fund, an Affiliate serves as co-manager to such Private Fund with a third party as set forth and described in the organizational and offering documents of such Private Fund.

B. Description of Advisory Services.

Advisory Services

The Adviser is a global alternative investment firm founded in 1992. Headquartered in New York City with affiliated advisory offices located in the U.S., Europe, Africa, South America and Asia, the Advisers generally have a long-term investment horizon and focus on value creation globally in private equity, real estate and global credit strategies as outlined below. The Advisers' investment and operations professionals are integrated across all three of the Advisers' primary investment strategies, bringing considerable expertise in assessing and managing all of the Advisers' investments.

- Private Equity, including acquisitions of companies with operational problems or significant cost reduction opportunities, subsidiaries of companies where the business is viewed as non-core and/or under-performing divisions and companies undergoing reorganization under U.S. bankruptcy law or similar laws;
- Real Estate, including investments in distressed debt securities and assets, special situations, direct equity, mortgage loans and bridge financings, mezzanine debt and preferred equity and non-performing loans ("NPLs") secured by real estate; and
- Global Credit, including corporate credit and distressed debt, corporate middle-market direct lending and residential and commercial mortgage securities and assets.

Philosophy

The Advisers' investment philosophy is centered on integrity, patience and a unique business model that applies significant financial and operational resources across the Advisers' investment strategies. The Advisers focus on opportunities that offer the potential for superior risk-adjusted returns. The Advisers also focus on growing business, recruiting and retaining top executives, proactively managing risks and ensuring the highest standards of corporate governance. The Advisers require disciplined due diligence, strict compliance, a team approach between investment and operations professionals and the use of efficient, creative and customized solutions.

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

C. Availability of Customized Services for Individual Clients.

The Advisers tailor their advisory services as described in the investment program of the relevant Client's private placement memorandum or as set forth in such Client's

organizational documents, the subscription documents related to an investment in such Client and/or the investment management agreement with such Client.

In addition, the Advisers have the right to enter and have entered into agreements, such as side letters, with certain investors in the Private Funds that may in each case provide for terms of investment that are more favorable than the terms provided to other investors in the Private Funds. Such terms may include, among other things, the waiver or reduction of management and/or incentive fees/allocations, the provision of additional information or reports, rights related to specific regulatory requests or requirements of certain clients, more favorable transfer rights, and more favorable liquidity rights. Certain Clients (and/or underlying investors) also negotiate for investment exposure (or investment limitations) with respect to specific industries, sectors, geographic regions or investments.

Persons reviewing this Form ADV Part 2A should not construe this as an offering of any of the Private Funds described herein, which will only be made pursuant to the delivery of a private placement memorandum, subscription agreement and/or similar documentation to prospective investors.

D. Wrap Fee Programs.

The Adviser does not participate in wrap fee programs.

E. Assets Under Management.

The Adviser manages approximately \$38.9 billion as of January 1, 2019 on a discretionary basis. Cerberus Sub-Advisory I, LLC, as a sub-adviser to one fund registered as an investment company with the SEC under the 1940 Act, is not currently managing any assets of the fund but allocations may change at any time without notice. Assets under management (“AUM”) for Clients structured as hedge or liquid funds represents net asset value plus deferred compensation. AUM for Clients structured as private equity or commitment funds represents, during such Clients’ investment period, total committed capital, and, after such Clients’ investment period (including any liquidation period), remaining called capital invested, at cost. For Clients that are loan funds, AUM includes outstanding debt. As noted above, with respect to one Private Fund the assets of which are included in the Adviser’s aggregate AUM, an Affiliate serves as co-manager to such Private Fund with a third party as set forth and described in the organizational and offering documents of such Private Fund.

ITEM 5

FEES AND COMPENSATION

A. Advisory Fees.

Management Fees

With respect to Clients that are structured as hedge or liquid funds, the Adviser or one of its Affiliates is generally paid a quarterly management fee of 1% to 2% per annum of the aggregate net asset value of each investor's capital account or series of shares, as applicable. With respect to Clients that are structured as private equity or commitment funds, the Adviser or one of its Affiliates is generally paid a quarterly management fee of 1% to 2% per annum of total committed capital, called capital invested (at cost) or total assets under management. Management fees are generally paid quarterly in advance, but may be paid quarterly in arrears.

Performance-Based Allocations or Fees

With respect to Clients that are structured as hedge or liquid funds, an Affiliate of the Adviser is generally allocated or paid an annual performance-based allocation or fee of 15% to 20% of the net gain earned by each investor subject to a high water mark. Certain Clients structured as hedge or liquid funds subject this performance-based allocation or fee to a preferred return to investors and a catch up allocation to the Affiliate. With respect to Clients that are structured as private equity or commitment funds, an Affiliate of the Adviser is generally allocated or paid a performance-based allocation or fee of 15% to 20% of the proceeds realized upon the disposition of the assets of such Client; subject to the return of capital contributions to investors and, often, subject to a preferred return to investors (often 6% to 8%), catch-up distributions to the Affiliate and/or other performance hurdles. In certain cases, a Client structured as a private equity or commitment fund pays an Affiliate a portion of its performance-based allocation or fee prior to the disposition of the assets of such Client.

Collateralized Loan Obligations

With respect to Clients structured as collateralized loan obligations ("CLOs"), an Affiliate of the Adviser is generally paid a quarterly management fee of 1% per annum. For any Private Fund investing directly or indirectly in one or more Clients structured as CLOs, each such Private Fund's total management fees payable do not exceed the management fee set forth in such Private Fund's offering documents, organizational documents and/or investment management agreement.

Compensation Waivers or Reductions

Compensation to the Advisers is negotiable, and is set forth and described in each Client's offering documents, organizational documents and/or investment management agreement. Certain investors in the Private Funds have negotiated for and pay reduced performance-based allocations or fees and/or reduced management fees.

Certain Clients in liquidation may pay either (i) no fees or compensation or (ii) pay, in advance, a quarterly management fee at a reduced rate.

B. Payment of Fees.

Management fees, incentive allocations, incentive fees and carried interests are generally deducted directly from Client accounts. If an advisory contract is terminated before the end of a billing period, unearned, pre-paid fees (prorated for the remaining portion of the billing period) will be refunded directly to the Client or underlying investor in accordance with the terms of the Client's offering documents, organizational documents and/or investment management agreement.

C. Additional Expenses and Fees.

As more particularly set forth or described in the offering documents, organizational documents, investment management agreement of a particular Client and/or the Advisers' expense-related policies and procedures, a Client may bear some or all of the following costs and expenses:

- (i) operating and administrative costs and expenses of the Clients;
- (ii) organizational and offering costs and expenses of the Clients (including, without limitation, all, or a portion, of the costs and expenses incurred in connection with a Client's formation and qualification and the offering and sale of interests in the Client, including, without limitation, legal and accounting fees and expenses, registration and qualification fees and expenses, fees and expenses of distribution, filing fees, printing costs and all costs and expenses incurred in connection with the preparation of offering documents, marketing materials, organizational documents, operating documents and similar materials and the costs of qualifying, reproducing, amending, supplementing, mailing and distributing offering materials, including telephone and other communications and transmittal costs);
- (iii) expenses associated with all investments and transactions considered, evaluated and/or consummated by the Clients, including, without limitation, expenses associated with sourcing, negotiating, investigating, researching, financing, structuring, acquisition and due diligence of investments and potential investments, whether or not consummated (including third-party research, data, analytics, modeling, structuring, pricing, execution and other third-party information systems, software and service fees (including data feeds, subscriptions, reports and similar items));
- (iv) expenses associated with the holding, financing, construction, leasing, monitoring, hedging, maintaining and disposing of all investments of the Clients (including, to the extent a Client owns any real estate, asset and property management expenses of third parties, local operators and certain Affiliates as described herein) and all transaction and other costs associated therewith;

- (v) travel and related expenses associated with investments and potential investments;
- (vi) professional fees associated with investments and potential investments, including, without limitation, accounting, consulting, investment banking, legal and other advisory fees and expenses (including, for the avoidance of any doubt, any third-party consultants engaged through PCAC (as defined in Item 10), Cerberus Global Investment Advisors, LLC and Cerberus Operations (as defined in Item 10) and any other Advisers, whether now existing or hereafter created, in respect of the Clients and/or their portfolio investments);
- (vii) transaction fees, brokerage commissions, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments;
- (viii) administrative, custodial, appraisal, valuation, legal, consulting, advisory and similar fees and expenses associated with the Clients' operations, investments and transactions, including fees and expenses of any administrator;
- (ix) management fees;
- (x) costs, fees and expenses of any Affiliates engaged to provide services by or on behalf of the Clients as described in Item 10, "Material Relationships or Arrangements with Industry Participants and Affiliated Advisers – Affiliated Service Providers", including, without limitation, the fees and expenses of each of (a) Cerberus Operations (as defined in Item 10) (including associated overhead, including, without limitation, all occupancy costs such as rent, utilities, HVAC, water, cleaning and all other occupancy and administrative expenses incurred in connection with the services provided by Cerberus Operations as set forth and described in such Client's offering documents, organizational documents and/or investment management agreement), (b) the Portfolio Company Servicers (as defined in Item 10), (c) FirstKey Homes (as defined in Item 10), (d) FirstKey Mortgage (as defined in Item 10), (e) Cerberus Servicing (as defined in Item 10), (f) Cerberus Technology Solutions (as defined in Item 10), and (g) certain other Affiliates;
- (xi) the Dutch and Other Expenses (as defined in Item 10);
- (xii) broken-deal, failed transaction, break-up and similar fees, costs and expenses (including any portion thereof attributable to actual or potential Co-Investors (as defined herein));
- (xiii) costs and expenses of leverage or any other credit arrangements, financings or borrowings of the Clients (including, without limitation, any subscription facilities) utilized, or proposed to be utilized by, the Clients, including interest charges and fees;

- (xiv) auditing and accounting expenses of the Clients, including expenses associated with the preparation of the Clients' financial statements, tax returns and Schedules K-1;
- (xv) costs and expenses associated with investor communications and reports and the delivery thereof to investors;
- (xvi) costs and expenses associated with any special investor meetings and all meetings of the Clients' advisory boards and the meetings of any other committees of the Clients, including any committees formed for the purpose of approving principal transactions as described in Item 11, "Securities That the Adviser or a Related Person Has a Material Financial Interest";
- (xvii) reasonable costs and expenses related to the Clients' boards of directors and their meetings and certain Clients' investment committee members and/or conflicts committee and/or their meetings;
- (xviii) insurance expenses, including, without limitation, those relating to property, title, directors' and officers' liability, errors and omissions and other insurance policies;
- (xix) expenses incurred in the collection of monies owed to the Clients;
- (xx) costs and expenses (including taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle ("SPV"), alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or arrangements (including, without limitation, any subscription facilities or CLO issuances or term debt securitizations) or other transactions entered into for the benefit of the Clients;
- (xxi) wind-up, liquidation, termination and dissolution expenses;
- (xxii) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including blue sky fees and other securities and/or investment-related filing expenses;
- (xxiii) costs related to any transfers of interests in the Private Funds, unless otherwise charged to or borne by the applicable transferor and/or transferee;
- (xxiv) any extraordinary expenses (including all litigation-related, indemnification and contribution expenses, including the amount of any judgment or settlement paid in connection therewith);
- (xxv) any investment and transaction expenses of the Clients or any other affiliated investment originator attributable, as determined by the Adviser, to securities or other assets considered for investment by such Clients, including, to the extent

not paid by the sponsor of a potential borrower and/or from the borrower itself (whether through good faith deposits or otherwise), the costs and expenses of any securities or other assets (or interests therein) purchased by or transferred to the Clients and any “broken-deal” or failed transaction expenses (including in certain cases, the share of such expenses attributable to a prospective Co-Investor (as defined herein)) incurred by the Clients or any other affiliated investment originator in respect of contemplated securities or other assets that would have been originated or invested in by such Clients, and these expenses generally will not be borne or shared by potential syndicate partners, transferees or offerees;

- (xxvi) expenses incurred in connection with the performance of loan and asset servicing and settlement activities, collateral management, loan administration, due diligence and property management services for the Clients; and
- (xxvii) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Clients and the sourcing, acquisition, management and exit of rental properties owned by the Clients.

The Clients will reimburse the Advisers or their affiliates, as applicable, for any expenses paid by the Advisers or any such affiliates that are expenses to be properly borne by the Clients.

The Advisers will provide office space for themselves and on behalf of the Clients, and will pay for all rent, utilities, HVAC, water, cleaning, office furniture, fixtures and equipment, computer equipment (excluding any third-party data, analytics or other information systems as described above, which are expenses of the Clients), office supplies and all other reasonable and customary occupancy costs, as well as reception, secretarial, clerical and other administrative personnel and the salaries, bonuses and benefits paid to investment professionals and support personnel of the Advisers (excluding the COAC Expenses (as defined in Item 10), the Dutch and Other Expenses, and the costs, fees and expenses of Cerberus Servicing, Cerberus Technology Solutions, the Portfolio Company Servicers, FirstKey Homes, FirstKey Mortgage and other Affiliates engaged to provide services as described in such Client’s offering documents, organizational documents and/or investment management agreement, in each case, which are expenses of the Clients).

Due to the fact that the Advisers manage investments on behalf of a number of Clients, certain expenses may be shared by more than one Client. The Adviser has adopted policies and procedures for the allocation of such fees and expenses among the Clients, although the policies and procedures may change from time to time and may differ materially from those described below. Subject to the policies and procedures described below with respect to co-investment opportunities, any investment-related or strategy-related expenses shared by more than one Client will generally be allocated *pro rata* based on each such Client’s participation or anticipated participation in such investment or strategy. Participation may be determined by reference to actual or anticipated allocations of investments, by reference to the Client’s investments in the applicable strategy or another methodology determined to be fair and equitable by the Adviser, in its sole discretion. The Adviser will seek to allocate non-

investment-related expenses shared by more than one Client to such Clients in a manner that is fair and equitable taking into consideration all relevant factors, including, without limitation, the relevant benefit to each such Client derived from such expenses.

The Adviser also seeks to fairly allocate expenses by and among the Clients and persons and/or entities that invest (or propose to invest) in the same investment (or proposed investment) as the Clients, whether directly or indirectly through one or more persons and/or entities (including but not limited to SPVs controlled by the Advisers or one or more other persons and/or entities) (collectively, “Co-Investors”). The Adviser generally will seek to have any Co-Investors share in expenses related to the applicable investment that are borne by the Clients that own the same portfolio investment as the relevant Co-Investor. However, it is not always possible or reasonable to allocate expenses to a Co-Investor depending upon the circumstances surrounding the applicable co-investment and the financial and other terms (including the timing of the investment) governing the relationship of the Co-Investor to the Clients with respect to the portfolio investment, and, as a result, there may be occasions where Co-Investors do not bear a proportionate share of such expenses. In certain circumstances, a Co-Investor may have limitations on the amount of expenses that may be borne by such Co-Investor in respect of an applicable co-investment. In addition, where a co-investment was contemplated but ultimately not consummated, including with respect to proposed transactions that are not consummated by the Clients, the potential Co-Investor generally does not share in the expenses borne by the Clients with respect to such potential co-investment or proposed transaction opportunity (including, without limitation, broken-deal, failed transaction, break-up and/or other similar fees, costs and expenses of an unconsummated transaction).

Expenses generally cannot be, and therefore are not, allocated to, charged to or paid by third party investors, including but not limited to shareholders and other holders of equity interests, in portfolio companies and other corporations, companies, partnerships and/or others businesses that are (i) not controlled by the Advisers but in which the Clients have investments (including but not limited to public corporations and private companies in which the Clients have investments) or (ii) controlled by the Advisers but which have third party investors other than the Clients. In these circumstances, the applicable expenses generally will be allocated to, charged to and paid by the respective Clients, and not the respective portfolio company or other entity, unless a separate agreement has been entered into between the Advisers and such portfolio company or other entity.

With respect to expenses attributable to one or more of the Clients and one or more of the Advisers (or the Private Feinberg Entities (as defined and described herein)), the Adviser seeks to allocate such expenses fairly, taking into consideration (i) the extent of the utilization of the services associated with the expense, (ii) the relative benefit that is derived from the expense and (iii) the association of the expense with a legal, contractual or other obligation.

Further, new Clients may be required to bear broken-deal expenses related to potential investments that are not consummated to the extent that (i) such potential investments become broken deals during the 45 day period prior to the initial closing of such Client and (ii) such Clients would have been allocated a portion of such investments, even if such

expenses were borne by other Clients prior to the time such Clients were formed and/or had their initial closing. Accordingly, new Clients may bear some of such broken deal expenses.

With respect to certain Lending Funds (as defined in Item 11), operating expenses of such Clients will include any investment and transaction expenses of CBF (as defined in Item 10) attributable, as determined by the Advisers, to loans or other assets considered for investment by a Client, including, to the extent not paid by the sponsor of a potential borrower and/or from the borrower itself (whether through good faith deposits or otherwise), the costs and expenses of any loans or other assets (or interests therein) purchased by or transferred to a Client and any “broken-deal” or failed transaction expenses incurred by CBF in respect of contemplated loans or other assets that would have been originated by or invested in by a Client, and these expenses generally will not be borne or shared by potential syndicate partners, transferees or offerees, including, without limitation, certain Clients.

D. Prepayment of Fees.

Please see responses to Item 5A. above.

E. Additional Compensation and Conflicts of Interest.

Neither the Advisers nor any of their supervised persons accept compensation for the sale of securities or other investment products.

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

The Affiliates receive performance-based compensation in the form of an incentive allocation, an incentive fee and/or performance distributions with respect to most Clients. Certain Clients that are in liquidation and/or are not making new investments (other than follow-on investments) are either charged no compensation or only a management fee.

Many of the Clients have investment programs that are similar to or overlap with each other, and may, therefore, participate with each other in investments. In the allocation of investment opportunities, performance-based fee/allocation arrangements may create an incentive to favor Clients that have greater performance fee/allocation arrangements over other Clients that have lesser or no performance fee/allocation arrangements. Investment decisions and allocations are made in accordance with the Advisers' Investment Allocation Policy and Procedures (the "Allocation Policy"), as such Allocation Policy is in effect at the time of such decision or allocation. The Allocation Policy is designed to ensure that all Clients are treated fairly and equitably to prevent this form of potential conflict from influencing the allocation of investment opportunities among them.

ITEM 7

TYPES OF CLIENTS

The Advisers provide investment management services and advice to the Clients (including CLOs), single investment SPVs and managed accounts and certain Co-Investors. Underlying investors in Clients include high net-worth individuals, financial institutions, corporations, sovereign wealth funds, endowment funds, charitable organizations, public and private pension funds and other investment funds. Generally, each underlying investor in a Client must be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” as defined in the 1940 Act. Certain employees of the Adviser who qualify as “knowledgeable employees” under Rule 3c-5 of the 1940 Act may be permitted to invest directly or indirectly in the Private Funds. With respect to one Private Fund, each underlying investor in such Private Fund must also be a “qualified institutional buyer” as defined in Rule 144A under the Securities Act, as set forth and described in the organizational and offering documents of such Private Fund. The offering documents of each Client may set minimum amounts for investment by prospective investors in such Clients. These minimum amounts may be waived by the Adviser or an Affiliate. One Affiliate, Cerberus Sub-Advisory I, LLC, serves as the sub-adviser to one fund registered as an investment company with the SEC under the 1940 Act.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies.

Set forth below are summaries of the different asset categories and strategies primarily employed by the Advisers. Each Client's investment portfolio may participate in one or more of such asset categories and strategies as described in such Client's offering documents, organizational documents and/or investment management agreement. Clients' investment portfolios may differ based on whether they concentrate their investments in a single one of the strategies, all of the strategies or less than all of the strategies. Clients' investment portfolios may also differ based on geographical focus, liquidity needs and other considerations. The Adviser generally pursues, or has pursued, on behalf of its Clients, investments in the following three categories: (i) Private Equity, including acquisitions of companies with operational problems or significant cost reduction opportunities, subsidiaries of companies where the business is viewed as non-core and/or under-performing divisions and companies undergoing reorganization under U.S. bankruptcy law or similar laws; (ii) Real Estate, including investments in distressed debt securities and assets, special situations, direct equity, mortgage loans and bridge financings, mezzanine debt and preferred equity and NPLs; and (iii) Global Credit Opportunities, including direct lending, corporate credit and distressed debt, and mortgage securities and assets. Investments within these categories may involve any part of the capital structure of an issuer. Investments may be passive or active (including control) investments in a wide range of industries and countries.

At present, no new investments, other than follow-on investments, are being made by certain Clients as the Advisers liquidate the existing investment portfolio of each of these Clients.

Private Equity. The Advisers make investments on behalf of Clients in debt and equity and equity-related securities of distressed or undervalued companies, including companies with operational issues that may not be considered to be distressed by the markets. Distressed companies typically include (i) those facing operating difficulties or those that the Advisers believe would benefit from operational improvements, (ii) those undergoing, or considered likely to undergo, reorganization under U.S. bankruptcy law or similar laws in other countries, (iii) those which are or have been engaged in other extraordinary transactions, such as debt restructuring, reorganization and liquidation outside of bankruptcy and (iv) those facing a broad range of liquidity issues.

Private equity investments may include the purchase of (i) a distressed subsidiary or division from a healthy parent, (ii) a distressed subsidiary or division from a distressed parent, (iii) a healthy subsidiary or division from a distressed parent, (iv) an entire distressed corporation, (v) a company, or a subsidiary or division thereof, that the Advisers believe can benefit from the Advisers' operational expertise to create value, even when the market generally does not view such company as operationally challenged or distressed or (vi) a control or minority position in a company with operational improvement upside.

