

**ITEM 1**  
**COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**SILVER POINT CAPITAL, L.P.**

March 2019

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*This brochure (this "Brochure") provides information about the qualifications and business practices of Silver Point Capital, L.P. and certain of its affiliates ("Silver Point"). If you have any questions about the contents of this Brochure, please contact us at (203) 542-4200 or [info@silverpointcapital.com](mailto:info@silverpointcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*Silver Point is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*Additional information about Silver Point is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**ITEM 2**  
**MATERIAL CHANGES**

This is Silver Point's annual updating amendment to its last Brochure, which was filed on March 29, 2018. We have not updated this Brochure since that annual update. While this update to our Brochure contains changes and updates to certain information, we do not feel the changes and updates since we last filed an annual update to our Brochure are material.

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## ITEM 4 ADVISORY BUSINESS

### Advisory Firm

Silver Point, a Delaware limited partnership, was established in 2001 and serves as the principal vehicle for the investment management activities of its principal owners, Edward A. Mulé and Robert J. O'Shea. Edward A. Mulé and Robert J. O'Shea are both limited partners of Silver Point and members of Silver Point Capital Management, LLC, a Delaware limited liability company that serves as the general partner of Silver Point. Silver Point Capital Management, LLC has ultimate responsibility for the management, operations and the investment decisions made by Silver Point.

### Advisory Services

Silver Point or an affiliate serves as the management company with discretionary trading authority to private pooled investment vehicles (each, a "Fund" and collectively, the "Funds"). The Funds include:

1. Silver Point Capital Fund, L.P. (the "Domestic Flagship Fund"), Silver Point Capital Offshore Fund, Ltd. (the "Offshore Flagship Fund") and Silver Point Capital Offshore Master Fund, L.P. (the "Master Flagship Fund" and together with the Domestic Flagship Fund and the Offshore Flagship Fund, the "Flagship Funds"). The Offshore Flagship Fund invests substantially all of its assets in a "master-feeder" structure into the Master Flagship Fund. Silver Point Capital General Partner, LLC (the "Domestic Flagship GP") serves as the general partner of the Domestic Flagship Fund and Silver Point Capital Offshore General Partner, LLC (the "Master Flagship GP" and together with the Domestic Flagship GP, the "Flagship GPs") serves as the general partner of the Master Flagship Fund.
2. Silver Point Specialty Credit Fund, L.P. (the "Specialty Credit Fund"). An affiliate of Silver Point, Silver Point Specialty Credit Fund Management, LLC ("Specialty Credit Fund Management"), provides investment advisory services to the Specialty Credit Fund. Such affiliate is controlled by Edward A. Mulé and Robert J. O'Shea. Silver Point Specialty Credit Fund GP, LLC (the "Specialty Credit Fund GP") serves as the general partner of the Specialty Credit Fund.
3. Silver Point Select Opportunities Fund A, L.P. (the "Select Opportunities Fund"). Silver Point provides investment advisory services to the Select Opportunities Fund. Silver Point Select General Partner, LLC (the "Select Opportunities GP") serves as the general partner of the Select Opportunities Fund.
4. Silver Point Distressed Opportunities Fund, L.P. (the "Domestic Distressed Opportunities Fund"), Silver Point Distressed Opportunities Offshore Fund, L.P. (the "Offshore Distressed Opportunities Fund") and Silver Point Distressed Opportunities Offshore Master Fund, L.P. (the "Offshore Master Distressed Opportunities Fund" and together with the Domestic Distressed

Opportunities Fund and the Offshore Distressed Opportunities Fund, the "Distressed Opportunities Funds"). An affiliate of Silver Point, Silver Point Distressed Opportunities Management, LLC ("Distressed Fund Management"), provides investment advisory services to the Distressed Opportunities Funds. Such affiliate is controlled by Edward A. Mulé and Robert J. O'Shea. Silver Point Distressed Opportunities Onshore General Partner, LLC (the "Domestic Distressed Fund GP") serves as the general partner of the Domestic Distressed Opportunities Fund and Silver Point Distressed Opportunities Offshore General Partner, LLC (the "Offshore Distressed Fund GP") and together with the Domestic Distressed Fund GP, the "Distressed Fund GPs") serves as the general partner of the Offshore Distressed Opportunities Fund and the Offshore Master Distressed Opportunities Fund.