Real Estate. The Advisers may invest on behalf of their Clients in real and personal property, including, without limitation, office, retail, industrial, hotel, residential,

recreational, health care or mixed-use assets or land (either directly or through the purchase of an operating company whose primary assets are real estate). Real estate-related investments may be executed in the following forms/using instruments such as (i) mezzanine debt and preferred equity, (ii) special situations, including public or private real estate investment trusts (“REITs”), secondary limited partnership interests, real estate operating companies constrained by management inefficiencies or lack of liquidity and other operating companies with material real estate interests, (iii) direct equity in real property, including corporate real estate holdings and select development opportunities, (iv) bridge financing, (v) distressed debt and real estate secured NPLs (including residential, commercial and multi-family loans) and (vi) single family residences, single family rental properties and/or loans and/or mortgages related to single family residences and/or single family rental properties.

Global Credit Opportunities. The Advisers, on behalf of their Clients, may originate loans to, or purchase the assignment of or participations in loans made to, middle-market companies. Such investments may include (i) secured debt assets that may be senior or junior, and may be collateralized by a variety of assets, including secured loans (both asset-based and cash flow loans) for working capital, refinancing, acquisitions, bridge capital, restructuring, recapitalization, exit financings and debtor-in-possession financing, (ii) first priority, senior secured debt assets, which may include loans offered at lesser borrower leverage levels and commensurately reduced target yields and (iii) investments in distressed companies or assets. The Advisers may seek to make investments that provide acquisition financing to private equity funds and other companies seeking acquisition financing and will also lend to, or purchase secured and unsecured debt obligations of, companies that (i) are likely to become subject to U.S. or foreign bankruptcy proceedings, (ii) are seeking to avoid restructuring, (iii) are not distressed, but have lost the support of their financial lenders, (iv) do not have sufficient capital to manage their operations and/or (v) are seeking terms for their debt that are more flexible or appropriate for their current circumstances. The types of investments in this strategy include, but are not limited to, investments in loans, debt instruments issued in connection with acquisition financing and refinancing of existing company debt, publicly traded bonds, high-yield bonds, bank debt, term loans (including as part of a single-tranche or multi-tranche financing, including unitranche financing), bridge loans, debtor-in-possession and exit loans, mortgages and other fixed-income securities.

In addition, the Advisers make investments on behalf of Clients in debt of stressed or distressed companies, including a variety of debt instruments with varying terms with respect to collateral, relative seniority or subordination, purchase price, convertibility, interest rate and maturity. Debt investments may be coupled with equity investments or “kickers” and the Advisers may also invest in stand-alone equity and equity-related securities of stressed or distressed companies, including preferred stock, convertible preferred stock, common stock and warrants.

The Advisers also make investments on behalf of Clients in NPLs and pools of NPLs that have varying terms with respect to collateral, relative seniority or subordination, purchase price, convertibility, interest requirements and maturity. NPLs and pools of NPLs may consist of a large and diverse spectrum of loans, including, but not limited to (i) small to medium enterprise and other corporate loans, (ii) real estate secured loans (including

residential, commercial and multi-family loans), (iii) unsecured loans and (iv) consumer loans.

Furthermore, the Advisers make investments on behalf of Clients in debt and equity securities of mortgage-backed securities (“MBS”) (including, without limitation, MBS backed by prime, Alt-A, Alt-B, subprime mortgages and commercial mortgages), MBS pass throughs, mortgage derivatives (*e.g.*, interest only securities), agency debentures, agency structured notes, servicing rights, wraps and guarantees (from Fannie Mae, Freddie Mac and other entities), asset-backed securities (“ABS”), collateralized debt obligations (“CDOs”), CLOs, other forms of ABS, mortgage servicing rights (“MSRs”) and other pools of distressed assets and whole loans. The Advisers may also invest on behalf of Clients in pools of performing, reperforming and non-performing residential and commercial loans backed by a variety of properties.

Leverage and Hedging.

The Advisers may use leverage for liquidity and investment purposes, subject to the Client’s offering documents, organizational documents and investment management agreement. Leverage, including subscription financing, may be achieved through, among other methods, direct borrowing, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. The Advisers may (but need not) employ various hedging techniques to reduce actual or potential risks to which the Client’s portfolio may be exposed. The Advisers may invest in various securities, derivatives, indexes and cash equivalents and related instruments both to hedge the Clients’ portfolio positions and currency risk and to opportunistically seek to meet the Clients’ investment objectives, including (i) futures and forward contracts, (ii) swaps, including, without limitation, credit default swaps, baskets of credit default swaps, total return swaps, index swaps and interest rate swaps, (iii) options, warrants, caps, collars, floors, swaptions and forward rate agreements and (iv) other synthetic opportunities (*e.g.*, ABX, IOS, PRIMEX and CMBX); (v) other securities (including equities), indexes, exchange traded funds and REITS; and (vi) cash (including U.S. treasuries and agency MBS).

The Advisers may, from time to time, adopt a temporary defensive investment strategy for the Clients by investing in investment grade and/or U.S. government securities, money market funds, commercial paper, certificates of deposit and other money market instruments and interest-bearing accounts and other similar interim investments for cash management.

Risks Relating to Investment Strategies.

The investment programs for each of the Clients involve a substantial degree of risk. The Adviser has listed certain risks below; however, the list of risks is not comprehensive or complete. Clients and investors are strongly encouraged to review the risks of their investment program, as contained in the Client’s private placement memorandum, the Client’s organizational documents, the subscription documents related to an investment in the Client and/or as set forth in the Client’s investment management agreement. In addition, while certain risks may be more important for certain investment strategies, certain risks may overlap and apply to multiple investment strategies.

Risks Associated with Private Equity

Control Issues. A Client may have control positions in addition to advisory roles in portfolio company investments, along with certain contractual rights to protect its investments (including shareholder agreements, redemption rights and/or the right to place a designee of the Adviser or an Affiliate on the boards of directors or as a board observer of portfolio companies); however, such Clients may not always have control over its portfolio companies. A Client runs the risk of refusal of management or shareholders of portfolio companies to adopt the recommendations of such Client, disagreement with existing management and any investment losses resulting from such refusal or disagreement. Although the Adviser or an Affiliate may seek protective positions, including possible board representation, in connection with its private equity investments, to the extent a Client takes minority positions in companies in which it invests, the Advisers may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect such Client's position in such companies. Furthermore, in certain circumstances in which the Clients do not own 100% of the equity of a portfolio company, but have a controlling interest, the Adviser's or its Affiliate's actions may be limited by its fiduciary obligations to minority equity holders.

Highly Leveraged Companies. Private investments in highly leveraged companies involve a high degree of risk. Some of a Client's investments in companies may involve leverage, which in turn will increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event that any such company cannot generate adequate cash flow to meet debt service, a Client may suffer a partial or total loss of capital invested in the company, which, depending on the size of such Client's investments, could adversely affect the return on the capital of such Client.

Need for Follow-up Funding. A Client may be called upon to provide follow-up funding for its portfolio companies and other investments or may have the opportunity to increase its investment in portfolio companies and other investments. There can be no assurance that a Client will wish to make such follow-on investments or have available capital to do so, and the inability to make such follow-on investments may have a substantial negative impact on a portfolio company or other issuer in need of capital or may diminish such Client's ability to influence the portfolio company's or other issuer's future development.

Risks Associated with Investments in Real Estate

General Real Estate Risks. A Client's investment strategy may involve investing in financial instruments and assets secured by real estate and other real estate related investments, including direct investments in real property. Real estate and real estate related investments generally will be subject to the risks incident to the ownership and operation of real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including risks associated with: (i) the domestic and international general economic climate (for example, market fluctuations that cause plant closings, military base closings, industry slowdowns and unemployment rates to rise); (ii) demographic factors; (iii) changes in interest rates and foreign exchange rates; (iv) changes in the availability of debt financing

and/or mortgage funds which may render the sale or refinancing of properties difficult or impracticable; (v) increased mortgage defaults; (vi) increases in borrowing rates; (vii) dependence on cash flow; (viii) the financial resources of issuers and borrowers; (ix) local real estate conditions (such as, decreases in property values, changes in supply and demand for competing properties in an area (as a result, for instance, of over-building)) and fluctuations in real estate fundamentals (such as average occupancy and room rates for hotel properties); (x) real estate development and construction risks, including operating costs and time projection; (xi) the ability of a Client or third-party borrowers to manage, maintain and operate the real properties (for example, problems arising out of energy and supply shortages); (xii) the financial condition of tenants, buyers and sellers of properties; (xiii) regulatory limitations on rents; (xiv) changes in certain regulations and laws (such as zoning, environmental and building laws); (xv) changes in real property tax rates and/or tax credits; (xvi) various uninsured or uninsurable risks; and (xvii) natural disasters. With respect to investments in the form of real property owned by a Client, such Client will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon and ultimately disposing of such property.

With respect to investments in equity securities, debt securities or other financial instruments, including REITs, the securities generally will be subject to the risks incident to the ownership and operation of real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate as described above. The Clients will also in large part be dependent on the ability of third parties to successfully operate the underlying real estate assets. In addition, Clients may invest in mortgage loans that are structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. A Client's investment strategy, which may involve the acquisition of distressed or underperforming assets in a leveraged capital structure, will involve a high degree of legal and financial risk, and there can be no assurance that such Client's rate of return objectives will be realized or that there will be any return of capital. There is no assurance that there will be a ready market for resale of investments because investments in real estate-related assets generally are not liquid. Illiquidity may result from the absence of an established market for the investments, as well as from legal or contractual restrictions on their resale by the Clients. The possibility of partial or total loss of capital exists.

Development Risks. A Client may acquire equity and/or debt interests in real estate developments and/or in businesses that engage in real estate development. To the extent that a Client invests in such development activities, it will be subject to the risks normally associated with such activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of such Client or the Advisers, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of the Clients.

Single-Family Homes. At present, the institutional single-family rental industry is still evolving, with few participants, and its long-term viability has not yet been fully demonstrated. Rental housing properties are part of a market that, in general, is characterized by low barriers to entry. Thus, a particular rental housing property market with historically low vacancies could experience substantial new construction and a resultant oversupply of rental units within a relatively short period of time. Because rental housing properties are typically leased on a short-term basis, the tenants residing at a particular property may easily move to alternative properties with more desirable amenities or locations, or available for lower rent.

Risks Associated with Investments in Global Credit Opportunities

Bank Loans and Participations. The Clients' investment programs may include investments in bank loans and participations. These obligations 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, (iv) limitations on the ability of the Clients to directly enforce their rights with respect to participations, and (v) possible claims for the return of some or all payments in a debt made within 90 days (and in some cases, within one year) of the date that the issuer's/borrower's insolvency came under Title 11 of the U.S. Code (the "U.S. Code") and under certain state laws. In analyzing each bank loan or participation, the Adviser compares the relative significance of the risks against the expected benefits of the investment. The costs of claims by third parties arising from these and other risks will be borne by the Clients. 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 private syndication of the loan, such loans are not as easily purchased or sold as publicly traded securities, and historically the trading volume in the loan market has been small relative to other markets.

Risks Associated with NPLs. Certain loans purchased by the Advisers for certain Clients will be non-performing and possibly in default. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments with respect to the loans. By their nature, these investments will involve a high degree of risk.

Such NPLs may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or restructuring modes and the bankruptcy or insolvency laws of non-U.S. jurisdictions are subject to additional potential liabilities, which may exceed the value of a Client's original investment. Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with

the restructuring, foreclosure or liquidation of NPLs. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. In addition, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Under certain circumstances, payments to a Client and distributions by a Client to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Bankruptcy laws may delay the ability of a Client to realize on collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the “cramdown” provisions of the bankruptcy laws.

General Credit Risks. Although the Adviser generally intends to primarily invest on behalf of Clients in loans and other debt instruments or obligations that are secured by collateral, Clients may be exposed to losses resulting from default and foreclosure of any such loans or interests in loans or other debt instruments in which it has invested. Therefore, the value of underlying collateral, the creditworthiness of borrowers and the priority of liens are each of great importance in determining the value of a Client’s investments. No guarantee can be made regarding the adequacy of the protection of a Client’s security in the loans or other debt instruments in which it invests. Moreover, in the event of foreclosure, a Client may assume direct ownership of any assets collateralizing such foreclosed loans. The liquidation proceeds upon the sale of such assets may not satisfy the entire outstanding balance of principal and interest on such foreclosed loans or other debt, resulting in a loss to such Client. Any costs or delays involved in the effectuation of loan foreclosures or liquidation of the assets collateralizing such foreclosed loans will further reduce proceeds associated therewith and, consequently, increase possible losses to such Client. In addition, no assurances can be made that borrowers or third parties (which may include other creditors) will not assert claims in connection with foreclosure proceedings or otherwise, or that such claims will not interfere with the enforcement of a Client’s rights with respect to its investments.

Ability to Lend on Advantageous Terms; Competition and Supply. A Client may originate loans and may also invest in loans originated by other parties (including, without limitation, debt that trades on the secondary market). Success in this area will depend in part on the ability of a Client to originate and obtain loans, and the Advisers’ or such other parties’ ability to originate or source loans, on advantageous terms. In making loans, the Clients will compete with a broad spectrum of lenders, some of which may be willing to lend money on terms more favorable to borrowers. Such competing lenders may include private investment funds, public funds, commercial and investment banks, commercial financing companies and other entities. Some competitors may have a lower cost of funds and/or access to funding sources that are not available to the Clients or the Advisers. In addition, some competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Clients and the Advisers. The Clients and the Advisers may also choose not to compete for investment opportunities based on interest rates. Ultimately, increased competition for, or

a diminution in the available supply of, qualifying borrowers may result in lower yields on loans to such borrowers, which could reduce returns to the Clients and their investors.

Equitable Subordination. Under the laws of certain jurisdictions, a court may use its equitable powers to subordinate the claim of a lender to some or all of the other claims against a borrower under certain circumstances. The concept of equitable subordination is that a claim may normally be subordinated only if its holder is guilty of some misconduct. The remedy is intended to be remedial, and not penal. In determining whether equitable subordination of a claim is appropriate in any given circumstance, courts may look to whether the following conditions have been satisfied: (i) whether the claimant has engaged in some type of inequitable conduct; (ii) whether the misconduct has resulted in injury to the creditors of the bankrupt company or conferred an unfair advantage on the claimant; and (iii) whether equitable subordination would be inconsistent with other applicable provisions of the bankruptcy code. While the stated test could be interpreted broadly, equitable subordination is usually confined to three general paradigms: (x) when a fiduciary of the debtor (who is also a creditor) misuses its position to the detriment of other creditors; (y) when a third party (which can include a lender) controls the debtor to the disadvantage of other creditors; and (z) when a third party actually defrauds other creditors. A Client may be subject to claims from creditors of an obligor that debt assets of such obligor which are held by such Client should be equitably subordinated. The concept of equitable subordination (or the equivalent thereof) may vary from jurisdiction to jurisdiction.

Recharacterization. Under Title 11 of the U.S. Code, a court may use its equitable powers to “recharacterize” the claim of a lender, *i.e.*, notwithstanding the characterization by the lender and borrower of a loan advance as a “debt,” to find that the advance was in fact a contribution in exchange for equity. Typically, recharacterization occurs when an equity holder asserts a claim based on a loan made to the borrower at a time when the borrower was in such poor financial condition that other lenders would not make such a loan. In effect, a court that recharacterizes a claim makes a determination that the original circumstance of the contribution warrants treating the holder’s advance not as debt but rather as equity. In determining whether recharacterization is warranted in any given circumstance, courts may look at the following factors: (i) the names given to the instruments (if any) evidencing the indebtedness; (ii) the presence or absence of a fixed maturity or scheduled payment; (iii) the presence or absence of a fixed rate of interest and interest payments; (iv) the source of repayments; (v) the adequacy or inadequacy of capital; (vi) the identity of interest between the creditor and the equity holders; (vii) the security (if any) for the advances; (viii) the borrower’s ability to obtain financing from outside lending institutions; (ix) the extent to which the advances were subordinated to the claims of outside creditors; (x) the extent to which the assets were used to acquire capital assets; and (xi) the presence or absence of a sinking fund to provide for repayment. These factors are reviewed under the circumstances of each case, and no one factor is controlling. A Client may be subject to claims from creditors of an obligor that debt obligations of such obligor held by the Client should be recharacterized.

Fraud. Clients could be adversely affected by material misrepresentations or omissions on the part of a borrower or counterparty or by fraudulent behavior by a joint venture partner, manager or other service provider. Inaccuracies or incompleteness of representations may

adversely affect the valuation of collateral underlying loans and may adversely affect the ability of a Client to perfect or effectuate a lien on the collateral securing a loan. Fraudulent behavior by a counterparty could result in the misappropriation of a Client's funds or otherwise reduce the value of one or more of a Client's investments. Clients will rely upon due diligence by the Advisers and the accuracy and completeness of representations made by borrowers, other counterparties, joint venture partners, managers and other service providers and cannot guarantee that it will detect occurrences of fraud. In addition, under certain circumstances, payments by borrowers to a Client may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential distribution.

Risks Associated with Foreclosure on Real Estate and Physical Assets. Certain loans made by Clients may be secured by real estate or other physical assets. To the extent a Client needs to foreclose on such loans such Client may, directly or indirectly, own such real estate or other physical assets and may be subject to the risks incident to the ownership and operation of real estate or other physical assets, including the risks identified in "General Real Estate Risks", below. In addition, a Client may, directly or indirectly, incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon and ultimately disposing of such property. There is no assurance that there will be a ready market for resale of real estate or such other assets or that such real estate collateral will be sufficient to satisfy such defaulted loan obligation.

Potential for Volatile Markets. The prices of a Client's investments can be volatile. A Client's loans may have variable interest rates. In addition, price movements may also be influenced by, among other things, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by a Client. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, price volatility may be higher for non-U.S. investments of a Client. In addition, governments from time to time intervene in certain markets. Such intervention often is intended directly to influence prices and may cause or contribute to rapid fluctuations in asset prices, which may adversely affect a Client's returns.

Unrated or Below Investment Grade Loans and Debt Instruments. Subject to the specific terms of a Client as set forth in such Client's private placement memorandum, such Client's organizational documents, the subscription documents related to an investment in such Client and/or the investment management agreement with such Client, there are generally no restrictions on the credit quality of loans and debt instruments that may be invested in by a Client. Certain of these investments may be unrated and whether or not rated, such debt instruments may have speculative characteristics. The market values of certain of these lower-rated and unrated loans and debt instruments tend to reflect individual corporate developments and changes in economic conditions to a greater extent than do higher-rated debt instruments. As a result, the market prices of such loans and debt instruments 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.

Illiquid Nature of Investments or Loans. A Client may hold a significant portion of its loans and other debt investments until redeemed or maturity and many of its investments may be illiquid. Additionally, investments (including investments in Risk Retention Entities) may not be readily disposable and, in some cases, may be subject to contractual, statutory or regulatory prohibitions on disposition for a specified period of time. Should the Advisers determine it to be advisable to earlier dispose of any illiquid investments, a Client may have difficulty doing so. Alternatively, a Client may only be able to sell such investments or loans at substantial discounts to face value. In certain circumstances, a Client may be prohibited by contract from selling investments for defined periods of time. Depending on the type of investments or loans held by a Client, such investments and loans may require a substantial period of time to liquidate. There can be no assurances that there will be a liquid market for resale of such investments or loans, and illiquidity may result from the absence of an established market for certain investments and loans as well as from legal or contractual restrictions.

Investments in Private Middle-Market Companies. In addition to limited liquidity, investments in loans issued to, and debt instruments of, private middle-market companies may involve a number of additional risks. Generally, little public information exists about such companies, and a Client will rely on the ability of the Advisers to obtain adequate information to evaluate the potential returns from investing in such loans or debt instruments. If a Client is unable to uncover all material information about such companies, it may not make a fully-informed investment decision, and may lose money. Private middle-market companies typically have shorter operating histories, less predictable operating results, narrower product lines, and smaller market shares than larger businesses, which characteristics tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Private middle-market companies are also more likely to depend on the management talents and efforts of a small group of persons, the loss of which could have a material adverse impact. In addition, private middle-market companies may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. As a consequence, certain loans invested in by a Client could be or become NPLs and borrowers could default with respect to such loans.

Syndication and/or Transfer of Debt Instruments. A Client, directly or through the use of one or more SPVs, may originate and/or purchase senior secured loans and other assets. A Client may also purchase loans or other assets (including, participation interests or other indirect economic interests) that have been originated by one or more of the Clients or from other parties and/or trading on the secondary market. A Client may in certain circumstances, originate or purchase such secured debt assets with the intent of syndicating and/or otherwise transferring or offering for transfer a significant portion thereof (including, without limitation, corresponding portions of outstanding principal and interest, and a corresponding amount of unamortized fees, but excluding any service fees), including to one or more other Clients. In such instances, such Client will bear the risk of any decline in value prior to any syndication and/or other transfer to other Clients or third parties, as well as the risk of any inability to syndicate or otherwise transfer such loans or other assets or such amount thereof as originally intended (and including as a result of any such loans not being approved by such

established independent committee of certain Clients to which they are offered), which could result in such Client owning a greater interest therein than originally anticipated.

Investments in Loans Originated by Affiliates. Non-Originating Funds (as defined in Item 11) may purchase secured loans originated by the Originating Funds (as defined in Item 11) and offered to Non-Originating Funds for purchase in accordance with the Allocation Policy. All investment decisions made by such Originating Funds are made by the Adviser. Any such purchases of loans by a Non-Originating Fund from such Originating Lending Fund (excluding any 45 day “look back” allocation adjustments of secondary loan purchases made in accordance with the Allocation Policy) will be subject to the approval of such Non-Originating Fund’s independent investment committee, which may accept or reject the offer of such loans in its discretion, and such purchases will be effected at the fair market value thereof at such time. Any such purchase of loans by the Non-Originating Funds from one or more Originating Funds will include the corresponding portions of outstanding principal and future interest, as well as certain unamortized loan fees as described below, but the Non-Originating Funds will not be entitled to any fees paid by a borrower for services rendered or to be rendered, including, but not limited to, agency fees, assignment fees, management fees, servicing fees, sub-advisory fees or other fees for services earned by the loan seller or loan originator or by an underwriter, placement agent, lender, arranger, agent or similar person in connection with the issuance or funding of a loan (such fees paid by a borrower, collectively, “Service Fees”). Any such Service Fees received by an affiliate of the Adviser from a portfolio borrower will be applied for the benefit of the Originating Funds invested in such borrower and will not be shared by any Non-Originating Funds, nor will any such Service Fees offset any management fees of any Non-Originating Funds. Commitment fees, upfront fees, anniversary fees, facility maintenance fees, discounts or any other similar “fees” that provide the borrower the “option” to borrow under a loan where such fees operate for tax purposes like option premium, original issue discount or an interest-like return are not treated as Service Fees and may be received by both Originating Funds and Non-Originating Funds.

Performance Variation Across Clients in the CBF Platform. Performance results among the Lending Funds are expected to vary as a result of numerous factors, including differences with respect to, among other things, fund investment limitations, the use of fund leverage (if any), fund vintage and investment period, fund expenses and other capital activity, as well as differing tax, regulatory, legal and other considerations.

Additionally, since Non-Originating Funds do not participate in the origination of loans, their performance is expected to differ from Originating Funds for several reasons, including the following. First, the Non-Originating Funds will not share in the interest income accrued from the date of origination in which the Originating Funds hold originated loan investments until the date of any such transfer to such Non-Originating Funds. Second, the Non-Originating Funds will share in the unamortized component of closing fees with respect to loans originated by the Originating Funds and will not share in any Service Fees in respect of such loans. Third, if a targeted loan origination by the Originating Funds does not ultimately close, the Non-Originating Funds will not share in any broken-deal or failed transaction expenses (for the avoidance of any doubt, Non-Originating Funds share in broken-deal and failed transaction expenses for non-Adviser originated loans). Fourth, the Non-Originating Funds are expected to hold the underlying originated loan investments for a shorter duration

(or ultimately may not acquire such loan), which may result in a different internal rate of return relative to the Originating Funds. Fifth, during the period prior to any transfer of an originated loan to the Non-Originating Funds, the valuation of such loan may change. Sixth, due to certain legal, tax or regulatory considerations, certain loans originated by Originating Funds may not be transferred to certain Non-Originating Funds (or may be transferred in smaller amounts than otherwise would be the cases) and the portfolios of the Non-Originating Funds are expected to consist of a greater amount of loans originated by third parties relative to the Originating Funds, some of which secondary loans may be allocated only to such Non-Originating Funds due to the applicable tax structure or other requirements. Lastly, the portfolios of the Originating Funds and the Non-Originating Funds may also differ as a result of approval determinations made by the established independent committees of such Non-Originating Funds with respect to proposed transfers of loans originated by the Originating Funds.

Participations and other Indirect Economic Interests. A portion of the assets of a Client may consist of participation interests or other indirect economic interests in loans or other assets. In such circumstances, such Client will not directly own the loans or other assets underlying such participation or other economic interests and/or have custody thereof. As a result, such Client will be exposed to the risk that the assets of the holder/custodian of any such underlying loans or other assets 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), such Client 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 diverge from the interests of such Client. The failure of such holders/custodians and financial institutions or other entities to assert their rights (on behalf of such Client) or the insolvency of such entities could materially adversely affect the value of the assets of such Client.

Distressed Borrowers; Bankruptcy Risks. A Client 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 a Client, 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 a Client 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 Advisers will correctly evaluate the value of the assets collateralizing the loans invested in by a Client 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 a Client invests 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 a Client. 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 Advisers, on behalf of a Client, may seek representation on creditors' committees or other groups to ensure preservation or enhancement of a Client's position as a creditor. If a Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group. In addition, a Client's 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.

Priority of Debt Instruments and Loans. A Client may originate or invest in secured debt issued by companies that have or may incur additional debt that is senior to the secured debt owned by such Client. In many instances, loans made by a Client may be part of a unitranche structure in which a single lien on behalf of all the lenders in the structure will be filed against the assets of the company if the lenders holding the different tranches of debt (including such Client) will contractually agree to their respective priorities in those assets. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of any such company, the owners of senior secured debt (*i.e.*, the owners of first priority liens), including in a unitranche structure through the contractual agreements between the lenders, generally will be entitled to receive proceeds from any realization of the secured collateral until they have been reimbursed. At such time, the owners of junior secured debt (including, in certain circumstances, a Client) will be entitled to receive proceeds from the realization of the collateral securing such debt. There can be no assurances that the proceeds, if any, from the sale of such collateral would be sufficient to satisfy the loan obligations secured by subordinate debt instruments. To the extent that a Client owns secured debt that is junior to other secured debt, such Client may lose the value of its entire investment in such secured debt.

Interest Rate Risk; Prepayment. A Client may invest in fixed interest rate debt instruments. The value of fixed interest rate debt instruments generally has an inverse relationship with future interest rates. Accordingly, if interest rates rise, the value of such instruments may decline. In addition, to the extent that the receivables or loans underlying specific financial instruments may be prepaid without penalty or premium, the value of such financial instruments may be negatively affected by increasing prepayments. Such prepayments tend to occur more frequently as interest rates decline.

Fluctuations in Receipt of Proceeds. The Adviser expects to experience fluctuations in the timing and amount of proceeds a Client may 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 such Client has invested. Such fluctuations are due to, among other things, changes in the interest rates payable on the debt instruments acquired by a Client, the default rate on such debt instruments, the level of a Client's expenses (including the interest rates payable on a Client's borrowings), variations in and the timing of the realization of investments, the degree to which a Client encounters competition in the markets and general economic conditions. As a result of these factors, the amounts of distributions to a Client's investors may fluctuate substantially.

General Risks

General Distressed Securities and Assets Risks. Certain Clients typically invest in securities, debt and assets of U.S. and non-U.S. companies and other issuers that are experiencing significant financial or business difficulties, including companies and other issuers involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to such Clients, they involve a substantial degree of risk. Any one or all of the issuers of the securities or debt in which such Clients may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in entities experiencing significant business and financial difficulties is unusually high. Furthermore, with respect to a Client's investments in secured loans and ABS, there is no assurance that the Advisers will correctly evaluate the value of the assets collateralizing such Client's loans or securities or the prospects for a successful reorganization or similar action.

Investments for Clients may be made in bonds or other fixed-income securities, including, without limitation, higher yielding (and, therefore, higher risk) debt securities that are below investment grade and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates. It is likely that a major economic recession could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of securities rated below investment grade.

Troubled company and other investments require active monitoring and may at times require participation in business strategy or reorganization proceedings by the Advisers. To the extent that the Advisers become involved in such proceedings, Clients may have a more active participation in the affairs of the issuer than that assumed generally by an investor. Involvement by the Advisers in an issuer's reorganization proceedings could result in the imposition of restrictions limiting a Client's ability to liquidate its position in the issuer.

The Investments May be Volatile. A principal risk in investing in distressed investments is the traditional volatility in the market prices of such investments. Price movements of the instruments in which Clients' assets may be invested may be influenced by, among other

things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by such Client. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, price volatility may be higher for such Client's non-U.S. investments. In addition, governments from time to time intervene in certain markets. Such intervention often is intended directly to influence prices and may cause or contribute to rapid fluctuations in asset prices, which may adversely affect a Client's returns.

Illiquid Nature of Stressed and Distressed Investments. The market for stressed and distressed investments will most likely be less liquid than the market for investments that are not stressed or distressed. At times, a major portion of a stressed or distressed security or asset may be held by relatively few investors. Furthermore, at times, a large portion of a Client's portfolio may be invested in investments for which there is no current liquidity. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of an issuer or borrower, a Client may find it more difficult to sell an investment when the Adviser or an Affiliate believes it advisable to do so or may be able to sell such investment only at prices lower than if the investment was more widely held. In some cases a Client may be prohibited by contract from selling investments for a period of time. In addition, with respect to NPLs, because of the unique and customized nature of a loan agreement, loans generally may not be purchased or sold as easily as publicly traded securities. Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank or borrower. In addition, the types of investments held by a Client may be such that they require a substantial length of time to liquidate.

The Advisers may invest on behalf of the Clients in unregistered securities. There is no assurance that there will be a ready market for resale of such investments. Illiquidity may result from the absence of an established market for certain investments as well as legal or contractual restrictions on their resale by a Client. To the extent that there is a market for such securities, the market will be limited to a narrow range of potential counterparties, such as institutions and investment banks. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. As a consequence, the Clients' ability to participate in or liquidate such investments may be restricted and the value of such investments may be subject to wide fluctuation.

Risks of Litigation. In addition to the risks associated with bankruptcy and liquidation proceedings described above, investing in loans issued to or debt instruments of distressed companies can be a contentious and adversarial process in general. Different investor groups may have qualitatively different, and frequently conflicting, interests and this may lead to competing claims or litigation. A Client's investment activities may also subject such Client to the risk of becoming involved in litigation by third parties. This risk may be greater if a Client exercises control or significant influence over such companies' decisions. The expense of defending any such claims made against a Client by third parties and paying any

amounts pursuant to settlements or judgments will be borne by such Client and would, in such case, reduce such Client's returns. A number of parties, including, without limitation, the Advisers, will be entitled to indemnification by a Client in connection with such litigation, subject to certain conditions described in such Client's private placement memorandum, such Client's organizational documents, the subscription documents related to an investment in such Client and/or as set forth in such Client's investment management agreement.

Investments in Pooled Investment Vehicles. Certain Clients may invest a portion of their portfolio in pooled investment vehicles or enter into agreements with other parties holding (or agreeing to purchase) the same investments as such Client for purposes of collectively pursuing a particular strategy or investment (each such partner, a "Strategic Partner"). Under such agreements, the Strategic Partner may take a lead role in implementing such joint strategies or investments and, as a result, be compensated through fees and/or a profit participation. To the extent such investments or agreements are made, such Client will bear its *pro rata* share of the investment management fees, incentive allocations, other fees and/or expenses charged by the manager of each such investment vehicle or Strategic Partner, in addition to other fees to the Advisers. A Client may bear multiple layers of fees and allocations that generally would not be incurred if the investments were made directly (as opposed to through the pooled vehicle). These types of investments may involve a Client relying on the performance of third parties, thereby increasing the risk of manager misconduct or bad judgment, as well as limiting the Advisers' control over, and knowledge of, such Client's overall portfolio. A Client may not be able to withdraw capital from a Strategic Partner, even in situations where such Strategic Partner is deviating from announced strategies or risk control policies and such Client may not have knowledge of such deviations. In selecting Strategic Partners, the Advisers will rely on a variety of both quantitative as well as qualitative factors, as well as the subjective judgment of its personnel.

Lack of Control. Certain Clients may invest in debt instruments and equity securities of companies that such Clients and the Advisers do not control, which such Clients may acquire through investments in blind pools, joint ventures, market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the majority stakeholder or issuer may make business, financial or management decisions with which such Clients 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 interests of such Clients. In addition, certain Clients may share control over certain investments with Co-Investors, which may make it more difficult for such Clients 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 such Clients (and/or the underlying investors in such Clients).

Risks Associated with Bankruptcy Cases. 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 object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of a Client. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a

debtor. In those cases where a Client, by virtue of such action, is found to exercise “domination and control” of a debtor, such Client may lose its priority if the debtor or other creditors can demonstrate that the debtor’s business was adversely impacted or other creditors and equity holders were harmed by such Client.

Generally, the duration of a bankruptcy case can only be roughly estimated. Unless a Client’s claim in such case is secured by assets having a value in excess of such claim, no interest will be permitted to accrue and, therefore, such Client’s return on investment can be adversely affected by the passage of time during which the plan of reorganization of the debtor is being negotiated, approved by the creditors and confirmed by the bankruptcy court. The risk of delay is particularly acute when a creditor holds unsecured debt or when the collateral value underlying secured debt does not equal the amount of the secured claim. Under most circumstances, unless the debtor is proved to be solvent, no interest or fees are permitted to accrue after the commencement of the debtor’s case, as a matter of U.S. bankruptcy law. Reorganizations outside of bankruptcy are also subject to unpredictable and potentially lengthy delays.

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law (for example, claims for taxes) may be quite high.

The Advisers, on behalf of a Client, may seek representation on creditors’ committees, equity holders’ committees or other groups to ensure preservation or enhancement of such Client’s position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Adviser or an Affiliate concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to such Client, it may resign from that committee or group, and such Client may not realize the benefits, if any, of participation on the committee or group. In addition and also as discussed above, if such Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.

The Adviser or an Affiliate, on behalf of a Client, 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. The concept of unfair advantage (or the equivalent thereof) may vary from jurisdiction to jurisdiction.

Investments in Undervalued Assets. Certain Clients may invest in undervalued assets, including operationally challenged companies, non-core/non-performing divisions or subsidiaries and businesses in liquidation. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be

successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Client's investments may not adequately compensate such Client for the business and financial risks assumed. Clients should be aware that they may lose all or part of their investment in such assets.

The Adviser or an Affiliate, on behalf of a Client, may be forced to sell, at a substantial loss, assets which it believes are undervalued, if they are not in fact undervalued. In addition, such Client may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of such Client's funds would be committed to the assets purchased, thus possibly preventing such Client from investing in other opportunities. In addition, such Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.


For reasons not necessarily attributable to any of the risks enumerated above or below (for example, supply/demand imbalances or other market forces), the prices of the financial securities in which a Client will invest may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk.

Non-U.S. Investments. A Client may invest its assets outside of the U.S. In making such investments, appropriate consideration will be given to the factors described below, among others. Many financial markets are not as developed or efficient as others. Financial instruments related to some issuers are less liquid and more volatile than financial instruments of comparable issuers in other countries. Similarly, volume and liquidity in financial markets vary and, at times, volatility of prices can be greater in some countries than in others. The issuers of some of the financial instruments, such as non-U.S. bank obligations, may be subject to different regulations than other issuers. In addition, there may be less publicly available information about issuers in some markets as opposed to issuers in other markets, and some issuers generally are not subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to other issuers.

The Clients may be subject to additional risks, which include possible adverse political and economic developments outside the U.S., possible seizure or nationalization of non-U.S. deposits and possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the financial instruments may be subject to brokerage taxes levied by non-U.S. governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income, gain and gross proceeds received by a Client from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by a Client will reduce its net income or return from such investments. While the Advisers will take these

factors into consideration in making investment decisions for the Clients, no assurance can be given that the Clients will be able to fully avoid these risks.

Many of the laws that govern private and non-U.S. investment, securities transactions, creditors' rights and other contractual relationships in developing countries are new and largely untested. As a result, the Clients may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on a Client and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the U.S. Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in Western markets. In certain instances, management of portfolio companies may take significant actions without the consent of investors.

Investments in Emerging or Frontier Markets.  Certain Clients may invest in emerging or frontier (including pre-emerging) markets. A Client may be subject to more substantial risks in political and macro-economic conditions that are not usually associated with similar investments in the U.S. and other industrialized democracies. The economies of emerging and frontier markets may perform favorably or unfavorably compared with more developed economies in such respects as growth of gross domestic product, rate of inflation, currency appreciation or depreciation, capital reinvestment, resource self-sufficiency and balance of payments. The economies of emerging and frontier markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by protective trade barriers and economic conditions in the countries with which they trade. In addition, the economies of certain emerging and frontier markets are vulnerable to weaknesses in world prices for their commodity exports. Some emerging and frontier markets have from time to time experienced high rates of inflation and have extensive external debt.

Emerging and frontier markets have in the past experienced, and may in the future experience, interest rate volatility, extensive external debt, lack of financial liquidity and stock market volatility, which have contributed to a decline in business and consumer spending in addition to other adverse market conditions. Although such events may at times create significant investment opportunities leading to attractive returns, there can be no assurance that economic and financial difficulties will not adversely affect the value of a Client's investments or make it more difficult for a Client to locate appropriate investment opportunities.

Differences may remain between the degree of sophistication of the legal systems of many developing countries and the degree of sophistication of the body of commercial law and practice typically found in more developed countries. The lack of comprehensive and enforceable legal systems in some developing countries may adversely affect a Client's

investments and prevent a Client from effectively enforcing its rights. The validity and enforceability of contracts in such countries, particularly with governmental entities, is relatively uncertain. In addition, bankruptcy regulations in some emerging and frontier markets are still developing. There is no assurance that a Client could accurately anticipate the outcome of any bankruptcy proceedings in emerging and frontier markets.

Sovereign Debt. A Client may invest in debt issued by a national government in a foreign currency. Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued (“Sovereign Debt”), (ii) the market value of such debt and (iii) the inclusion of Sovereign Debt in future restructurings, including such issuer’s (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates and (z) level of international currency reserves, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer’s ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt. Certain Clients may hold short positions or credit default swaps in Sovereign Debt.

Currency Exchange Rate Exposure. A Client may invest in securities and other financial instruments denominated or quoted in various currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to such currencies. The Clients, however, will generally value their investments and other assets in U.S. dollars. To the extent unhedged, the value of a Client’s assets denominated in currencies other than U.S. dollars will fluctuate with U.S. dollar exchange rates as well as with price changes of investments in the various local markets and currencies. Forward currency contracts and options may be utilized by a Client to hedge against currency fluctuations, but such Client is not required to hedge and there can be no assurance that such hedging transactions, even if undertaken, will be effective.

It is possible that some European sovereign debt issuers may seek to exit the European Union (the “EU”) and the Euro, and reintroduce a national currency. It is possible, therefore, that a dispute may arise regarding the currency in which an underlying obligation, sovereign or private, must be repaid. There is a possibility that an issuer/obligor might ultimately be permitted to repay its debt in a different, less valuable, security depending upon the governing law of the contract and the provisions, if any, therein regarding the risk of redenomination. The legal analysis of this issue is not straightforward. There are multiple variables and any legal outcome will be fact and contract specific. It is difficult to predict the value of the currency that might be received by the holder of a debt instrument in such a circumstance, and any such exchange could have an adverse effect on a Client’s investments.

Furthermore, in connection with the disposition of certain investments, a Client may be required to make representations about the business and financial affairs of the underlying company or investment, and to indemnify the purchasers of such company or investment if those representations ultimately prove to be inaccurate.

Equity Securities. A Client may invest in equity and equity-related securities and may also at times acquire equity in connection with a secured debt investment, as a result of a

reorganization or as a consequence of loan foreclosure or foreclosure on the collateral securing such loans. Equity securities in general fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments and movements in the equity markets in general. As a result, a Client may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Advisers' expectations or if equity markets generally move in a single direction.

Hedging Transactions. A Client may use a variety of financial instruments, such as derivatives, options, swaps, caps, floors, futures, forward contracts, indices and short positions, both for investment and risk management purposes. A Client may utilize such instruments (i) to protect against possible changes in the market value of such Client's investment portfolios resulting from fluctuations in the markets and changes in interest rates, (ii) to protect such Client's unrealized gains in the value of its investments, (iii) to facilitate the sale of any such investments, (iv) to enhance or preserve returns, spreads or gains on any investment in such Client's portfolios, (v) to hedge against a directional trade, (vi) hedge the interest rate, credit or currency exchange rate on any of such Client's financial instruments or leverage, (vii) to protect against any increase in the price of any financial instruments such Client anticipates purchasing at a later date or (viii) to act for any other reason that the Adviser or an Affiliate deems desirable or appropriate. Although a Client may enter into such hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating all types of risk (including unidentified or unanticipated risks) or risks in every market environment, thereby resulting in losses to such Client. In addition, such hedging transactions may result in poorer overall performance for such Client than if it had not engaged in any such hedging transactions. Moreover, the Advisers may determine not to hedge against, or may not anticipate, certain risks. Finally, the portfolio may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties). Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which a Client may participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on a Client's ability to employ such derivative instruments.

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

or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss.

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

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

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

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

Futures Contracts. A Client may invest in futures contracts. The value of futures depends upon the price of the instruments, such as commodities, underlying them. Futures contracts are expected to be used primarily for hedging purposes, which may include managing currency and general market risk. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to

the risk of the failure of any of the exchanges on which such Client's positions trade or of its clearinghouses or counterparties.

Futures positions may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Client from promptly liquidating unfavorable positions and subject such Client to substantial losses or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Trading. A Client may invest in forward transactions. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which a Client has a forward contract. Although the Advisers will seek to trade with reliable counterparties, failure by a counterparty to fulfill its contractual obligation could expose such Client to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by the Advisers due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Advisers would otherwise recommend, to the possible detriment of the Clients. Market illiquidity or disruption could result in major losses to the Clients.