5. Silver Point Distressed Opportunity Institutional Partners, L.P. (the "Domestic Distressed Institutional Fund"), Silver Point Distressed Opportunity Institutional Partners (Offshore), L.P. (the "Offshore Distressed Institutional Fund") and Silver Point Distressed Opportunity Institutional Partners Master Fund (Offshore), L.P. (the "Offshore Master Distressed Institutional Fund") and together with the Domestic Distressed Institutional Fund and the Offshore Distressed Institutional Fund, the "Distressed Institutional Funds"). Distressed Fund Management provides investment advisory services to the Distressed Institutional Funds. Domestic Distressed Fund GP serves as the general partner of the Domestic Distressed Institutional Fund and Offshore Distressed Fund GP serves as the general partner of the Offshore Distressed Institutional Fund and the Offshore Master Distressed Institutional Fund.
6. SPCP Group VIII, LLC ("SPCP Group VIII"). Silver Point provides investment advisory services to SPCP Group VIII. The Master Flagship Fund serves as the manager of SPCP Group VIII through a wholly owned subsidiary (the Master Flagship Fund in such capacity, the "SPCP Group VIII Manager"). The SPCP Group VIII Manager has delegated all of its rights, powers, duties and responsibilities to Silver Point.

References herein to "Silver Point" shall be deemed to include Silver Point, Specialty Credit Fund Management, Distressed Fund Management, the Domestic Flagship GP, the Master Flagship GP, the Specialty Credit Fund GP, the Select Opportunities GP and/or the Distressed Fund GPs, where applicable.

The Flagship GPs, Specialty Credit Fund Management, the Specialty Credit Fund GP, the Select Opportunities GP, Distressed Fund Management and the Distressed Fund GPs are presently registered (or treated as registered) as investment advisers under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), pursuant to Silver Point's Form ADV, which contains an entry in Schedule R for both Specialty Credit Fund Management and Distressed Fund Management and lists the Flagship GPs, the Specialty Credit Fund GP, the Select Opportunities GP and the Distressed Fund GPs in Section 7.A of Schedule D.

The Funds are structured as Delaware limited partnerships, Delaware limited liability companies, Cayman Islands exempted companies or Cayman Islands exempted limited partnerships.

As used herein, the term "client" generally refers to each Fund.

This Brochure generally includes information about Silver Point and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only. This Brochure does not contain all of the terms and conditions related to an investment in the Funds or all of the risks associated with any such investment, and certain of the information contained herein is in summary form. As a result, prior to any investment in any Fund, all prospective investors should carefully review the offering memorandum for such Fund.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities are generally offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in the Funds generally must be both "accredited investors", as defined in Regulation D, and "qualified purchasers", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

### **Investment Strategies and Types of Investments**

Silver Point's investment strategy with respect to the Flagship Funds focuses on making investments in debt, equity or other securities, obligations or instruments of misvalued, mislevered, leveraged or financially distressed companies and in event-oriented and other special situations.

Silver Point's investment strategy with respect to the Specialty Credit Fund is to originate loans to small and middle market companies domiciled in the United States and invest in specialty bridge financings, rescue financings and secondary purchases of loans and other credit-related assets. At any time during the term of the Specialty Credit Fund, Silver Point may, in its sole discretion, elect to effect a restructuring of the Specialty Credit Fund by causing the Specialty Credit Fund to (i) convert to, merge with or directly or indirectly transfer all or any portion of its assets to, an entity that has elected to be treated as a business development company ("BDC") under the 1940 Act (a "Conversion" and, after Conversion, the Specialty Credit Fund referred to herein as the "BDC Vehicle"), (ii) elect to be treated as a regulated investment company (a "RIC") for U.S. federal income tax purposes and (iii) conduct an initial public offering (an "IPO").

Silver Point's investment strategies with respect to the Select Opportunities Fund are to invest alongside the Specialty Credit Fund and potentially other Funds, in each case, on an "overflow basis" after such Funds have received their entire desired share of each investment opportunity falling within their respective investment programs (including through co-investments alongside a particular Fund or Funds) and to make investments in investment opportunities within or outside the strategies of the Specialty Credit Fund and potentially other Funds, in each case, that are not pursued by such Funds.

Silver Point's investment strategies with respect to the Distressed Opportunities Funds and the Distressed Institutional Funds are to invest opportunistically in debt, equity and other financial instruments, obligations and assets, with a particular focus on companies and/or

instruments that are stressed, distressed, overleveraged and/or going through restructurings, bankruptcies or other complex situations. The Distressed Opportunities Funds and the Distressed Institutional Funds have flexibility to invest in a wide variety of instruments, including less liquid and longer duration investments, and may have a concentrated portfolio, including control positions.

Silver Point's investment strategy with respect to SPCP Group VIII is to invest in the debt, equity and other securities, obligations or instruments of a particular company. The Flagship Funds participate in such investments through SPCP Group VIII.

Please see Item 8 for a more detailed description of the investment strategies pursued and types of investments made by the Funds.

The descriptions set forth in this Brochure of specific advisory services that Silver Point offers to clients, and investment strategies pursued and investments made by Silver Point on behalf of its clients, should not be understood to limit in any way Silver Point's investment activities. Silver Point may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, Silver Point considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Silver Point pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

#### **Customized Services for Individual Clients**

Silver Point's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

#### **Assets Under Management**

As of December 31, 2018, Silver Point and its affiliates manage approximately \$13.3 billion of regulatory assets under management attributable to its clients on a discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

#### **Advisory Fees and Compensation - The Flagship Funds, The Distressed Opportunities Funds and The Distressed Institutional Funds**

Management Fees: In connection with providing investment advisory services to the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds, Silver Point generally receives asset-based management fees, payable quarterly in advance, equal to 1.5% or 2.0% per annum of (i) the net asset value of the Domestic Flagship Fund and the Master Flagship Fund or a subsidiary thereof attributable to the interests held by each investor or (ii) the invested capital of each investor in the Distressed Opportunities Funds or the Distressed Institutional Funds. The specific payment terms and other conditions of the management fee payable to Silver Point in respect of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds are set forth in the applicable offering documents or side letters (in the case of the Distressed Institutional Funds).

Silver Point, in its sole discretion, may reduce, waive or calculate differently the management fee with respect to any investor, and it has done so with respect to employees of Silver Point, certain other related persons and certain Distressed Institutional Funds investors (based on the size of their investment).

#### Incentive and Performance-Based Compensation:

Incentive compensation for the Flagship Funds is generally equal to 20% of net realized and unrealized capital appreciation for each year, excluding unrealized appreciation attributable to side pocketed investments ("Designated Investments"), after making up any losses carried forward from prior years as further discussed in the offering documents for the Flagship Funds. Incentive compensation is generally charged after the close of each fiscal year and upon interim-year withdrawals and is calculated separately for each subscription.

Performance-based compensation for the Distressed Opportunities Funds and the Distressed Institutional Funds is in the form of carried interest generally equal to 20% of all income, gains and losses derived from investments after the return to investors of their capital contributions and a preferred return thereon.

The specific terms and other conditions of the incentive or performance-based compensation payable or allocable to Silver Point in respect of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds are set forth in the applicable offering documents.

Silver Point, in its sole discretion, may reduce, waive or calculate differently the incentive or performance-based compensation with respect to any investor and has done so with respect to employees of Silver Point and certain other related persons.