Swap Agreements and Synthetic Assets. A Client may acquire exposure to the risk of structured finance securities, debt securities and loans synthetically through products such as credit default swaps (including CDS and ABX and CDX contracts), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a "Synthetic Asset"). A Synthetic Asset could take many forms, including a credit derivative transaction that references a structured finance security, debt security and loan or a credit derivative transaction that references a portfolio or index of corporate reference entities or a

portfolio or index of reference obligations consisting of structured finance securities, debt securities, bonds or other financial instruments (each, a “Reference Obligation”). Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. Such Client will have a contractual relationship only with the Synthetic Asset counterparty, and not with the issuer(s) (the “Reference Entity”) of the Reference Obligations unless a credit event occurs with respect to any such Reference Obligation, physical settlement applies and the synthetic asset counterparty delivers the Reference Obligation to such Client. Other than in the event of such delivery, a Client generally will have no right directly to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and such Client will not have any rights of set-off against the Reference Entity. In addition, a Client generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. A Client also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. A Client will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity, as well as the documentation risk associated with these instruments.

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

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

Repurchase and Reverse Repurchase Agreements. A Client may enter into repurchase and reverse repurchase agreements. When a Client enters into a repurchase agreement, such Client effectively “sells” securities to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. While the securities are “sold” the Client may not be able to vote such securities on issues that may affect the ultimate value of the investment. In a reverse repurchase transaction, a Client “buys” securities from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by such Client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Client involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such cases may involve costs to a Client.

Risks of Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. If there is a default by the counterparty to such a transaction, a Client will under most circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a Client being less than if such Client had not entered into the transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Associated with Residential Mortgage Loans. A Client may invest in residential mortgage loans, including subprime mortgages. Subprime mortgage loans are generally made to borrowers with lower credit scores. Accordingly, such mortgage loans backing residential mortgaged-backed securities are more sensitive to economic factors that could affect the ability of borrowers to pay their obligations under the mortgage loans backing these securities.

A factor that may result in higher delinquency rates is the increase in monthly payments on adjustable-rate mortgage loans (“ARMs”) and/or pay option ARMs, each of which present special default and prepayment risks. The primary attraction to borrowers of these ARM products was that initial monthly mortgage loan payments could be significantly lower than fixed rate or level pay mortgage loans under which the borrower pays both principal and interest at an interest rate fixed for the life of the mortgage loan. As a result, during the time period when the ARMs were originated or modified, many borrowers were able to incur

substantially greater mortgage debt using one of these adjustable payment mortgage loan products than they would have been able to incur using a standard amortizing fixed rate mortgage loan. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans.

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

Counterparty Risk Associated With Mortgage Loans. A Client may be subject to counterparty risk and may be unable to seek indemnity or require its counterparties to repurchase mortgage loans if they breach representations and warranties, which could cause a Client to suffer losses. When a Client purchases loans, its counterparty may make representations and warranties about such loans to such Client. A Client's residential mortgage loan purchase agreements may entitle such Client to seek indemnity or demand repurchase or substitution of the loans in the event a counterparty breaches a representation or warranty given to such Client. However, a Client cannot assure that its mortgage loan purchase agreements will contain appropriate representations and warranties, that it will be able to enforce its contractual right to repurchase or substitution, or that a counterparty will remain solvent or otherwise be able to honor its obligations under its mortgage loan purchase agreements. A Client's inability to obtain indemnity or require repurchase of a significant number of loans could harm such Client's business, financial condition, liquidity, results of operations and ability to make distributions to its investors. Further, as the market for mortgage loan purchase agreements becomes more competitive, the representations and warranties about such loans to a Client may become more limited as the counterparties have increased leverage during the negotiations for purchase of such loans.

Risks Associated with MSRs and Excess MSRs. A Client may invest in MSRs. MSRs arise from contractual agreements between a Client and the investors (or their agents) in mortgage securities and mortgage loans. Excess MSRs are interests in MSRs, representing a portion of the fee paid to mortgage servicers. The fee that a mortgage servicer is entitled to receive for servicing a pool of mortgages generally exceeds the reasonable compensation that would be charged in an arm's-length transaction. For example, Fannie Mae and Freddie Mac generally require mortgage servicers to be paid a minimum servicing fee that significantly exceeds the amount a servicer would charge in an arm's length transaction. The portion of the fee in excess of what would be charged in an arm's length transaction is commonly referred to as the excess mortgage servicing fee. A Client may acquire MSRs from the sale of

mortgage loans where such Client assumes the obligation to service the loan in connection with the sale transaction or a Client may purchase MSR and excess MSR. Any MSR and excess MSR that a Client acquires will be recorded at fair value on such Client's balance sheet. The determination of fair value of MSR and excess MSR will require the Advisers to make numerous estimates and assumptions. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with MSR based upon assumptions involving interest rates as well as the prepayment rates, delinquencies and foreclosure rates of the underlying serviced mortgage loans.

The ultimate realization of the value of MSR and excess MSR may be materially different than the fair values of such assets as may be reflected in a Client's balance sheet as of any particular date. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values of such assets, which could have a material adverse effect on a Client's business, financial condition, results of operations and cash flows. Accordingly, there may be material uncertainty about the fair value of any MSR or excess MSR a Client acquires.

Interest-Only Mortgage Loans. A Client may invest in interest-only mortgage loans. Interest-only mortgage loans permit the borrowers to make monthly payments of only accrued interest generally for an initial period following origination. After such interest-only period, the borrower's monthly payment will be recalculated to cover both interest and principal so that the mortgage loan will amortize fully prior to its final payment date. If the monthly payment increases, the related borrower may not be able to pay the increased amount and may default or may refinance the related mortgage loan to avoid the higher payment. Interest-only mortgage loans reduce the monthly payment required by borrowers during the interest-only period and consequently the monthly housing expense used to qualify borrowers. As a result, the interest-only mortgage loans may allow some borrowers to qualify for a mortgage loan who would not otherwise qualify for a fully amortizing mortgage loan or may allow them to qualify for a larger mortgage loan than otherwise would be the case.

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

Credit Scores May Not Accurately Predict the Performance of the Mortgage Loans. The Advisers may rely on credit scores as part of their due diligence process. Credit scores are obtained by many lenders in connection with mortgage loan applications to help them assess a borrower's creditworthiness. Credit scores are generated by models developed by a third party that analyzed data on consumers in order to establish patterns that are believed to be indicative of the borrower's probability of default over a two-year period. The credit score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit

history, types of credit and bankruptcy experience. Credit scores range from approximately 250 to approximately 900, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. However, a credit score purports only to be a measurement of the relative degree of risk a borrower represents to a lender (*i.e.*, a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score). Lenders have varying ways of analyzing credit scores and, as a result, the analysis of credit scores across the industry is not consistent. In addition, it should be noted that credit scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of a mortgage loan. Furthermore, credit scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general, and assess only the borrower's past credit history. Therefore, a credit score does not take into consideration the effect of mortgage loan characteristics (which may differ from consumer loan characteristics) on the probability of repayment by the borrower. There can be no assurance that the credit scores of the mortgagors will be an accurate predictor of the likelihood of repayment of the related mortgage loans.

Risks Associated with Residential Mortgage-Backed Securities. A Client may invest in residential mortgage-backed securities ("RMBS"). Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. Prepayments could reduce the yield received on the related issue of RMBS. RMBS are particularly susceptible to prepayment risks, as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the RMBS, resulting in a reduction in yield to maturity for holders of such securities.

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

Residential mortgage loans in an issue of RMBS may be subject to various U.S. federal and state laws, public policies and principles of equity that protect consumers which, among other things, may regulate interest rates and other fees, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. In addition, a number of legislative proposals have been introduced in the U.S. at both the federal, state and municipal

level that are designed to discourage predatory lending practices. Furthermore, the laws of non-U.S. jurisdictions may have different, and, in some cases, more onerous obligations. Violation of such laws, public policies and principles may limit the servicer's ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and administrative enforcement. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

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

Geographic Concentration of Mortgage Loans. In connection with a Client's loan origination and real estate-related debt investments, a Client's portfolio investments may be concentrated in a specific state or region. Weak economic conditions in these locations or any other location (which may or may not affect real property values), which may affect the ability of borrowers to repay their debt obligations on time. Properties in certain jurisdictions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, as well as floods, hurricanes, wildfires, mudslides and other natural disasters. Declines in the real estate market of a particular jurisdiction may reduce the values of properties located in that jurisdiction, which would result in an increase in loan-to-value ratios. Any increase in the market value of properties located in a particular jurisdiction would reduce the loan-to-value ratios of the mortgage loans and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans. Natural disasters, such as wildfires, severe storms and flooding affecting regions of the U.S. from time to time may result in prepayments of mortgage loans.

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

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

The collateral supporting ABS is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABS are often backed by pools of a variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Leverage and Borrowing Risks. A Client may have the power to borrow funds and may do so when deemed appropriate by the Adviser or an Affiliate, including to enhance such Client's returns and/or satisfy withdrawal requests that would otherwise result in the premature liquidation of investments. These Clients may borrow funds from brokers, banks and other lenders to finance such Clients' investment operations, which borrowings may be secured by assets of the Clients. Leverage may be obtained, directly or indirectly through one or more SPVs or other structures, through one or more lines of credit or credit facilities (including, without limitation, subscription facilities) secured by assets of a Client, which may include, without limitation, through the issuance of CLOs, or through such other means, forms or structures as may be determined by the Advisers from time to time, in their sole discretion. The activities and investments of such SPVs may be more restricted or limited than the activities of a Client as a whole due to limitations of the terms of such leverage and applicable regulatory restrictions. The use of such leverage can, in certain circumstances, maximize the losses to which the Clients' investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that asset or such Client is leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to the Clients' investments could result in a substantial loss to the Clients, which would be greater than if the Clients were not leveraged.

Leverage may be achieved through, among other methods, direct borrowing, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. Access to capital could be impaired by many factors, including market forces or regulatory changes. The Clients have unrestricted borrowing powers, except as set forth in such Client's private placement memorandum or as set forth in such Client's organizational documents, the subscription documents related to an investment in such Client and/or the investment management agreement with such Client.

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

cross-defaults under the Clients' agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Clients.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involves little or no margin deposit and, therefore, provide substantial leverage opportunities for the Clients. Relatively small price movements in these financial instruments may result in immediate and substantial losses to the Clients. Leverage will increase the exposure of the Clients to adverse economic factors such as rising interest rates, economic downturns or a deterioration in the condition of the Clients' investments or their corresponding markets. The use of such leverage can maximize the losses to which the Clients' investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that asset or such Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to such Client's investments certain Clients have the power to borrow funds and may do so when deemed appropriate by the Adviser or an Affiliate, including to enhance the Clients' returns and satisfy withdrawal requests that would otherwise result in the premature liquidation of investments. These Clients may borrow funds from brokers, banks and other lenders to finance its investment operations, which borrowings may be secured by assets of the Clients. The use of such leverage can, in certain circumstances, maximize the losses to which the Clients' investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that asset or such Client is leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to the Clients' investments could result in a substantial loss to the Clients, which would be greater than if the Clients were not leveraged. Leverage may be achieved through, among other methods, direct borrowing, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. Access to capital could be impaired by many factors, including market forces or regulatory changes. The Clients generally have unrestricted borrowing powers.

A Client's access to capital through leverage and borrowing could be impaired by market forces and regulatory changes, including as a result of the final credit risk retention rules recently adopted pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") discussed below.

Potential Impact of Risk Retention Rules. Clients' access to capital could be impaired by many factors, including market forces or regulatory changes. Among other things, the final risk retention rules promulgated under the Dodd-Frank Act require that, among other conditions, sponsors of asset-backed securities transactions (including, without limitation, CLO transactions which are created, directly or indirectly, to transfer the underlying loans to the CLO transaction issuer) or their majority-owned affiliates retain a minimum of five percent of the credit risk of the assets collateralizing such asset-backed securities (the "U.S. Retained Interests") for, in the case of RMBS, a minimum of five years from the date of the transaction (the "Dodd-Frank RR Rules"), or, otherwise, a minimum of two years from the date of the transaction. Similarly, the European Union adopted the European risk retention rules (the "EU CRR Rules" and, together with the Dodd-Frank RR Rules, the "Risk

Retention Rules”), with respect to asset-backed securitization activities in Europe, requiring, among other conditions, that the originator or sponsor of any securitization retain a material net economic interest of not less than five percent of certain specified credit risk tranches or securitized exposures (the “EU Retention Interests” and collectively with the U.S. Retained Interests, the “Retention Interests”) in an entity of economic and operational substance for the life of the securitization. The Advisers have structured certain SPVs (each, a “Risk Retention Entity”) to address various regulatory requirements imposed by the Risk Retention Rules on their securitization activities, including, without limitation, the regulatory requirement that an entity of economic and operational substance serve as sponsor for European securitization activity.

Such Risk Retention Entities may, among other things, serve as the sponsor for one or more securitization issuances in the U.S. and EU (with some transactions being qualified in both jurisdictions) and hold either directly or through a majority-owned affiliate such Retention Interests and, as a result, may hold the investments created by previous securitization activity collectively and/or hold the Retention Interests collectively. A Risk Retention Entity may be required to hold more than one investment. Since a Risk Retention Entity may hold multiple investments (including multiple risk retention investments), it may, but is not required to, issues classes of interests that correspond to one or more underlying investments. It is possible that the classes corresponding to such investments in such entity may be owned (i) by the same Clients but in different respective percentages, and/or (ii) by different Clients so that certain Clients may own some, but not all, of the classes and corresponding underlying investments. Because the law in most jurisdictions generally does not limit claims against a SPV to the distinct class of interests in such SPV to which such claims relate, to the extent that a liability is incurred by such Risk Retention Entity (whether or not with respect to a particular underlying investment and its corresponding class of interests), any related claim may be sought against such Risk Retention Entity as a whole and such claim may extend to all assets held by such Risk Retention Entity including the Retention Interests, despite that such liability may have arisen in connection with a specific investment and/or transaction. As a result, each Client with an interest in such Risk Retention Entity could incur a loss greater than it would otherwise be exposed to or otherwise would incur had each such investment been held by a separate and distinct entity.

The Advisers generally seek to mitigate such risk in a number of ways, including, without limitation, by (i) structuring its term debt securitizations so that only one Client has beneficial interest in a Risk Retention Entity, (ii) requiring each Client with a beneficial interest in any Risk Retention Entity to enter into a contribution and indemnification agreement to appropriately allocate any potential liability or loss related to a specific investment to the relevant Clients with an interest in such investment, (iii) seeking to ensure that the relevant Clients that have entered into such a contribution and indemnification agreement have sufficient assets and/or reserves to satisfy such losses and liabilities to the extent they exceed the value of the underlying investments which gave rise to such losses and liabilities and (iv) when possible, structuring the investments held by a Risk Retention Entity in a manner such that a claim by a counterparty with respect to such investment is limited solely to the assets relating to such investment. If a potential loss and/or liability exceeds the assets and/or reserves corresponding to a particular investment held by any such Risk

Retention Entity, the Advisers will seek to allocate such loss and/or liability equitably among the relevant Clients to the greatest extent possible.

Although the Advisers believe that the use of Risk Retention Entities address the regulatory requirements imposed by the Risk Retention Rules, there can be no assurance that such disproportionate declines in value, losses or liabilities will not be incurred by any Client with an interest in any Risk Retention Entity, including, without limitation, as a result of a failure to comply with the Risk Retention Rules.

In addition, Articles 404-410 (inclusive) of EU Regulation 575/2013 (“Articles 404-410”) apply to credit institutions (*i.e.*, banks) and investment firms established in a Member State of the European Economic Area (“EEA”) and consolidated group affiliates thereof (including those that are based in the U.S.) (each an “Affected CRR Investor”) that invest in or have an exposure to credit risk in securitizations. Articles 404-410 impose a severe capital charge on a securitization position acquired by an Affected CRR Investor unless, among other conditions, (a) the originator, sponsor or original lender for the securitization has explicitly disclosed to the Affected CRR Investor that it will retain, on an ongoing basis, a material net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures, and (b) the Affected CRR Investor is able to demonstrate that it has undertaken certain due diligence in respect of its securitization position and the underlying exposures and that procedures are established for such activities to be monitored on an ongoing basis. For purposes of the CRR, an Affected CRR Investor may be subject to the capital requirements as a result of activities of its overseas affiliates, including those that are based in the U.S.

Requirements similar to the retention requirement in Articles 404-410 apply to investments in securitizations by other types of EEA investors such as EEA insurance and reinsurance undertakings, investment firms and UCITS funds and by investment funds managed by EEA alternative investment fund managers though the details of such requirements remain unclear. In particular, the requirements applying to the EEA managers of alternative investment funds became effective on July 22, 2013. Though these requirements are similar to those applying under Articles 404-410, they are not identical. It is likely that such alternative investment fund managers will be required to undertake due diligence on underlying exposures in a securitization which may be more extensive than the due diligence required under Articles 404-410.

The Risk Retention Rules, any future changes thereto, and any other changes to the regulation or regulatory treatment of securitizations may adversely affect commercial loan markets and the borrowers who utilize them, such as certain Clients, and could significantly curtail the formation of CLOs. In Europe in particular, in response to increased political and regulatory scrutiny of the asset-backed securities industry, there are a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory position for certain investors and/or on the incentives for certain investors to hold or purchase asset-backed securities and may thereby affect the liquidity of such securities. In recent years, term debt securitizations, including CLOs, have provided a significant amount of capital for leveraged and syndicated commercial loans not issued directly by banks and other institutions and have been a

significant source of leverage for certain Clients. If this source of capital were to be significantly diminished or no longer available, the potential substitute sources of capital may be available on less favorable terms and, thus, limit a Client's access to funding. While it is not possible to predict at this time the impact these rules may have on a Client's ability to borrow on attractive terms, these rules may limit the ability of a Client to incur leverage (including through the issuance of CLOs).

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

Investment in Secondary Private Fund Interests. A Client may invest, generally in minority positions, in existing private funds. Investments in private funds whose interests are not quoted can involve a greater risk than investments in quoted companies. The ability of a minority investor in such funds to influence such funds' affairs or to protect such investor's position is generally limited. As a result, a Client may not be permitted to participate in the management and operations of such funds. Instead, the managers of such funds will have the sole authority to manage and operate such funds. The success of each investment will depend on the ability and success of the management of the funds, in addition to economic and market factors. Moreover, the marketability of interests in such funds is restricted. Managers of the funds in which a Client holds secondary interests generally will receive compensation based on the performance of their portfolios.

Uninsured Losses. The Advisers, on behalf of the Clients, may attempt to maintain insurance coverage against liability to third parties and property damage as is customary for similarly situated businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as environmental liabilities, pollution, earthquakes, floods, hurricanes, windstorms, biological agents, mold or damage by terrorism may be unavailable, available in amounts that are less than the full market value or replacement cost of underlying properties or subject to a large deductible. In addition, there can be no assurance the particular risks which are currently insurable will continue to be insurable on an economically affordable basis.

Environmental Matters. Ordinary operation or the occurrence of an accident with respect to a portfolio company or real property could cause major environmental damage, which may result in significant financial distress to such portfolio company or owner or operator of such real property, even if covered by insurance. In addition, persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of these materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by those persons. Certain environmental laws and regulations may require that an owner or operator of an asset address prior environmental contamination, which could involve substantial cost and other liabilities. Such laws and

regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of environmental contamination and may impose joint and several liability (including amongst a Client and the applicable portfolio company) or liabilities or obligations that purport to extend to (and pierce any corporate veil that would otherwise protect) the ultimate beneficial owners of the owner or operator of the relevant property or operating company that stand to financially benefit from such property's or company's operations. A Client may therefore be exposed to substantial risk of loss from environmental claims arising in respect of its investments. Furthermore, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of its acquisition and that could not have been foreseen. Community and environmental groups may protest about the development or operation of portfolio company assets, which may induce government action to the detriment of a Client. New and more stringent environmental or health and safety laws, regulations and permit requirements, or stricter interpretations of current laws, regulations or requirements, could impose substantial additional costs on a portfolio company, or could otherwise place a portfolio company at a competitive disadvantage compared to other companies, and failure to comply with any such requirements could have an adverse effect on a portfolio company. Even in cases where a Client is indemnified by the seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or the ability of a Client to achieve enforcement of such indemnities.

Cybersecurity Risk. As part of its business, the Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Clients and personally identifiable information of the Clients. Similarly, service providers, especially administrators, may process, store and transmit such information. The Adviser has procedures and systems in place 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 Adviser may be susceptible to compromise, leading to a breach of the Adviser's network. The Adviser's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Adviser to the Clients may also be susceptible to compromise. Breach of the Adviser's information systems may cause information relating to the transactions of the Clients and personally identifiable information of the Clients to be lost or improperly accessed, used or disclosed.

Service providers are subject to the same electronic information security threats as the Adviser. 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 Clients and personally identifiable information of the Clients may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Adviser's or the Clients' proprietary information may cause the Adviser or the Clients 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 Adviser and the Clients' investments therein.

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

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

Co-investments with Third Parties. A Client may co-invest with third parties through partnerships, joint ventures or other entities or otherwise. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties resulting in a negative impact on such investment; may have economic or business interests or goals that are inconsistent with those of a Client; or may be in a position to take (or block) action in a manner contrary to a Client's investment objective. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for such Clients to make up the shortfall from other sources. Such Clients may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default by such co-venturer or partner could have an adverse effect on such Clients, their assets and the interests of the underlying investors in such Clients. In addition, such Clients may be liable for the actions of its co-venturers or partners. While the Advisers will attempt to limit the liability of such Clients through contractual arrangements and by reviewing the qualifications and previous experience of co-venturers or partners, it may not undertake private investigations with respect to prospective co-venturers or partners. Such Clients may enter into compensation arrangements with third parties relating to such investments, including incentive compensation arrangements. Though the Advisers consider the effect of such compensation on the expected returns, such compensation arrangements will reduce the returns to

participants in the investments and create potential conflicts of interest between such parties and the Clients participating in such investments.

Contingent Liabilities. From time to time a Client may incur contingent liabilities in connection with an investment or loan. For example, a Client may invest in a revolving credit facility that has not yet been fully drawn. If a borrower subsequently draws on the facility, such Client would be obligated to fund the amounts due. A Client may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party or, conversely, pursuant to which third parties offer default protection to the Client.

Necessity for Counterparty Trading Relationships; Counterparty Risk. The Advisers establish, on behalf of the Clients, relationships to obtain financing, derivative intermediation and other services that permit such Client to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Advisers will be able to establish or maintain such relationships. An inability to maintain or establish such relationships would limit a Client's trading activities, could create losses, could preclude such Client from engaging in certain transactions, financing, derivative intermediation and other services and could prevent such Client from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and other services provided by any such relationships before the Advisers establish additional relationships could have a significant impact on a Client's business due to such Client's reliance on such counterparties. The size of a Client may affect a Client's ability to maintain or establish relationships with counterparties on similar terms as those that exist for the other Clients.

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

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

In addition, a Client may use counterparties located in jurisdictions outside the U.S. Such local counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical

effect of these laws and their application to a Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Client and its assets.

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

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through central clearinghouses. In the U.S., clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. The European Market Infrastructure Regulation also requires over-the-counter derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for the Clients in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Clients would be exposed under non-cleared derivatives), the Clients could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, Clients may not be able to hedge risks or express an investment view as well as they would have been able to had they used customizable derivatives available in the over-the-counter markets. Clients may have to split their derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that Clients may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Clients' futures commission merchants ("FCMs") and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout of the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses, and the fact that the margin models might be changed at any time, may subject Clients to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Clients. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require Clients to borrow eligible securities from a dealer to meet margin calls and raise the

costs of cleared trades to the Clients. In addition, clearinghouses may not allow Clients to portfolio-margin their positions, which may increase the Client's costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which Clients would have been exposed under over-the-counter derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and Clients' FCM, subjecting the Clients to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

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

Risk Arbitrage Trading by a Client Entails Significant Risks. In addition to investing in distressed securities, a Client may invest in risk arbitrage transactions, which are inherently volatile. The short-term performance of a Client's investments therefore may fluctuate significantly.

The price offered for securities of a company in a tender offer, merger or other acquisition transaction will generally be at a significant premium above the market price of the securities prior to the offer. The announcement of such a transaction generally will cause the market price of the securities to begin rising. A Client may purchase such securities after the announcement of the transaction at a price that is higher than the pre-announcement market price, but that is lower than the price at which the Advisers expect the transaction to be consummated. If the proposed transaction is not consummated, the value of such securities purchased by such Client may decline significantly. It also is possible that the difference between the price paid by a Client for securities and the amount anticipated to be received upon consummation of the proposed transaction may be very small. If a proposed transaction in fact is not consummated or is delayed, the market price of the securities may decline sharply. In addition, where a Client has sold short the securities it anticipates receiving in an exchange offer or merger, such Client may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If a Client has sold short securities which are not the subject of a proposed exchange offer, merger or tender offer and the transaction is consummated, such Client also may be forced to cover its short position at a loss.

In certain proposed takeovers, a Client may determine that the price offered for the securities is likely to be increased, either by the original bidder or by a competing offeror. In such

circumstances, such Client may purchase securities at a market price that is above the offer price, incurring the additional risk that the offer price will not be increased or that the offer will be withdrawn. If no transaction ultimately is consummated, it is likely that a substantial loss will occur.

The consummation of an acquisition, merger, tender offer or exchange offer can be prevented or delayed, or the terms changed, by a variety of factors, including (i) the opposition of the management or shareholders of the target company, which may result in litigation to enjoin the proposed transaction, (ii) the intervention of a governmental regulatory agency, (iii) efforts by the target company to pursue a defensive strategy, including a merger with, or a friendly tender offer by, a company other than the offeror, (iv) in the case of an acquisition or merger, the failure to obtain the necessary shareholder (and, in some cases, regulatory) approvals, (v) market conditions resulting in material changes in securities prices, (vi) compliance with any applicable securities laws or (vii) the failure of an acquirer to obtain the necessary financing to consummate the transaction.

In addition to engaging in securities arbitrage activity, a Client may invest and trade in the securities of companies that it believes are undervalued or that may become the target of a takeover. If the anticipated transaction in fact does not occur, or if the securities do not increase in value as anticipated, such Client may sell them at no gain or at a loss.

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

Contribution and Indemnity Agreements. In connection with certain investments participated in by multiple Clients, one or more Clients may be required to execute agreements with a counterparty on behalf of each of such Client's participation in the transaction. In connection therewith, one or more Clients may be required to provide to third parties guarantees or indemnification rights or to assume certain liabilities associated with such investments (each, a "Liability"). In instances where fewer than all of the Clients participating in the investment agree to bear such a Liability vis-à-vis the third party, the Advisers will cause the other Clients participating in the investment to enter into contribution and indemnification agreements for the benefit of the Clients that have agreed to bear such Liability, in amounts equal to their respective *pro rata* shares of such Liability, based on their respective ownership of the related investment. Although the Clients entering into such contribution and indemnification agreements will have assets in an amount necessary to cover their share of the relevant Liability at the time of entering such contribution and indemnification agreements, such assets may depreciate in value and/or may not be sufficiently liquid to provide prompt contribution to the other Clients in the event that an assumed Liability is required to be paid to such third party. If one Client defaults on an obligation under a contribution and indemnification agreement, the other Clients participating in the investment would be responsible for the amount of the default.

Life Settlement Contracts. Certain Clients may invest in life settlement contracts and related investments. If average life expectancies are underestimated, transactions are priced too high or premiums unexpectedly increase, a Client will not realize expected returns. Life settlement contracts also carry the risk of insolvency on the part of the insurance carrier, and if the carrier responsible for paying a Client's claims becomes insolvent, such Client may not recover any portion of any claim owed to such Client. Life settlement contracts are relatively illiquid, and it may be difficult to identify a potential purchaser who will pay fair value. In addition, if a potential purchaser or an insurance carrier determines that the life insurance policies underlying the life settlement contracts are unenforceable, the value of the policy could be adversely affected, which could severely limit a Client's ability to sell investments in life settlement contracts or collect insurance proceeds upon the insured's demise and result in a complete loss of such Client's investment therein.

Investments in the Shipping Industry. A Client may invest in assets, securities or other instruments in the shipping industry, which are subject to risks including, without limitation: (i) extensive and changing safety, environmental protection and other international, national and local governmental laws and regulations, compliance with which may require ship modifications and changes in operating procedure; (ii) international sanctions, embargoes, import and export restrictions, nationalizations and wars or terrorist attacks; (iii) acts of piracy on ocean-going vessels; (iv) severe weather and natural disasters, which may cause serious damage to vessels, any cargo and other equipment and loss of life or physical injury; (v) arrests of vessels by maritime claimants in order to enforce liens against the vessel for unsatisfied debts, claims or damages that could cause delays or require such Client to pay large sums of money to have the arrest lifted which could have a negative impact on such Client's returns; (vi) labor interruptions or unrest among crews working on the vessels directly or indirectly owned by such Client; (vii) delays in delivery of new-build vessels or delivery of new-build vessels with significant defects which could delay or lead to the termination of related charter agreements and also cause cost overruns or cancellation of the new-build contracts; (viii) increased operational and maintenance costs over the life of a shipping vessel; and (ix) drydocking costs for periodic maintenance and repairs that are difficult to predict with certainty and can be substantial.

Investments in the Energy Sector. A Client's investment program may include investments in the assets, securities and other instruments of energy and energy-related companies. Such securities and other instruments may be subject to risk due to a variety of factors, including (i) weather; (ii) international political and economic developments; (iii) fuel supply and demand; (iv) interest rates, currency exchange rates, investment and trading activities in commodities markets; (v) special risks of constructing and operating facilities, breakdowns in the facilities for the production, storage or transport of energy and energy-related products; (vi) acts of terrorism; (vii) changes in government regulation and (viii) sudden changes in fuel prices. The businesses in which such Client invests may be adversely affected by non-U.S. and U.S. federal, state and local laws and regulations including regulations governing energy production, distribution and sale, as well as environmental, health and safety, taxation, land access and other regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the prospects of such Client.

Investment in Healthcare Companies. A Client may invest in the assets, securities or other instruments of healthcare companies, which involves substantial risks, including, but not limited to, the following: (i) certain companies in which such Client may invest may have limited operating histories; (ii) rapidly changing technologies and the obsolescence of products; (iii) change in government policies; (iv) volatility in the U.S. and non-U.S. stock markets affecting the prices of healthcare company securities and (v) most pharmaceutical and biotechnology companies, and many other companies in the healthcare sector, are subject to extensive government regulation. In addition, obtaining governmental approval for new products from governmental agencies can be lengthy, expensive and uncertain.

Investment in Retail Companies. A Client may invest in the assets, securities or other instruments of retail companies. The performance of these investments may rely on consumer spending. Many factors impact the level of consumer spending in the retail market, including (i) general business conditions; (ii) interest rates; (iii) the availability of consumer credit; (iv) taxation and (v) consumer confidence in future economic conditions. An economic downturn may adversely affect consumer spending, which could hurt sale and profitability of the companies underlying any such investment of such Client. Furthermore, consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower. Adverse trends in general economic conditions, including retail shopping patterns and consumer confidence, may affect the demand of retail company products and negatively impact the ability of these companies to generate revenue or attract additional financing for their business needs. Performance of retail companies are also subject to increased costs due to excess inventories if they misjudge the demand for their products.

Risks Associated with Reliance on the Advisers. The success of the Advisers' investing may, to a large degree, be dependent upon the Advisers' personnel, who may make some or all of the investing decisions with respect to Clients' investments. Competition in the financial services industry for experienced and capable employees, such as the Advisers' personnel, is intense. The loss of the services of any of such personnel could adversely affect a Client's portfolio.

ITEM 9
DISCIPLINARY INFORMATION

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

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

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

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

The Adviser is not registered as, and does not have any application to register as, a futures commission merchant, CPO, Commodity Trading Advisor (“CTA”) or an associated person of the foregoing entities, but the CPO Managers have registered as CPOs with the CFTC and have become members of the NFA. Certain management persons of the Adviser are registered as principals and/or associated persons of the CPO Managers. Other Affiliates rely upon the exemption from registration provided pursuant to CFTC Rule 4.13(a)(3).

Certain of the Adviser’s management persons, Stephen Feinberg, Alex Benjamin, Frank Bruno, William Richter, Andrew Kandel, Jeffrey Lomasky, Seth Plattus, Mark Neporent, Scott Stelzer, Joshua Weintraub and Matthew Zames are registered, or are in the process of registering, with the NFA as principals, but not associated persons, of each of the CPO Managers. Seth Plattus, another management person of the Adviser, is registered with the NFA as both a principal and an associated person of each of the CPO Managers. Other personnel are also registered as associated persons of the CPO Managers.

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

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

For a complete list of Affiliates that serve as the general partner or managing member of a Private Fund, see Section 7.A. of Schedule D to the Adviser’s Form ADV Part 1.

One Affiliate, Cerberus Sub-Advisory I, LLC, serves as the sub-adviser to one fund registered as an investment company with the SEC under the 1940 Act. Although separately registered as an investment adviser with the SEC, Cerberus Sub-Advisory I, LLC is effectively part of the single advisory business of the Adviser.

Another Affiliate, Cerberus Business Finance, LLC, a relying adviser (and together with other Affiliates including certain Clients involved in the Adviser’s direct lending business, (“CBF”)), was formed to, among other things, act as a loan asset agent on behalf of one or more of the Private Funds in connection with the issuance of CLOs. In March 2017, Cerberus

Business Finance, LLC was converted into a series limited liability company in order to serve as the sponsor of certain CLOs, and raise the necessary risk retention capital from qualified employees of the Advisers, in satisfaction of the requirements of the credit risk retention rules, promulgated as part of the Dodd-Frank Act, relevant to CLOs.

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

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

- Cerberus Japan K.K., a Tokyo-based affiliate;
- Cerberus Asia Pacific Advisors Limited, a Hong Kong-based affiliate;
- Cerberus Asia Pacific Advisors II Limited, a Hong Kong-based affiliate;
- Cerberus Beijing Advisors Limited, a Beijing-based affiliate;
- Cerberus Deutschland Beteiligungsberatung GmbH, a Frankfurt-based affiliate;
- Cerberus European Capital Advisors, LLP, a London-based affiliate which is registered with the U.K. Financial Conduct Authority;
- Cerberus Iberia Advisors, S.L., a Madrid-based affiliate;
- Cerberus Global Investment Advisors, LLC, an affiliate with offices in New York and Baarn, The Netherlands;
- Cerberus European Servicing Advisors (Netherlands) BV, an Amsterdam-based affiliate; and
- Cerberus Frontier, an affiliate with offices in Ethiopia, Georgia, Mongolia and Singapore.

Certain affiliated Advisers provide advice on Asian, European, African, South American and other non-U.S. investment opportunities.

For the past 17 years, the Adviser has maintained offices in the Netherlands, which have been integral to the Adviser's non-U.S. investment platform. The Dutch offices in Amsterdam and Baarn currently have more than 61 employees, which includes resident Dutch directors (the "Dutch Directors") who make investment and disposition decisions in conjunction with the Adviser's New York office with respect to a significant portion of the Clients' non-U.S. investments.

The Dutch Directors generally receive the same information provided to the Adviser's investment committee in New York, and their approval is required for acquisitions,

dispositions and restructuring transactions for a significant portion of the Clients' non-U.S. investments. The Dutch Directors regularly conduct meetings and review background materials on potential investments, including descriptions of potential transactions and draft transaction documents. The Dutch Directors also approve annual business plans, significant contracts and financing and refinancing transactions relating to such non-U.S. investments. Further, the Dutch Directors regularly consult with the Adviser's advisory offices on the performance of and ongoing strategy with respect to a significant portion of the Clients' non-U.S. investments. In addition, with respect to certain European trades, the approval of the relevant Dutch Directors is generally required.

To the extent that Clients originate or acquire non-U.S. investments, they may be structured through investment vehicles established in the Netherlands (the "Dutch Companies") and in certain other foreign jurisdictions, and it is expected that the Netherlands will be involved in the ownership of future investments, for legal, regulatory and tax reasons.

The costs and expenses of the Dutch Directors and the Dutch Companies generally are borne by the Clients. The expenses related to the Dutch Companies (the "Dutch Company Expenses") that are borne by the Clients, include all expenses associated with the formation, organization, structure, administration, operation, accounting and reporting with respect to the Dutch Companies and their investments, and include, among other things, the costs of all of the Advisers' employees working in the Netherlands who devote their time to the formation, organization, structure, administration, operation, accounting and reporting of the Dutch Companies and their investments including, for the avoidance of any doubt, and without limitation (i) associated personnel costs such as salaries, benefits, payroll taxes, holiday and vacation time and all other associated compensation and personnel costs, (ii) associated overhead, including, without limitation, all occupancy costs such as rent, utilities, HVAC, water, cleaning and all other occupancy and administrative expenses incurred in connection with the services provided by the Dutch Company personnel, and (iii) all out of pocket costs incurred by the Dutch Companies or Dutch offices in connection with the provision of such services by the Dutch Company personnel).

The legal, regulatory and tax landscape is changing quickly in Europe and throughout the world, and it is likely that one or more additional offices will be established for similar purposes as the Dutch Companies or other legal, tax or regulatory purposes and similar personnel will be retained in other jurisdictions (collectively, "Additional Non-U.S. Offices") for the benefit of the Clients. The Advisers currently anticipate that Additional Non-U.S. Offices may be established in Ireland as well as Luxembourg and other international locations in order to respond to changes in law and policy. The Additional Non-U.S. Offices are expected to provide functions that are similar to those currently provided at the Dutch office by the Dutch Directors. The costs and expenses of any Additional Non-U.S. Office and its personnel ("Additional Non-U.S. Office Expenses" and, together with the Dutch Company Expenses, the "Dutch and Other Expenses") would also be borne by the Clients similar to and consistent with the foregoing treatment of Dutch Company Expenses with respect to the Dutch offices.

In November 2018, the Adviser acquired SGI Frontier Capital, a private equity firm focused on frontier markets in Asia and Africa, which now operates as Cerberus Frontier. Cerberus

Frontier, headquartered in Singapore, has six additional locations and a team of over twenty dedicated professionals with a track record of direct investment in frontier markets, including Ethiopia, Georgia and Mongolia. Based on a decade of investing in frontier markets, the Cerberus Frontier team has completed more than thirty transactions and currently manages a diversified portfolio of investments in a variety of sectors, including consumer goods, clean energy, real estate, healthcare and building materials. Cerberus Frontier also works closely with the Adviser's investment and operating platforms, including Cerberus Operations, to evaluate opportunities and bring industry knowledge and operating resources to investments. The Adviser's proprietary operating capabilities provide the Cerberus Frontier team with the ability to enhance a company's strategy and operations and drive significant growth and value creation.

With respect to U.S. investment opportunities, the Adviser retains the following affiliated Advisers: (i) Cerberus California, LLC, an affiliate with offices in Los Angeles and San Francisco; and (ii) Cerberus Capital Chicago LLC, a Chicago-based affiliate.

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

Cerberus Operations and Advisory Companies

The Adviser has established (i) Cerberus Operations and Advisory Company, LLC, a New York- and Chicago-based affiliate ("Cerberus U.S. Operations"), (ii) Cerberus Asia Operations and Advisory Limited, a Hong Kong-based affiliate ("Cerberus Asia Operations") and (iii) Cerberus UK Operations and Advisory Company, LLC, a London-based affiliate ("Cerberus U.K. Operations", and, together with Cerberus U.S. Operations and Cerberus Asia Operations, "Cerberus Operations") to employ a team of operating advisors for the purpose of providing services to the Clients as well as their portfolio companies.

Though the number of Cerberus Operations operating executives fluctuates from time to time, Cerberus Operations currently includes approximately 124 operating executives directly as employees of Cerberus Operations or through an operating executive's employment at a portfolio company, and other personnel to (i) support the Advisers' investment teams with respect to, among other things, due diligence (including, without limitation, evaluating prospective investments, pre-qualification of transactions (including participating in meetings with target companies), industry networking, and market evaluation) with respect to proposed investments and/or transactions and (ii) support the Clients' portfolio investments with respect to all aspects of their operations. The Clients and/or their portfolio investments reimburse Cerberus Operations (or any other Affiliate) for the cost of providing such services as described below. The entities comprising Cerberus Operations are not intended to operate as profit centers, but instead are operated substantially as pass-through companies on an at-cost or near-cost basis, or where minimum profits are required by tax laws or the laws or regulations of particular jurisdictions, are operated with the intention of generating solely such minimum profits. For the avoidance of any doubt, the cost of providing the services attributable to Cerberus Operations team members include, without limitation (i) associated personnel costs such as salaries, benefits, payroll taxes, holiday and vacation time and all other associated compensation and personnel costs, (ii)

associated overhead, including, without limitation, all occupancy costs such as rent, utilities, HVAC, water, cleaning and all other occupancy and administrative expenses incurred in connection with the services provided by Cerberus Operations, (iii) the cost of accounting, software and other systems (including Thomson Reuters Elite 3E) used to record and allocate the time and expenses associated with such services provided by Cerberus Operations, and (iv) all out of pocket costs incurred by Cerberus Operations in connection with the provision of such services by Cerberus Operations team members (all of the foregoing, collectively, the “COAC Expenses”).

To the extent that a team member of Cerberus Operations is (i) primarily involved in due diligence for a proposed investment or transaction, (ii) actively working at or with one or more of the Clients’ portfolio companies as an operating executive or consultant, (iii) providing material assistance to the management of one or more of the portfolio companies or (iv) providing material assistance to the Clients in connection with the surveillance and monitoring of one or more investments, the COAC Expenses associated with such person are generally borne by the Clients invested in the relevant investment or transaction (or, in the case of an investment that is not consummated, by the Clients that would have been allocated the proposed investment or transaction, where applicable) or directly by the relevant portfolio company. To the extent that a Cerberus Operations team member performs both services payable by the Clients (and/or one or more portfolio companies) and services payable by the Advisers, the COAC Expenses associated with such person will be allocated among the Clients (and/or the relevant portfolio companies) and the Advisers in proportion to the percentage of time spent by the Cerberus Operations team member with respect to such services.

From time to time, certain Cerberus Operations personnel that are actively working at or with one or more of the Clients’ portfolio companies as an operating executive or consultant may participate in such portfolio companies’ management equity programs, if any.

Employees of the Adviser and members of the Cerberus Operations team may serve as directors and/or officers of portfolio companies of one or more Clients. Accordingly, such employees and members may have a conflict where their fiduciary duty to the portfolio company may conflict with their fiduciary duty to one or more Clients. In such circumstances, any such employee or member will act in accordance with his or her fiduciary duty to the portfolio company rather than any fiduciary duty such person may have to one or more Clients.

In addition, certain directors, officers or employees of portfolio companies may (i) be Co-Investors with a Client, (ii) have affiliations with third parties who provide professional or other services to a Client’s other portfolio companies, that Client, portfolio companies of other Clients or other Clients or (iii) have other business relationships or affiliations with the Advisers. In instances where the Advisers, on behalf of the Clients, appoint or retain (or influence the appointment or retention of) such directors, officers or employees, the Advisers will make determinations with respect to the qualifications and appropriateness of such persons in their sole discretion.