## **Advisory Fees and Compensation – The Specialty Credit Fund**

Management Fees: The Specialty Credit Fund will pay to Silver Point, in respect of each investor, a management fee (the "Specialty Credit Fund Management Fee"), payable quarterly in arrears, pursuant to the terms of the offering documents. Prior to an IPO, the Specialty Credit Fund Management Fee will be determined, during the commitment period, based on an investor's unfunded capital commitment and drawn commitment and thereafter based on net capital contributions. Following an IPO, the Specialty Credit Fund Management Fee will be based on a percentage of the Specialty Credit Fund's gross assets. Prior to Conversion, Silver Point may, in its sole discretion, waive or reduce the Specialty Credit Fund Management Fee with respect to Silver Point and its affiliates, the partners and the employees of Silver Point or any of its affiliates, and their respective family members and estate planning vehicles (collectively, the "SP Persons"), and any other investor, it being understood that following Conversion any such waiver or reduction will be eliminated.

### Incentive Compensation:

"Specialty Credit Fund Incentive Compensation" will be payable by the Specialty Credit Fund to Silver Point and will consist of two parts, "Income Incentive Compensation" and "Capital Gains Incentive Compensation," as follows:

- (i) *Income Incentive Compensation.* Income Incentive Compensation will be calculated and payable to Silver Point quarterly in arrears based on the pre-incentive compensation net investment income generated by the Specialty Credit Fund and will be subject to hurdles and catch-up provisions as further described in the offering documents. Pre-incentive compensation net investment income does not include any realized capital gains, realized capital losses and unrealized capital appreciation or depreciation. Prior to a qualifying IPO (as described in the Specialty Credit Fund's governing documents), pre-incentive compensation net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay in kind interest and zero-coupon securities), accrued income that the Specialty Credit Fund has not yet received in cash.
- (ii) *Capital Gains Incentive Compensation.* Capital Gains Incentive Compensation, payable at the end of each calendar year in arrears, will equal 20% (prior to a qualifying IPO, 15%) of cumulative capital gains from the inception of the Specialty Credit Fund to the end of such calendar year, minus the aggregate amount of any previously paid Capital Gains Incentive Compensation for prior periods.

Prior to Conversion, items of gain will be allocated to the capital account of the Specialty Credit Fund GP in accordance with the calculation of the Capital Gains Incentive Compensation. An amount equal to the Capital Gains Incentive Compensation will be distributed by the Specialty Credit Fund to the Specialty Credit Fund GP pursuant to the Specialty Credit Fund's offering documents. Following Conversion, Capital Gains Incentive Compensation will be payable to Silver Point.

Prior to Conversion, Silver Point and the Specialty Credit Fund GP may waive their right to receive all or any portion of the Specialty Credit Fund Incentive Compensation, including in respect of the interests of SP Persons and any other investor, it being understood that following Conversion any such waiver granted in respect of the interests of SP Persons and any other investor will be eliminated.

## **Advisory Fees and Compensation – The Select Opportunities Fund**

Management Fees and Incentive Compensation. The Select Opportunities Fund will pay to Silver Point, in respect of each investor, an asset-based management fee payable quarterly in arrears and incentive compensation calculated and payable quarterly and annually in arrears as set forth in the offering documents of the Select Opportunities Fund. The Select Opportunities Fund may establish and negotiate additional management fees and incentive compensation with investors in the Select Opportunities Fund and the precise amount of, and manner and calculation of, such additional fees and compensation will be set forth in the offering documents received by each investor prior to its investment in the Select Opportunities Fund strategy related to such additional fees and compensation.

## **Advisory Fees and Compensation – SPCP Group VIII**

Incentive Compensation. Performance-based compensation will be paid as set forth in the organizational documents of SPCP Group VIII.

### **Payment of Fees**

Fees and compensation paid or allocated to Silver Point or its affiliates by the Funds are generally deducted from the assets of such clients or from capital called. As discussed above, management fees are generally deducted on a quarterly basis, incentive compensation is generally deducted or allocated on a quarterly or annual basis and upon a redemption or withdrawal of an investor and performance-based compensation is generally deducted or allocated on a realization basis, depending upon the Fund.