Engagement of Third-Party Consultants and Service Providers

In managing Clients' assets, businesses and operations, the Adviser may engage third-party service providers, including underwriters, investment banks and other consultants and agents, and including through Cerberus Global Investment Advisors, LLC, Cerberus Operations, Portfolio Consulting and Advisory Company, LLC ("PCAC") or other Affiliates, whether now existing or hereafter created. In particular, the Adviser has established PCAC, a New York- and London-based Affiliate, to retain the services of one or more such third-party consultants, advisors or other entities. Such consultants, advisors and other entities generally are engaged to, among other things, assist the Clients and their portfolio companies in sourcing investment and transaction opportunities, facilitate and structure transactions, perform due diligence and provide such other services that may from time to time be requested by the Adviser and the Clients (or their portfolio companies). Any such third parties will be engaged based on a variety of factors as set forth in the Adviser's compliance policies, including the perceived quality of service, expertise, reputation and the ability to provide future services to the Clients. Such future services may from time to time benefit certain Clients, while not being of any value to others. All costs and expenses associated with such third parties will be borne by the Clients and/or the portfolio companies for whom such third parties were retained or engaged (including, for the avoidance of any doubt, to the extent third-party consultants receive equity or profit interests in an investment such costs will be borne by the investors invested in such investment, including the Clients).

Retention of third-party consultants, advisors or other entities is made in the sole discretion of the Adviser. Such persons or entities generally do not work exclusively for the Adviser or the Clients, although in certain cases and from time to time, work relating to the Adviser, the Clients or the Clients investments may comprise all or a majority of the working time of such persons or entities. Such persons or entities may be subject to conflicts of interests resulting from a number of situations, including, but not limited to, conflicts resulting from affiliations with or engagements by entities unaffiliated with the Adviser and/or the Clients. The Adviser is not always aware of conflicts arising in connection with such consultants and advisors. Whenever the Adviser is aware of such conflicts, however, it will use reasonable efforts to ensure that such conflicts are addressed in an appropriate manner to the extent practicable in its good faith discretion.

Affiliated Service Providers

Certain Clients engage Cerberus European Servicing, Ltd. ("Cerberus European Servicing"), a U.K.-based company owned by Affiliates with offices in London, Amsterdam, Dublin and Madrid, to oversee and provide certain asset management and property management services, as well as loan and asset servicing and settlement activities and related loan administration services and due diligence services in respect of a Client's European assets. In connection with a Client's European real estate holdings, Cerberus European Servicing will also oversee and provide certain asset management and property management services. The Adviser

established Cerberus US Servicing, LLC (“Cerberus U.S. Servicing”), an affiliate in the U.S., to provide similar services with respect to assets of certain Clients located in North America and other regions. The Adviser may open additional affiliated offices to provide such services in respect of the assets of certain Clients in the future (such affiliated offices, together with Cerberus European Servicing and Cerberus U.S. Servicing, “Cerberus Servicing”). Cerberus Servicing will oversee other third-party servicers, asset managers and property managers that will be servicing certain Clients’ North American and European assets, and other affiliated entities may provide such services and/or oversee such services with respect to assets located in other regions.

The Adviser has established Cerberus Technology Solutions, LLC (“Cerberus Technology Solutions”), a subsidiary with expertise in technology, data and advanced analytics. Cerberus Technology Solutions has a team of professionals that provides technological consulting services to Clients, their portfolio companies and other third parties. Cerberus Technology Solutions focuses on driving efficiencies at such portfolio companies by applying technology solutions, realizing new sources of revenue and value creation, and accelerating technological transformation and differentiation.

It is anticipated that Cerberus Technology Solutions will provide valuable contributions through initiatives targeted at improving systems and generating value from data, with a focus on domains that include, but are not limited to, digital and e-commerce; cloud enablement and infrastructure optimization; pattern design, architecture, and engineering; agile development and application refactoring; data operations, including data as an asset and data monetization; advanced analytics, including artificial intelligence and machine learning; and cyber security. Cerberus Technology Solutions will also be engaged to provide sourcing and due diligence services in connection with certain investments made by Clients, as well as to identify and staff key talent to build or transform technology departments of portfolio companies.

Cerberus Technology Solutions expects to generate a profit from its business relationships with the Clients and/or their portfolio companies (and third parties), and such profit may be material. The fees and expenses of members of the Cerberus Technology Solutions team that are employed by, and provide services to, Cerberus Technology Solutions in respect of the Clients and/or their investments will be borne by the Clients and/or their portfolio companies, and will not offset any management fee payable by a Client. Certain members of the Adviser’s leadership team, the Adviser’s Affiliates and together with members of the Cerberus Technology Solutions team, will be granted equity interests, profits interests, bonuses and/or other compensation with respect to Cerberus Technology Solutions, and such equity interests, profits interests, bonuses and/or other compensation may be material.

It is anticipated that, whenever a portfolio company, the issuer or borrower of a portfolio investment of a Client or other third party retains Cerberus Technology Solutions, Cerberus Technology Solutions may be provided with and may otherwise collect and analyze data and information about that portfolio company, issuer or borrower and/or other third party. Subject to any agreements with such portfolio company, issuer or borrower and/or other third party, Cerberus Technology Solutions may (i) use such data and information in providing services to the Clients, other portfolio companies, issuers or borrowers and/or other third

parties and/or (ii) sell, license or otherwise provide such data and information to other portfolio companies, issuers, borrowers and/or other third parties; provided that in the case of portfolio companies, such activities do not adversely affect such portfolio companies and such issuers or borrowers of a portfolio investment. Cerberus Technology Solutions may generate a profit through such use, sale, licensing or other provision of such data and information.

In addition, the Adviser has retained Haya Real Estate, S.L.U., Laformata Servicios y Gestiones, S.L.U., Gesnova Gestion Inmobiliaria Integral, S.L., Hipoges Iberia S.L., Haya Online, S.A.U, Haya Titulizacion S.G.F.T., S.A., Gescobro Collection Services, S.L., M.C.S et Associes SA, Capital Home Loans Limited and NRAM plc (each of which are portfolio companies of several of the Clients) and/or other servicers and similar companies, whether now existing or hereafter created, in Europe, Asia, Africa, South America and other geographic regions that may be acquired in the future by the Clients to facilitate the investment platform (collectively, the “Portfolio Company Servicers”). To the extent the Clients retain any of the Portfolio Company Servicers, such company will provide local market knowledge and servicing, diligence, reporting and related services in respect of such Client’s assets and loan portfolios.

The Advisers have retained (i) FirstKey Mortgage, LLC (“FirstKey Mortgage”); (ii) FirstKey Lending, LLC, (iii) Towd Point Loan Servicing, (iv) FirstKey Homes, LLC (“FirstKey Homes”) and/or (v) one or more other related entities, whether now existing or hereafter created, to provide a variety of services to the Clients with respect to their mortgage businesses and assets in the U.S. and outside of the U.S.

FirstKey Mortgage specifically, is a multi-faceted operating platform consisting of specialty finance businesses in the U.S. and non-U.S. residential mortgage, residential, chattel, home equity lines of credit (“HELOCs”), consumer and credit card debt, student loans and structured product industries and is owned by several of the Clients. FirstKey Mortgage is a licensed mortgage residential lender and servicer in multiple states in the U.S. and provides asset management services and servicing oversight for various residential and chattel mortgage loans, commercial loans, HELOCs, student loans and other consumer assets held by Clients and accounts managed by Affiliates. In February 2016, FirstKey Mortgage added a Global Structured Finance Group and expanded its role to serve as securitization sponsor and asset manager for U.S. securitization activities, and structuring agent and “co-sponsor” for non-U.S. securitization activities. FirstKey Mortgage may acquire servicing rights to Fannie Mae, Ginnie Mae and Freddie Mac conforming loans and Federal Housing Administration-insured and U.S. Department of Veterans Affairs-guaranteed loans.

As part of its services, FirstKey Mortgage may provide sourcing, capital markets and transaction management services to the Clients to identify U.S. and non-U.S. mortgage-related, other commercial and residential, consumer and other structured assets and facilitate the acquisition and sale of such assets through (i) conducting due diligence with respect to the target assets that certain Clients are seeking to purchase or sell, (ii) negotiating the terms of purchase or sale with a Client’s counterparties and (iii) closing the purchase or sale. FirstKey Mortgage may provide certain asset management and/or data analysis services in respect of a Client’s U.S. and non-U.S. mortgage-related, other commercial and residential, consumer and

structured products businesses and assets and oversees other third-party servicers that service such assets.

FirstKey Mortgage may sell certain Clients residential mortgage loans or other consumer products that FirstKey Mortgage originates or acquires through its investor mortgage loan conduit. In addition, FirstKey Mortgage may be retained to perform both U.S. and non-U.S. securitization activities with respect to a Client's mortgage-related, consumer and other structured product assets. One or more of FirstKey Mortgage's affiliates may also serve as a securitization conduit for the mortgage or consumer assets of one or more of the Clients, and FirstKey Mortgage serves as the "sponsor" (as defined in the Dodd-Frank Act) for U.S. securitizations of mortgage loans, consumer debt and other structured products. In connection therewith and in order to comply with the credit risk retention rules of the Dodd-Frank Act, FirstKey Mortgage, or a majority-owned affiliate thereof, holds a portion of the securities issued in the securitizations in accordance with the Dodd-Frank Act. FirstKey Mortgage also may act as a designated "co-sponsor" and structuring agent for non-U.S. securitizations. FirstKey Mortgage is wholly owned, through one or more intermediate entities, by several Private Funds.

FirstKey Homes may provide a variety of property and asset management services, including, among others, leasing, rental collection, credit screening, quality control, property repairs and maintenance and construction and renovation oversight services, and acquisition services to the extent a Client ends up owning rental properties as a result of foreclosure (*i.e.*, single-family and multi-family residential properties). FirstKey Homes was created by the Adviser in 2015 and currently has approximately 700 employees and manages homes in 20 regional markets in the U.S. FirstKey Homes is owned through several of the Private Funds.

The arrangement between a Client, on the one hand, and Cerberus Servicing, Cerberus Technology Services, a Portfolio Company Servicer, FirstKey Homes or FirstKey Mortgage, on the other, contains terms at least as favorable to the Client as are generally obtainable on an arm's-length basis from unrelated third parties and provides for compensation to Cerberus Servicing, such Portfolio Company Servicer, FirstKey Homes or FirstKey Mortgage, as applicable, that is competitive with the compensation paid to third parties for comparable services which could reasonably be made available to the Client. The fees paid to Cerberus Servicing, Cerberus Technology Services, a Portfolio Company Servicer, FirstKey Homes or FirstKey Mortgage, as applicable, in respect of services provided to a Client and its portfolio investments will be borne by the Client.

FirstKey Homes, FirstKey Mortgage and the Portfolio Company Servicers are owned by one or more of the Clients. The fact that FirstKey Homes, FirstKey Mortgage and the Portfolio Company Servicers are owned by one or more of the Clients and provide services to one or more of the Clients that do not own FirstKey Homes, FirstKey Mortgage or one or more of the Portfolio Company Servicers, creates a variety of potential and actual conflict situations. Each such conflict situation is carefully evaluated by the Cerberus Compliance and Risk Management Committee to ensure that all necessary and proper procedures are implemented so that the transactions between FirstKey Homes, FirstKey Mortgage or one or more of the Portfolio Company Servicers, on the one hand, and one or more of the Clients, on the other are fair and appropriate to, and in the best interests of, each of the parties thereto; however,

there can be no assurances that similar services cannot be procured at a lower cost from other market participants.

The Adviser may also engage in similar arrangements to those described above with other affiliated entities (whether now existing or hereafter created) in order to facilitate loan servicing, administration, management, asset and property management, due diligence and related businesses in one or more other geographic areas, or for one or more other purposes or services, subject to the restrictions set forth in the Client's organizational documents and/or investment management agreement.

In addition, certain other Affiliates (whether now existing or hereafter created) may be engaged by, or on behalf of, the portfolio companies of the Clients, as a consultant, agent or in a similar role and may receive fees, or be reimbursed for such expenses, in connection with such services (*e.g.*, Cerberus Servicing and Cerberus Operations). Except for Cerberus Operations, which is paid on an at-cost or near-cost basis, these engagements likely will be based on a variety of factors, including perceived quality of service, expertise and reputation, and will provide for compensation to such Affiliate that is competitive with the compensation paid to third parties for comparable services which could reasonably be made available to such portfolio company; however, there can be no assurances that similar services cannot be procured at a lower cost from other market participants.

Allocation of Resources

Allocation of Adviser resources, including the Adviser's personnel and employees and consultants of Cerberus Operations and similar resources, among Clients will be made in the sole discretion of the Adviser.

As discussed above, many members of the Cerberus Operations team work exclusively for the Adviser, but some members may not be exclusively engaged by the Adviser. Members of the Cerberus Operations team may be subject to conflicts of interest resulting from a number of situations, including conflicts resulting from affiliations with entities unaffiliated with the Adviser, familial relationships, multiple assignments within the Adviser and ownership of interests in portfolio companies and other issuers, including, potentially, borrowers.

Whenever the Adviser becomes aware of conflicts arising in connection with members or employees of Cerberus Operations, it will use reasonable efforts to ensure that such conflicts are addressed in an appropriate manner to the extent practicable in its discretion.

In addition, as discussed above, third-party consultants and advisors generally do not work exclusively for the Adviser or Clients and may be subject to conflicts of interests resulting from a number of situations, including conflicts resulting from affiliations with entities unaffiliated with the Adviser, familial relationships, multiple assignments within the Adviser and ownership of interests in portfolio companies and other issuers, including, potentially, borrowers. The Adviser is not always aware of conflicts arising in connection with such consultants and advisors. Whenever the Adviser is aware of such conflicts, however, it will use reasonable efforts to ensure that such conflicts are addressed in an appropriate manner to the extent reasonably practicable.

Furthermore, certain personnel of the Advisers devote a portion of their time and attention to their own outside investment activities and the outside investment activities of the Private Feinberg Entities, as well as to philanthropic, charitable, civic, educational, political and similar endeavors.

Additional Investment Rights Obtained in Connection with Clients' Investments and Benefits Resulting from Portfolio Company Information and/or Other Investments

The Adviser may seek to obtain future investment rights (including co-investment rights, rights of first offer, rights of first refusal, participation rights or similar rights) in connection with investments made by the Clients to provide further investment opportunities. The Adviser generally intends to allocate these opportunities in accordance with the Allocation Policy, as opposed to allocating such opportunities in proportion to the amount invested in the investment that generated such investment rights. Accordingly, an investment that one or more Clients make may produce future investment rights for a number of different Clients, including Clients that may not have participated in the original investment. A Client may participate in an investment that produces investment rights that do not benefit such Client (e.g., if an investment opportunity is not appropriate for such Client) or that may not benefit such Client in proportion to the amount invested in the investment that provided such investment rights. Conversely, a Client may benefit from investment rights provided by investments made by the other Clients in which such Client does not participate.

From time to time, one or more of the Clients may acquire portfolio companies, make investments or otherwise enter into transactions that provide information, knowledge and insight to the Adviser that may benefit the Clients participating therein and may, in the future, provide certain benefits to other Clients that have not participated in the acquisition, investment or transaction. For example, certain Clients may acquire an operating business that provides the Adviser with industry, sector or other information, knowledge and/or insight that the Adviser may then use in connection with its future investment activities on behalf of the Clients, including on behalf of Clients that do not have any interest in the acquired operating business that is the source of such information.

Ancillary Fees; Management Fee Offsets

The management fees payable by a Client generally will be reduced, but not below zero, dollar-for-dollar by a *pro rata* share of the amount (or, if other Clients, Co-Investors and/or other third parties have invested or, in the case of a break-up fee, proposed to invest, in the relevant portfolio investment, such Client's *pro rata* share of the amount, multiplied by a fraction (i) the numerator of which is the amount invested (or anticipated to be invested in the case of a break-up fee) in the relevant portfolio investment by such Client and (ii) the denominator of which is the aggregate of all amounts invested (or anticipated to be invested in the case of a break-up fee) in the portfolio investment by such Client, all other Clients and all Co-Investors and all other third parties), of transaction fees, break-up fees, commitment fees, underwriting fees, amendment fees, waiver fees, modification fees, monitoring or management fees, directors' fees, consulting fees, advisory fees, closing fees and similar fees, payments or compensation (whether in the form of cash, options, warrants, stock or otherwise) ("Transaction Fees"), if any, received and retained by the Advisers from any third parties or

portfolio companies (other than any other Client or Co-Investors) in connection with portfolio investments (or anticipated portfolio investments in the case of a break-up fee) in which such Client participated (or would have participated in the case of a break-up fee) (the “Fee Offset Amounts”). However, there will be no reduction to a Client’s management fees in respect of the following:

- (i) any fees and expenses of Affiliates engaged to provide services by or on behalf of the Clients, including, without limitation, fees and expenses of any affiliated service providers (whether now existing or hereinafter created), fees and expenses of Cerberus Operations and any grants or awards to Cerberus Operations personnel pursuant to any equity or equity-like compensation (such as, for example, stock options, stock purchase warrants, stock awards, restricted stock units, profits interests and/or similar grants or awards) in exchange for certain services rendered by such persons to such portfolio company, pursuant to a stock option plan, management incentive program or similar program or vehicle adopted by the portfolio company for such purpose (the “Portfolio Company Management Equity Program”), fees and expenses of Cerberus Technology Solutions, Cerberus Servicing and the Dutch and Other Expenses; and
- (ii) any management fees or other asset-based or commitment-based compensation, incentive or performance allocations or distributions or fees or other performance-based compensation, or Transaction Fees or similar fees paid by or received in respect of any other Client or any Co-Investor and/or any other third party.

Fee Offset Amounts received in any calendar quarter will reduce the management fees for the following quarter as set forth above. If the Fee Offset Amounts exceed the management fees payable for a given quarter, such excess amounts will be carried forward to one or more subsequent quarterly periods and applied to reduce the future payments of the management fee in such future quarters until such excess amounts have been fully offset. Generally, Fee Offset Amounts will not be applied to reduce any previously paid management fee amounts and if such fees are greater than the aggregate amount of future management fees that would otherwise be payable to the Advisers, the Advisers may receive more income than they otherwise would have received from Clients.

In addition, from time to time and in certain circumstances, one or more portfolio companies may pay a management, monitoring and/or similar fee to the Advisers that is accelerated upon the occurrence of certain events (such as, for example, the sale of substantially all of the assets or securities of such portfolio company to a third party, the merger or consolidation of such portfolio company with or into a third party, the public offering of securities of such portfolio company and/or one or more similar transactions). As noted above, generally such fees (including accelerated fees) will reduce future management fees otherwise payable to the Advisers by the Clients. With respect to investments of the Clients in which there are Co-Investors, the portion of such fees, including any accelerated fees, that relate to the investments by such Co-Investors may be paid to such Co-Investors or retained by the Advisers (as agreed-upon compensation payable to the Advisers in respect of such Co-Investors’ investment) in such amounts and on such terms that generally are negotiated with and agreed to between the Advisers and such Co-Investors on a transaction-by-transaction basis.

For purposes of calculating the Fee Offset Amount, any compensation received in a form other than cash will be deemed earned and paid, and will be valued in good faith by the Advisers, at one of the following dates, as set forth in the relevant Client's private placement memorandum or as set forth in such Client's organizational documents and/or as set forth in the investment management agreement with such Client: (i) the date of the disposition of such non-cash compensation, in which case the value of such non-cash fees will be equal to the net proceeds received by the Advisers in connection with such disposition; (ii) the date of the disposition of the underlying investment in connection with which such non-cash compensation was received; (iii) the date of dissolution of a Private Fund or termination of an account; or (iv) a specified anniversary date of the receipt of such non-cash compensation.

As noted above, management fees, incentive fees, incentive allocations and performance distributions received by the Advisers from Co-Investors, as well as any Transaction Fees or other fees in connection with such Co-Investors or their respective co-investments, are not shared by the Advisers with any of the Clients, will not be part of the Fee Offset Amounts and will not reduce any management fees, incentive fees, incentive allocations or performance distributions to be received by the Advisers from any of the Clients. As a result, the Fee Offset Amounts will be calculated solely based upon the respective economic interest (or, in the case of a break-up fee, anticipated economic interest) of the Clients in a relevant investment as a percentage of the amount invested (or, in the case of a break-up fee, anticipated to be invested) in such investment by such Clients, all other Clients and all Co-Investors in the aggregate. Accordingly, the Fee Offset Amounts with respect to a Client will be lower than they otherwise would be if the calculation of the Fee Offset Amounts did not include in the denominator thereof the investments made by Co-Investors.

Receipt of Other Benefits

The Advisers and their personnel may from time to time receive certain benefits and/or perquisites in connection with or resulting from their activities on behalf of Clients which are not shared with Clients, their investors and/or their portfolio companies and are not included in the Fee Offset Amounts (as defined below). These benefits and/or perquisites generally are *de minimis* in value and generally include, among other things, reward program points, reward program credits, miles program credits and other similar benefits generally included as part of airline, hotel and other similar loyalty, affinity or status programs. Any value associated with such reward program points, credits, miles and other similar items inure to the benefit of the Advisers and/or their personnel, and not to the benefit of any Clients, their investors and/or their portfolio companies, notwithstanding that the cost of the services which resulted in such points, credits, miles and/or other benefits may have been borne by the Clients and/or one or more of their portfolio companies. For the avoidance of doubt, the benefits and perquisites discussed in this paragraph are not Fee Offset Amounts that reduce management fees.

Management of Multiple Clients

As indicated above, the Advisers manage a number of Clients, some of which have or are expected to have investment programs that are similar and/or overlap. The organizational documents and investment management agreements of Clients generally do not curtail the

Advisers' ability to create successor funds to the Advisers' other existing platforms, as well as separate accounts or other investment funds or vehicles relating or complementary to the Advisers' other existing platforms or new investment strategies and platforms. In addition, the Advisers may in the future establish, sponsor and/or otherwise become affiliated with other pooled investment vehicles, companies, investors and accounts that have investment programs that are similar to and/or overlap with the investment programs of its current Clients or that may engage in the same or similar business as such current Clients using the same or similar investment and/or business strategies. For example, an Adviser could establish a fund that focuses on investing in a single industry or geographic region or of a certain investment type, such as European NPLs or MBS, which could invest side-by-side with an existing Client in deals in that industry or geographic region or of that investment type. The Adviser anticipates that new pooled investment vehicles (or additional classes or series of interests in its current Clients), single-investor funds and/or managed accounts, each with investment programs that are similar to and/or overlap with the investment programs of current Clients, will be created in the future.

Each of the Advisers will devote so much of its time, and the Advisers will allocate so much of the time and resources of the Cerberus Operations team members, to the affairs of each Client as in their judgment the conduct of each Client's business reasonably requires, and none of the Advisers will be obligated to do or perform any act or thing in connection with the business of any Client not expressly set forth in such Client's governing documents. Generally, the Advisers exercise investment responsibility on behalf of, or directly or indirectly purchase, sell, hold or otherwise deal with, any portfolio investment for the account of multiple Clients and multiple businesses. In addition, as described herein, Mr. Feinberg and other personnel of the Advisers devote time and effort to the investment and other activities of the Private Feinberg Entities.

No Client will and no investor will, solely by reason of being an investor in a Client, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Advisers from the conduct of any business (including the business and investment activities of the Private Feinberg Entities and other personnel of the Advisers) other than the business of such Client or from any transaction in investments effected by the Advisers for any account other than that of such Client.

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

Additional Conflicts Relating to Investments by the Private Feinberg Entities and Other Cerberus Personnel

Mr. Feinberg, (i) individually, (ii) on behalf of members of his family, and/or (iii) through or on behalf of trusts, partnerships, companies and other entities formed for the benefit of himself

and members of his family, and/or other persons or entities (collectively, along with Mr. Feinberg, Mr. Feinberg's family, and such trusts, partnerships and other entities, the "Private Feinberg Entities") have in the past, and expect to continue to, make, hold and dispose of investments outside of, and separate and apart from, their interests in the Advisers and the Clients. These investments by the Private Feinberg Entities may include, without limitation, control and non-control equity and other investments in public and private companies. The investments made by the Private Feinberg Entities are investments that, at the time of investment, are opportunities that are determined by the Cerberus Compliance and Risk Management Committee and the Cerberus Securities Compliance Committee to be (a) not appropriate for investment by any Client (although such investments may have originally been considered for investment by one or more Clients and subsequently determined to be not appropriate for investment by such Clients) and (b) not in conflict with or contrary to the interests of any Client and the Advisers' duties and obligations to such Clients.

In making determinations about the investment activities of the Private Feinberg Entities, the Cerberus Compliance and Risk Management Committee and the Cerberus Securities Compliance Committee consider a wide variety of factors, including, without limitation, the investment strategies of the Clients, the return parameters of the Clients; the size, industry and other terms with respect to the proposed investments; risk factors and/or reputational considerations applicable to the Clients and the Advisers' fiduciary duties and other contractual obligations to their Clients and the investors therein. However, there are potential conflicts of interest that could arise from the activities of the Private Feinberg Entities (and the private investments of other personnel of the Advisers) separate and apart from the activities of the Advisers, as described below.

Certain conflicts of interest could arise in connection with the management and operation of the Private Feinberg Entities. Although the Cerberus Compliance and Risk Management Committee and the Cerberus Securities Compliance Committee consider any such potential conflicts prior to granting their approval to the Private Feinberg Entities, no assurances can be made that all conflicts will be identifiable or fully considered at the time such approval, if any, is granted. For example, although the Private Feinberg Entities will be prohibited from investing in entities that at the time of acquisition are, or reasonably could be expected to become, directly competitive with Clients and/or any of their portfolio companies, such investments may be in entities that subsequently become competitive with such entities. However, while Mr. Feinberg and other personnel of the Advisers may take actions in respect of the Private Feinberg Entities that they consider to be in the best interests of the Private Feinberg Entities, the Advisers' policies require that no action will be permitted to be taken unless such persons believe in good faith that such action is not in conflict with or contrary to the interests of the Clients. Notwithstanding the foregoing, there can be no assurance that conflicts between the interests of the Private Feinberg Entities and the Clients will not arise. In the event of such conflict, the Advisers will seek to resolve such conflict in a fair and equitable manner consistent with its duties to their Clients.

The Advisers have adopted policies and procedures to prevent and/or mitigate the actual and potential conflicts of interest that arise from the investment activities of the Private Feinberg Entities and of personnel of the Advisers. These policies and procedures include (i) the factors to be considered and the procedures to be followed in the analysis of such investment

opportunities, (ii) the methods to be used to identify, monitor and control any actual or potential conflicts of interest such investment activity may generate with respect to the Clients, and/or their portfolio companies, (iii) the periodic monitoring of such outside activities to determine, among other things, whether a change in such outside investment activities or investments could give rise to a conflict of interest and (iv) how any such conflicts are to be both reported and resolved. See also the response to Item 11.

Acquisitions by Portfolio Companies

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

Co-Investment Opportunities

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

Notwithstanding the foregoing, the Advisers may allocate certain co-investment opportunities to certain investors or Clients, subject to certain eligibility restrictions based on aggregate commitment amounts (each, a "Co-Investment Offer"). To the extent an Adviser fails to present the requisite threshold of "Actionable Co-Investments" with respect to certain Clients, an Adviser will receive reduced carried interest distributions in respect of such Clients who experienced a shortfall in co-investment opportunities. Co-investment opportunities present inherent conflicts as described herein, and the Co-Investment Offer, in particular, presents certain additional conflicts, such as (i) the potential incentive for an Adviser to allocate a portion of deals to Co-Investors even when a Client has capacity to make them, (ii) the incentive for an Adviser to consider larger deals that offer co-investment capacity over smaller deals that do not and (iii) the risk that those larger deals will fail to close, causing larger broken deal costs.

Additionally, the Advisers may, from time to time, permit members of the Cerberus Operations team to co-invest in an investment involving their assistance. The Advisers may also, in their sole discretion, offer co-investment opportunities to other persons (including certain Clients' portfolio companies).

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

Financing with Other Affiliated Funds

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

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

Transactions Among Portfolio Companies

Client investments may include controlling interests in portfolio companies. To seek to enhance the value of such companies, the Advisers may seek to cause a portfolio company to (i) do business with another portfolio company owned by Clients (an "Affiliate Company"), (ii) lend or borrow from an Affiliate Company, (iii) enter into joint ventures with an Affiliate Company or (iv) buy or sell an interest (including a controlling interest) in, or to, an Affiliate Company. A Client may have no interest in the Affiliate Company with which its portfolio

company is doing business or engaging in any of the transactions described above. Alternatively, a Client may have divergent interests in various portfolio companies doing business or engaging in any of the transactions described above. The Advisers will seek to enter into transactions among portfolio companies owned by Clients where they believe that such transactions enhance the value of all such portfolio companies to the benefit of Clients and their investors. However, there can be no assurance that such transactions will benefit a Client's portfolio companies, and such transactions may result in benefits solely to a portfolio company in which a Client has no interest.

Additionally, the Advisers may seek to cause one or more Clients' portfolio companies to enter into transactions with one or more portfolio companies of the Private Feinberg Entities, provided, in each case, such transactions are approved by the Cerberus Compliance and Risk Management Committee and the terms thereof are at least as favorable to such Clients as would be available on an arm's-length basis from unrelated third parties; there can be no assurance, however, that more favorable terms could not be achieved from other market participants. The Advisers will obtain approval from a Client's advisory board for any such transaction.

Transactions with Portfolio Companies

A Client may retain portfolio companies of Clients, including portfolio companies that are held by such Client and portfolio companies that are not held by such Client, to perform certain services for such Client. In addition, other Clients may retain a portfolio company held by such Client to perform certain services for such other Clients. A Client also may enter into other transactions with portfolio companies of Clients in which such Client may or may not have an interest (*e.g.*, to the extent consistent with the investment program of such Client, purchasing securities or MSRs or other assets from, selling securities or MSRs or other assets to, or entering into financing or other transactions with, such portfolio companies (both on an agency and principal basis)), subject to any limitations contained in, or approvals required by, the Client's organizational documents and investment management agreement. For example, FirstKey Homes and FirstKey Mortgage are owned by one or more of the Clients are expected to provide a range of services to Clients with respect to their mortgage-related and asset-backed businesses and assets, and may also sell Clients investor mortgage loans or other residential or commercial loan products that FirstKey Mortgage originates or acquires through its investor mortgage loan conduit, as described in Item 10, "Material Relationships or Arrangements with Industry Participants and Affiliated Advisers – Affiliated Service Providers".

To the extent that Clients utilize the services of a portfolio company or participate in any such transactions in a percentage that is different than their ownership of the portfolio company (if any), other Clients may receive a larger or smaller proportional benefit with respect to the revenue generated by the portfolio company from such transactions.

The Advisers will seek to ensure that any such transactions are effected at market prices, the terms of the transactions and arrangements will contain terms at least as favorable to Clients as are generally obtainable on an arm's-length basis from unrelated third parties and will provide for compensation that is competitive with the compensation paid to third parties for

comparable services which could reasonably be made available to the Client. The Advisers may from time to time seek approval from a Client's advisory board for any such transaction or service arrangement, but is generally not required to do so.

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

Clients may invest in different layers of the capital structure of an issuer or borrower. For example, a Client (i) may own equity of an issuer or borrower while another Client owns debt in the same issuer or borrower, (ii) may own debt of an issuer or borrower while another Client owns a different tranche or other class or issue of debt of the same issuer or borrower and/or (iii) may own equity of an issuer or borrower while another Client owns a different equity security of the same issuer or borrower. Furthermore, a Client may participate in debt originated to finance the acquisition by other Clients of an equity or other interest in an issuer or borrower. To the extent a reorganization or other major corporate event occurs with respect to such issuer or borrower, conflicts may exist between such Client and other Clients. The Adviser will seek to resolve such conflicts of interest in a fair and equitable manner. In particular, in the event there is a conflict resulting from one or more Clients being invested in a senior tranche of a financing and one or more Clients being invested in a different tranche of the same financing, the Advisers may refer the relevant determination to be made with respect to the Clients in the senior tranche to a separate conflicts committee comprised of independent members for its consideration and determination, while the Advisers may themselves continue to act on behalf of the Clients in the different tranche.

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

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

Dyal Capital Passive Minority Equity Investment in CBF Platform

On December 22, 2017, the Adviser completed a transaction with affiliates of Dyal Capital Partners, L.P. ("Dyal") (a division of Neuberger Berman Group), in which Dyal made a passive minority equity investment in the portion of the Adviser's business related solely to the management of certain Clients and future Clients investing in CBF. The transaction was

an opportunistic sale of a fully passive minority stake in a share of future management fees and future incentive amounts earned by the Adviser in connection with CBF and did not extend to the fees or interests in any other Client outside of CBF. No changes in the active management or operation of CBF's business were or are contemplated or required as a result of such transaction, and Dyal's investment has not and will not change the investment or decision-making process in CBF.

Special Purpose Acquisition Companies

In addition to managing other Clients, the Adviser may sponsor and/or manage special purpose acquisition companies ("SPACs") that may compete with certain Clients for investment opportunities. Notwithstanding the foregoing, the Adviser does not expect that this will raise material allocation issues between a Client and an Adviser-sponsored SPAC, due to the following considerations, among others: (a) the SPAC will ordinarily seek to acquire a company that is prepared to be transitioned to public ownership (which may not be appropriate for Clients that generally target companies that are more suitable for an operational private equity investment program); (b) in circumstances where an opportunity is appropriate for both a Client and a SPAC, the Adviser expects to explore the feasibility of a joint acquisition or other co-investment between the Client and the SPAC in accordance with the Allocation Policy; and (c) investment ideas generated within or presented to the Adviser that are suitable for both a SPAC and one or more Clients will, subject to applicable fiduciary duties, first be directed to the Clients before being directed, if at all, to the SPAC. If the Adviser determines to pursue any specific business opportunity, the Adviser will determine which entities will be allocated any such business opportunity in accordance with its then-current policies and procedures and based on a number of factors, including the size of the target business, investment mandates of such entities, potential synergies and the other factors described herein.

Use of Portfolio Company and Third-Party Information by Cerberus Technology Solutions; Receipt of Additional Compensation.

It is anticipated that, whenever a portfolio company of a Client or other third party retains Cerberus Technology Solutions, Cerberus Technology Solutions may be provided with and may otherwise collect and analyze data and information about that portfolio company and/or other third party. Subject to any agreements with such portfolio company and/or other third party, Cerberus Technology Solutions may (i) use such data and information in providing services to the Client, other portfolio companies and/or other third parties and/or (ii) sell, license or otherwise provide such data and information to other portfolio companies and/or other third parties; *provided* that in the case of portfolio companies, such activities do not adversely affect such portfolio companies. Cerberus Technology Solutions may generate a profit through such use, sale, licensing or other provision of such data and information.

In addition, it is anticipated that Cerberus Technology Solutions may create, sell and/or license products and/or services containing, or capitalizing on the use of, such data and information, and an Adviser may recommend or encourage that the Client's portfolio companies (and/or those of the other Clients), and/or third parties with whom such portfolio companies conduct business, purchase and/or license such products and/or services, whether directly from

Cerberus Technology Solutions or from unrelated third parties with whom Cerberus Technology Solutions conducts business and receives fees for the sale and/or license of products and services. In the event that the Client or a portfolio company purchases or licenses a product or service directly from Cerberus Technology Solutions or from a third party that has a business relationship with Cerberus Technology Solutions pursuant to which such third party pays a portion of the sales or licensing fees its receives (including from the Client or its portfolio companies) to Cerberus Technology Solutions, Cerberus Technology Solutions will receive such sales or licensing fees as additional compensation, whether directly from the Client or its portfolio companies or indirectly through payments made by the Client or its portfolio companies to such third parties.

Directors and Officers of Portfolio Companies; Portfolio Company Management Equity Programs

Employees of the Adviser and members of the Cerberus Operations and Cerberus Technology Solutions teams may serve as directors and/or officers of portfolio companies of a Client. Accordingly, such employees and members may have a conflict where their fiduciary duty to the portfolio company may conflict with their fiduciary duty to the Client. In such circumstances, any such employee or member will act in accordance with his or her fiduciary duty to the portfolio company rather than any fiduciary duty such person may have to the Client.

In addition, certain directors, officers or employees of portfolio companies may (i) be Co-Investors with the Client, (ii) have affiliations with third parties who provide professional or other services to the Client's other portfolio companies, the Client, or (iii) have other business relationships or affiliations with the Adviser. In instances where the Adviser, on behalf of a Client, appoints or retains (or influences the appointment or retention of) such directors, officers or employees, the Adviser will make determinations with respect to the qualifications and appropriateness of such persons in its sole discretion.

From time to time, a portfolio company of a Client may provide to members of its board of directors, its executive officers, other members of its senior management team and other persons a Portfolio Company Management Equity Program. The determination of whether or not a portfolio company adopts or provides a Portfolio Company Management Equity Program and, if so, the terms thereof (including, among other things, the amount of equity or equity-like compensation granted, or awarded, the valuation thereof, the terms thereof, the vesting period, if any, thereof, and all such other terms and conditions) generally is made by the portfolio company based upon all such factors that the portfolio company deems relevant, including the nature and quality of the services provided, the persons providing such services, industry standards, competitive pressures, cash and non-cash compensation requirements, and all such other factors the portfolio company deems relevant at the time.

To the extent that any portfolio company adopts a Portfolio Company Management Equity Program, the grants and/or awards made thereunder will reduce the percentage ownership of such portfolio company by the owners thereof by the amount of such grants or awards pursuant to such Portfolio Company Management Equity Program. However, the Adviser believes that such grants or awards by portfolio companies pursuant to a Portfolio Company Management

Equity Program, if any, would only be made by portfolio companies that determine that doing so is in the best interests of the portfolio company and its owners at such time, and is consistent with the fiduciary duties of the board of directors (or a committee thereof established for such purpose) that make such equity grants or awards for such portfolio companies pursuant to its Portfolio Company Management Equity Program.

From time to time, Cerberus Operations and Cerberus Technology Solutions personnel serve on the board of directors of portfolio companies (including, often, as the Chairman of the Board), serve as executive officers of portfolio companies (including, often, as the Chief Executive Officer), and/or otherwise serve in one or more similar capacities at or for the benefit of portfolio companies, whether on a full-time or part-time basis (any such services, the “Portfolio Company Services”). To the extent that certain Cerberus Operations or Cerberus Technology Solutions personnel provide Portfolio Company Services to portfolio companies that have a Portfolio Company Management Equity Program, such Cerberus Operations and Cerberus Technology Solutions personnel may be included by such portfolio companies in such Portfolio Company Management Equity Program and the grants and awards made thereunder, including because, among other things, such Cerberus Operations and Cerberus Technology Solutions personnel are providing Portfolio Company Services with respect to which Portfolio Company Management Equity Program grants or awards would otherwise generally be granted or awarded by the portfolio company to its personnel or other third party providing the Portfolio Company Services being provided by such Cerberus Operations or Cerberus Technology Solutions personnel. As a result, the Adviser believes that grants or awards to Cerberus Operations and Cerberus Technology Solutions personnel would not result in additional dilution to the Clients that own such portfolio companies relative to the grants or awards that would be provided to a third party for such Portfolio Company Services.

Investments by Cerberus Employees

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

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

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

As described in this Brochure, the Advisers are affiliated with Cerberus Sub-Advisory I, LLC. The Advisers and Cerberus Sub-Advisory I, LLC share resources including, without limitation, personnel, policies and facilities. As also described in this Brochure, the Advisers and Cerberus Sub-Advisory I, LLC have adopted policies and procedures to mitigate and disclose any material conflicts of interest.

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

A. Code of Ethics.

The Advisers have implemented a personal securities trading policy, which is incorporated by reference to the Advisers' Code of Ethics and Business Conduct (the "Code of Ethics"), that prohibits employees from engaging in transactions with respect to the securities of any issuer, public or private, subject to certain limited exceptions. One of the exceptions to the prohibition on personal trading of certain types of securities (generally, governmental securities, money market instruments, money market funds, open-end mutual funds, exchange-traded funds and unit investment trusts) where employees do not have any opportunity to benefit from any of the private, proprietary or confidential information of the Advisers or the Clients. In addition, employees and the Private Feinberg Entities may participate in private investments and make certain other investments upon advance written notice to and written approval from, in the case of all employees, the Securities Compliance Committee of the Advisers, and in the case of the Private Feinberg Entities, both the Securities Compliance Committee and the Compliance and Risk Management Committee.

Consistent with the foregoing policies, it is possible that employees of the Advisers will purchase or sell securities or other instruments of the type or kind of securities or other instruments also purchased and sold for Clients.

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

With respect to the Private Feinberg Entities in particular, the investments made by such entities are investments that, at the time of investment, are opportunities that are determined by the Cerberus Compliance and Risk Management Committee and the Cerberus Securities Compliance Committee to be not appropriate for investment by any Client (although such investments may have originally been considered for investment by one or more Clients and subsequently determined to be not appropriate for investment by such Clients). In making determinations about the investment activities of the Private Feinberg Entities, the Cerberus Compliance and Risk Management Committee and the Cerberus Securities Compliance Committee consider a number of factors, including, without limitation, the investment strategies of the Clients, the return parameters of the Clients, and the Advisers' fiduciary duties to their Private Funds (and the investors therein) and their other Clients.

In recognition of the trust and confidence placed in the Advisers by the investors in the Private Funds, and by managed accounts, and to give effect to the Advisers' belief that their

operations should be directed to the benefit of the Clients, the Advisers adopted the following general principles to guide the actions of their employees:

- (i) The interests of the Clients are paramount. All employees must conduct themselves and their operations to give maximum effect to this tenet by assiduously placing the interests of the Clients before their own.
- (ii) All permitted personal transactions in securities by employees must be accomplished so as to avoid the appearance of a conflict of interest on the part of such personnel with the interests of the Clients.
- (iii) All employees must avoid actions or activities that allow a person to profit or benefit from his or her position with respect to the Clients or that otherwise improperly bring into question the person's independence or judgment.
- (iv) All employees must report any violation(s) of the Code of Ethics or inappropriate conduct to the Compliance and Risk Management Committee.
- (v) All employees must comply with all applicable laws, rules and regulations, including U.S. federal securities law.

The Advisers require that all Adviser personnel avoid any relationship or activity that might impair, or even appear to impair, such individual's ability to make objective and fair decisions when performing job functions. The Code of Ethics prohibits Adviser personnel from using Adviser property or information for personal gain or personally taking for themselves any opportunity that is discovered through their Adviser position without the express written consent of the Compliance and Risk Management Committee. The Code of Ethics further requires that employees disclose any situation, including situations pertaining to the employee's family members, which reasonably could be expected to give rise to a conflict of interest. The Code of Ethics also contains general prohibitions against fraud, deceit and manipulation, as well as additional restrictions and requirements regarding gifts, entertainment and outside activities.

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

employees performing investment, transactional, lending, finance, private research and/or private analysis activities of the Advisers to employees responsible for or involved in the securities trading activities of the Advisers.

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

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

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

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

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

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

Notwithstanding the foregoing, and subject to the Client's organizational documents, such advisory board approval is generally not required with respect to (i) any loan to, (ii) purchase of a security or other instrument or asset from or (iii) sale of a security or other instrument or asset to an Affiliate or another Client if such transaction (x) is between the Client and any SPV, securitization vehicle, pooled investment vehicle or other alternative investment vehicle (provided that the Adviser believes in good faith that such transaction does not present a conflict of interest), (y) is an allocation adjustment effected at cost plus a use of funds charge made in accordance with the Allocation Policy (including, for example, a final allocation of

an investment made within 45 days of the date of origination or acquisition) or (z) is made for tax or regulatory purposes. For the avoidance of doubt, any transaction with a portfolio company of any Clients that is effected in compliance with law, on terms at least as favorable to such Clients as are generally obtainable on an arm's-length basis from unrelated third parties for transactions of such nature, shall not be deemed a material transaction with another Client that requires the approval of such advisory board, subject to such Clients' organizational documents.

In particular, and subject to the Client's organizational documents, advisory board approval is generally not required with respect to (i) any transaction whereby the Client contributes assets to a securitization vehicle together with similar assets contributed by other Clients, in each case at fair market value, in exchange for securities issued from such securitization vehicle and (ii) any transaction where a Client contributes capital and/or other assets (including multi-family or single-family homes) to a REIT whose primary strategy will be to acquire multi-family homes and single-family homes (the "SFR REIT" in exchange for equity interests in the SFR REIT (issued at the then-current net asset value of such REIT, by reference to the amount of capital and/or the fair market value of the assets contributed, as applicable), which provides each Client with a *pro rata* interest in the assets of the SFR REIT (including assets that existed prior to such Client investing therein).

The Adviser has implemented policies and procedures intended to ensure that the foregoing transactions described in this Item 11(B) be, in the reasonable determination of the Adviser, in the best interests of each Client participating therein. Such transactions will be executed at market price (or fair value), measured in accordance with the Adviser's valuation policies and procedures, and will comply with all fiduciary requirements and any legal or other requirements established by the Adviser for the benefit of each of the Clients which participate in such transaction. The Adviser will receive no transaction-based compensation in connection with such transactions (other than the management fees and incentive allocations/fees otherwise payable by the Clients participating in such transactions).

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

Pursuant to organizational documents of certain Clients, the Adviser is authorized, on behalf of the investors, to select one or more persons, who shall not be an Affiliate of the Adviser, to serve on a committee, the purpose of which is to consider and, on behalf of the investors, approve or disapprove, to the extent required by applicable law or deemed advisable by the Adviser, principal transactions, certain other related-party transactions and certain other transactions and matters. The person(s) so selected may be exculpated and indemnified by such Client in the same manner and to the same extent as the Adviser is so exculpated and indemnified. To the extent such person or committee is asked to approve any matter, its

decision will be binding on all investors. The decision to seek consent for a transaction or other matter from the person or committee described in this paragraph will be made by the Adviser, at its sole discretion.

In no event will any cross trade, principal transaction or other transaction described in this Item 11(B) be entered into unless it complies with applicable law.

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

See response to Item 11(A).

D. Conflicts of Interest Created by Contemporaneous Trading.

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

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

Investment Allocation Policies

Investment decisions and allocations will be made in accordance with the Allocation Policy, as such policy and procedures are in effect at the time of such decision or allocation.

Investment decisions and allocations are not necessarily made in parallel among all Clients. If an investment is appropriate for one or more of the Clients, the investment generally will be allocated among such Clients *pro rata* based upon (i) the target portfolio holdings of that type of investment for each of such Clients and (ii) the available investment capital of each of such Clients, except that, (A) for certain specified mortgage-backed securities, the investment generally will be allocated among such Clients *pro rata* based upon the Fill-Up Amount for each of such Clients (as described below); (B) for certain single-family residences or single-family rental properties and/or mortgages purchased with the intent to own such residences and/or properties (and other closely-related assets) ("SFR Assets") acquired pursuant to the Adviser's single-family rental strategy, the Adviser may create one or more groups of Clients participating in such strategy (each, an "SFR Group") and allocate the SFR Assets among such SFR Groups as described below; and (C) subject to certain exceptions, hedging transactions, follow-on investments, re-securitization transactions and similar investments generally are allocated *pro rata* in accordance with the holdings of each Client of the underlying investment to which such hedge, follow-on investment or re-securitization transaction relates.

For investment allocation purposes, available investment capital of the Clients generally is determined as follows with respect to investments other than certain specified mortgage-backed securities: (a) with respect to any Client where investors make capital commitments

that are drawn over time (rather than making periodic capital contributions and withdrawals) and that is not a Hybrid Fund (as defined below) or Lending Fund (as defined below) (a “Commitment Fund”), available investment capital generally is the aggregate capital commitments of such Commitment Fund; (b) with respect to any Client where investors make capital contributions and withdrawals periodically during the existence of the fund (rather than having a fixed commitment and draw down period) and that is not a Hybrid Fund or Lending Fund (a “Liquid Fund”), available investment capital generally is the net asset value of such Liquid Fund; (c) with respect to any Client that has as part of its primary investment objective and/or primary investment activity the origination of loans or the investment in loans originated by one or more other Lending Funds or Adviser affiliates (a “Lending Fund”)¹, available investment capital generally is the sum of the available cash plus the undrawn capital commitments of each of such Lending Funds; and (d) with respect to any Client that otherwise would be a Liquid Fund but where one or more investors make commitments for future capital contributions on a delayed-draw or other future-funding basis (a “Hybrid Fund”), available investment capital generally is the sum of the net asset value plus the uncalled capital of such Hybrid Fund.

For investments that are specified mortgage-backed securities, available investment capital for all Clients (whether Commitment Funds, Liquid Funds, Lending Funds or Hybrid Funds) generally is the sum of the net asset value, plus the uncalled capital, if applicable and if any, of each of such Clients, respectively, and the “Fill-Up Amount” used to allocate such specified mortgage-backed securities is the product obtained by multiplying (i) the target holdings for each of the Clients with respect to such specified mortgage-backed securities by (ii) such available investment capital of such Clients, and then subtracting therefrom the then-current holdings of each of such Clients in such specified mortgage-backed securities strategy or sub-strategy.

In addition, for the purposes of determining the amount of an investment to be allocated to the Lending Funds, such Lending Funds’ available investment capital generally includes the financing available to such Lending Funds pursuant to financing arrangements in place with respect to their investment strategy (such as a line of credit or other financing facility), but excludes any subscription facilities related to investor commitments to such Lending Funds. Because the available investment capital for Lending Funds generally includes such amounts available under financing arrangements, while the available investment capital for Clients that are not Lending Funds generally does not include such amounts, and because such differences in the calculation of available investment capital could create disproportionate or inequitable results to the extent that one or more Lending Funds participate in an investment opportunity along with one or more Clients that are not Lending Funds, in such circumstances the Adviser determines the appropriate basis for allocation of such investment opportunity among such Lending Funds and such other Clients that are not Lending Funds in order to most accurately

¹ Certain Lending Funds (including, without limitation, certain offshore Lending Funds) do not originate loans but invest in such loans (the “Non-Originating Funds” and the Lending Funds that do originate loans, the “Originating Funds”). Clients that have as their primary investment objective and/or primary investment activity the origination of and/or investment in loans primarily related to and/or secured by real estate assets generally are not considered Lending Funds for purposes of the Allocation Policy, but, rather, shall be considered a Commitment Fund, Liquid Fund or Hybrid Fund, as applicable.

reflect the purpose, spirit and intent of the Allocation Policy and the relevant facts and circumstances.

Notwithstanding the foregoing, with respect to allocations of SFR Assets, the Adviser may determine that it is necessary or beneficial to create one or more SFR Groups (*e.g.*, due to different investment periods, asset holding timelines, levels of leverage, financing and collateral requirements, exit strategies, regulatory requirements, structuring requirements and/or other factors with respect to their investments in SFR Assets), and that due to the differences among such SFR Groups, it is advisable and/or appropriate that certain separate SFR Groups not invest together in the same SFR Asset (*e.g.*, the same house). In such circumstances, and to the extent such SFR Asset is not readily severable or divisible prior to the allocation thereof, the Adviser may allocate individual SFR Assets to individual SFR Groups based on (i) the aggregate available investment capital and (ii) the target portfolio holdings, in each case, for the particular type of SFR Asset attributable to the Clients that comprise each such SFR Group (the “Target SFR Group Holdings Amount” (and then within each such SFR Group, to the Clients in such SFR Group based on (i) their respective available investment capital and (ii) their respective target portfolio holdings of that type of SFR Asset), provided that the Adviser generally will allocate each SFR Asset in each applicable real estate market to the SFR Groups in a manner such that over the relevant measurement period each SFR Group has received a number of SFR Assets (though not the same SFR Assets) in such market approximately equal to such SFR Group’s SFR Group Allocation Percentage. The “SFR Group Allocation Percentage” with respect to an SFR Group is determined by dividing the Target SFR Group Holdings Amount for such SFR Group by the total Target SFR Group Holdings Amount of all SFR Groups for such SFR Asset. The Adviser may use one or more methods² to give effect to the foregoing as it will reasonably determine, and will periodically review the allocation of SFR Assets across each SFR Group to ensure that the separate allocations of SFR Assets have not resulted in unintended or undesired concentrations to one or more SFR Groups. In the event the Adviser determines that such a discrepancy exists, it will use commercially reasonable efforts to adjust the allocation of SFR Assets on a going-forward basis in a fair and equitable manner until the Adviser determines that such discrepancy has been resolved on an aggregate basis of holdings of SFR Assets among each of the SFR Groups.

Although the Adviser believes its methods of allocating SFR Assets accurately reflects the purpose, spirit and intent of the Allocation Policy, it is possible that one or more SFR Groups may receive a disproportionate allocation of SFR Assets in an applicable real estate market,

² In particular, the Adviser may use a random number generator methodology that involves assigning each SFR Asset purchased in each applicable real estate market a randomly generated number between zero and one and allocating SFR Assets to each SFR Group based on assigned numbers that correspond to such SFR Group’s SFR Group Allocation Percentage. For example, if there are two SFR Groups – the first having an SFR Group Allocation Percentage of 66.66% with respect to an SFR Asset and the second having an SFR Group Allocation Percentage of 33.33% with respect to such SFR Asset – the first SFR Group would be allocated SFR Assets with a random assigned number greater than 0.3333 and the second SFR Group would be allocated SFR Assets with a random assigned number less than or equal to 0.3333, and the result of that process will be that the first SFR Group should be allocated approximately 66.66% of all SFR Assets purchased in each applicable real estate market the second SFR Group should be allocated approximately 33.33% of all SFR Assets in each applicable real estate market.

and/or that one or more SFR Groups may have performance results that are materially different from those of other SFR Groups.

To the extent any Client does not have sufficient capital available to fund its *pro rata* allocation of any particular investment (whether as a result of such Client's existing investments, commitments for future investments, reserves for anticipated future cash needs or otherwise), such Client participates in such investment only to the extent of its capital available to do so, and any excess amounts that would have been allocated to such Client for such investment are instead allocated to the other Clients participating in such investment, as applicable, otherwise in the same manner as the rest of such investment was allocated.

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

The Adviser, in its sole discretion, also may make non-*pro rata* allocations among the Clients based upon a wide variety of factors including, among other things, tax and regulatory considerations, the overall portfolio composition of such Clients, different terms governing the Clients and the risk profile and investment restrictions (including limitations with respect to leverage) for such Clients. For example, to the extent that a secondary investment that was sourced by an Adviser may also be appropriate for investment by a Client that is not a Lending Fund (as determined by the Adviser's Allocation Committee), there may be circumstances where, due to the applicable tax, structure or other requirements of one or more non-originating Lending Funds ("Relevant Lending Funds"), the Adviser may allocate such investment opportunity to the Relevant Lending Fund(s) in priority to such other Clients that are not Lending Funds and which, therefore, may result in such Clients that are not Lending Funds receiving no (or a significantly smaller) allocation of such investment opportunity and Lending Funds receiving a larger allocation of such investment opportunity.

In addition, the initial allocation of any investment among the Clients may be subject to subsequent adjustment within the 45-day period immediately following such investment to reflect any adjustments in the Clients during such period (such as the launch of one or more new Clients) that would normally be taken into consideration at the time of such investment allocation. Any Client, that did not participate in the initial allocation of an investment that is subsequently allocated a portion of such investment will be charged an amount representing the cost of the capital invested by the Clients that received the initial allocation of such investment, and such amount will be paid to each of the Clients that received the initial allocation of the investment and from which a portion of the investment is reallocated. The cost of capital charge will be paid with respect to the reallocated portion of each investment only, and will be at a rate determined by the Adviser in its reasonable discretion representing the prevailing market rate at which the Clients could reasonably borrow cash at the time of the investment reallocation. Such cost of capital charge will be calculated from the date of the initial deployment of capital with respect to such investment by the Clients that received the initial allocation of such investment through the date of payment for such deployed capital by the respective Clients that received the subsequent reallocation. The reallocation and cost of funds

charge will be based on the cost of the investment regardless of whether the value of the investment increases or decreases after its purchase.

Although sales of investments held by multiple Clients generally are expected to be sold by the Clients on a *pari passu* basis, the Adviser, in its sole discretion may sell investments from various Clients on a non-*pro rata* basis based on a wide variety of factors including those described above in respect of allocations of investment opportunities. Accordingly, it is possible that one Client may be selling an investment, while another Client is retaining or investing more capital in the same investment. The Client could be disadvantaged by the investment activities of other Clients and by redemption or withdrawal requests by investors in other Clients that offer their investor redemption or withdrawal rights (including the Liquid Funds). For example, the sale of an investment by another Client could increase the concentration of certain investment holdings of the Client and could possibly lead to situations where the Client either has to, or conversely, cannot, enter into a transaction or capitalize on an investment opportunity. In the event that a Liquid Fund participates with the Client in an investment, if such Liquid Fund experiences a substantial level of redemptions, the need to satisfy such redemption requests may result in the sale of such investment.

Because the Adviser may make non-*pro rata* allocations, other Clients with the same, similar or overlapping investment programs may produce results that are materially different from those experienced by the Client. Additionally, other Clients may have different investment programs from the Client and make investments that are different as a result of such differing investment programs, which may also produce results that are materially different from those experienced by the Client.

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

The Adviser reserves the right to modify its Allocation Policy from time to time. A copy of the current Allocation Policy is available upon request to existing or potential Clients (or existing or potential underlying investors in Clients).

Tax Issues Impacting Investment Allocations

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

ITEM 12 BROKERAGE PRACTICES

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

The Adviser or one or more of its Affiliates has complete discretion, without obtaining specific client consent, to (i) buy or sell securities, (ii) determine the amount of the securities to be bought or sold, (iii) select the broker or dealer to be used in such purchase or sale and (iv) agree to the commission rates paid in connection with such purchase or sale.

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

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

1. Research and Other Soft Dollar Benefits.

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

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

2. Brokerage for Client Referrals.

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

3. Directed Brokerage.

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

B. Aggregated Orders for Various Client Accounts.

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

C. Trade Errors.

The Adviser has adopted a trade error policy and related trade error procedures to facilitate the prompt and appropriate resolution of trade errors. Trade errors may occur as a result of mistakes made on the part of an executing broker, or mistakes on the part of Adviser personnel, including, but not limited to, portfolio managers, traders and/or operations staff. Trade errors may include, for example, keystroke errors that occur when entering transactions into electronic trading systems, failures of oral or other communications between and among the Advisers' investment staff, trading staff and operations staff, or between the Advisers' personnel and the third parties, such as executing brokers, with whom the Adviser conducts trading activities or typographical or drafting errors related to purchase contracts or similar agreements. In accordance with the Adviser's trade error policies and procedures, all trade errors, if any, are promptly and appropriately reviewed, evaluated and resolved, and any gains or losses resulting therefrom are allocated properly between the Adviser, the applicable Clients and, where applicable, third parties. Gains and losses from multiple trade errors, if any, generally are not netted. Rather, each trade error generally is separately resolved in accordance with the policy and procedures described herein.

The Adviser strives to correct all trade errors prior to the settlement of any transaction, and to minimize gains and losses resulting from trade errors. Trade errors caused by third parties, such as executing brokers, are the responsibility of the third party and the Adviser endeavors to have the affected Clients reimbursed for such trade errors by such third parties. Such reimbursements generally are in accordance with the agreements in effect from time to time

between the Adviser and such third parties, such third parties' customer policies and procedures and governing law. The Adviser does not absorb and is not otherwise responsible for losses resulting from trade errors caused by third parties and the Adviser does not utilize soft dollar arrangements in resolving trade errors.

To the extent that a trade error may occur on the part of the Advisers' personnel, it almost always would occur as part of the business of the Advisers in effecting transactions for Clients in the ordinary course of their businesses. Thus, to the extent of any trade errors with respect to a Client, (i) all gains in such Client's account resulting from such trade errors will remain in such Client's account for the benefit of such Client and (ii) in accordance with the exculpation and indemnification provisions between such Client and the Advisers, all losses resulting from such trade errors (that are not reimbursed by third parties, such as executing brokers) will be borne by such Client, and not the Advisers, unless (a) such trade error was caused by the Advisers or their personnel acting (or failing to act) in violation of the standards of care applicable to the exculpation and indemnification protections afforded to the Advisers in any applicable governing documents or agreements with respect to Clients or (b) reimbursement by the Advisers to such Client is otherwise required by applicable law.

The Adviser generally will not notify investors in any Client that a trade error has occurred unless a determination has been made that the trade error has or will have a material adverse impact on the investors and/or the Client.

The Adviser maintains a record of trade errors which includes, among other things, the date that the trade error occurred, a description of the persons and entities involved in and the circumstances surrounding the trade error, and the means by which the trade error was addressed and/or resolved. Such record is maintained in accordance with the Adviser's recordkeeping policies.

D. Allocation Errors.

The Advisers seek to confirm that the proper allocations are made across the Clients for all investment opportunities. However, should an error be made with respect to the allocation of a particular investment opportunity, the Advisers will seek to correct such error, where possible, to put each Client involved in such allocation error in the same place as it would be if such error had not occurred.

ITEM 13

REVIEW OF ACCOUNTS

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

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

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

A review of a Client account may be triggered by any suspicious or unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

Investors in the Private Funds and managed account Clients receive from the Advisers, typically in an electronic format, unaudited quarterly reports providing summary financial and other information on their Private Fund or account. The Advisers may provide certain investors with information on a more frequent and detailed basis if agreed to by the Advisers. In addition, the Advisers provide to investors of the Private Funds, typically in an electronic format, audited financial statements concerning their respective Private Fund and tax information necessary for the completion of such investor's return within 120 days of the end of the Private Fund's fiscal year.

Investors are also provided with performance and other detailed information so that each investor can monitor its investment in the Clients. The Advisers welcome inquiries from investors in the event any investor desires information not contained in the Advisers' Form ADV Part 1, Form ADV Part 2 or other relevant offering material or Client reports. The Advisers will endeavor to answer all reasonable and appropriate questions in a timely fashion, while maintaining the confidentiality of sensitive nonpublic and proprietary information related to the operations and investments of the Advisers and the Clients. The Advisers do not publish investor questions and answers and generally do not otherwise disseminate such answers to all investors of the relevant Client.

In addition, with respect to certain Clients, the Advisers will hold an annual or semi-annual meeting for their respective investors.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

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

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

Neither the Adviser nor any related person directly or indirectly compensates any person for Client referrals. The Adviser has engaged placement agents to solicit certain types of prospective investors for investments in the Private Funds. The Adviser may in the future enter into additional arrangements with third party placement agents, distributors or others to solicit investors in the Private Funds and such arrangements will generally provide for the compensation of such persons for their services at the Adviser's expense.

ITEM 15

CUSTODY

Rule 206(4)-2 promulgated under the Advisers Act (the “Custody Rule”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

The Advisers are required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which they have custody with a qualified custodian. Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions.

Rule 206(4)-2 imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors) and surprise examinations relating to such clients’ funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle (i) is audited at least annually by an independent public accountant and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of fund adviser) of its fiscal year-end. The Advisers rely upon this audit exception with respect to the Clients.

ITEM 16

INVESTMENT DISCRETION

The Adviser or an Affiliate has been appointed as the investment manager, management company, manager or general partner of the Clients with discretionary trading and investment authorization. The Adviser or an Affiliate has full discretionary authority with respect to investment decisions, and its advice with respect to the Clients is made in accordance with the investment objectives and guidelines as set forth in such Client's respective private placement memorandum, if any, investment management agreement or other organizational document. The Adviser or an Affiliate assumes discretionary authority to manage the Clients through the execution of investment management agreements or through the organizational documents of Clients. As described above, with respect to one Private Fund, an Affiliate serves as co-manager to such Private Fund with a third party as set forth and described in the organizational and offering documents of such Private Fund.

ITEM 17
VOTING CLIENT SECURITIES

The SEC adopted Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rules, the Advisers have adopted proxy voting policies and procedures (the “Policies”). To the extent practicable in light of their other duties to multiple Clients, the Advisers will seek to vote proxies in a manner consistent with the best interests of each relevant Client. While the decision whether or not to vote a proxy must be made on a case-by-case basis, the Adviser generally does not vote a proxy if it believes the proposal is not adverse to the best interest of the Clients, or, if adverse, the outcome of the vote is not in doubt. In the situations where the Adviser does vote a proxy, the Adviser generally votes the proxy in accordance with specified guidelines. A copy of the Policies and the proxy voting record relating to a Client may be obtained by contacting the Adviser.

ITEM 18
FINANCIAL INFORMATION

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