## **Additional Fees and Expenses – The Funds Generally**

Expenses: Subject to its offering documents, each Fund generally bears its own expenses resulting from or arising in connection with its organization, offering and operations. Such expenses may include the following:

- (i) legal, accounting, tax, auditing, consulting and other professional expenses (including expenses relating to establishing reputation and public relations in connection with self-sourced lending or other financial transactions);
- (ii) the management fees;
- (iii) professional liability insurance (including costs relating to directors' and officers' liability insurance and errors and omissions insurance);
- (iv) research and market data expenses;
- (v) fees and expenses (including legal fees) relating to establishing auditor, custodial, administration services or prime brokerage relationships;
- (vi) fees and costs (including legal fees) of entering into ISDAs;
- (vii) custodial fees;
- (viii) bank service fees;

- (ix) investment-related fees and expenses (such as brokerage commissions, third-party sourcing fees, fees and expenses of legal and other professionals, due diligence expenses and travel, lodging and meal expenses) related to the sourcing, evaluation, discovery, investigation, development, analysis, monitoring, purchase or sale of investments, whether or not the investments are consummated;
- (x) fees and expenses of any finders, senior advisors, originators, consultants (including sourcing consultants, operating consultants, research consultants, industry expert consultants and/or subject matter consultants) and other persons acting in a similar capacity (in each case, whether or not such persons are engaged by the Fund and/or its affiliates in a dedicated or exclusive capacity and whether or not fees are paid as a fixed amount or based on profits or performance);
- (xi) costs and expenses related to attending investment related conferences, including in connection with the sourcing of future investments or business sector opportunities or the evaluation of potential investments, irrespective of whether any such investment is ultimately consummated;
- (xii) expenses related to aggregating vehicles, special purpose vehicles and alternative investment vehicles (including formation and overhead expenses of an ordinarily recurring nature such as rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, employee benefits including insurance, payroll taxes and compensation of all employees related thereto ("Overhead Expenses"));
- (xiii) any and all costs and expenses incurred in connection with the incurrence of leverage and indebtedness, including with respect to credit agreements, margin financing, total return swaps and other derivatives, commitment-based financing, reverse purchase agreements, and other borrowings, and including any principal or interest on the Fund's borrowings and indebtedness (including fees, costs, and expenses incurred in obtaining lines of credit, loan commitments, and letters of credit for the account of the Fund and in guaranteeing the obligations of any issuers or their affiliates);
- (xiv) other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of the Fund's assets (directly or through trading affiliates) as will be determined by Silver Point in its sole discretion (including costs associated with systems and software used in connection with investment-related activities);
- (xv) costs of reporting to investors;
- (xvi) all costs and expenses incurred in connection with any meeting of the investors that is generally open or applicable to all investors (including the costs and expenses of any third-party speakers at any such meetings) and any meeting of

the advisory committee (including the reasonable expenses incurred by members of the advisory committee in connection with their attendance);

- (xvii) administration fees and expenses charged by any third-party provider of administration services;
- (xviii) taxes;
- (xix) expenses relating to the offer, transfer, sale and marketing of interests in the Fund (including travel, lodging and meals relating to the offering of such Fund and translation, printing and distribution fees and expenses (including fees and expenses related to the retention of, and services provided by, any service provider or agent engaged by such Fund and/or its affiliates in connection with such translation, printing and distribution));
- (xx) any fees, costs and expenses relating to entering into, and compliance with, side letters and most favored nations processes;
- (xxi) federal, state and non-U.S. filing and registration fees and expenses (but excluding for the avoidance of doubt, any filing and registration expenses that are not related to the Fund and its activities);
- (xxii) fees and expenses related to complying with (or facilitating compliance with) any applicable law, rule or regulation (including legal fees, costs and expenses, regulatory and compliance fees and expenses relating to past, current and prospective investments and any registration, compliance, filings or other obligations related to or arising out of the AIFM Directive and any fees, costs and expenses with respect to any registration or reporting activities of the Fund, including legal advice regarding the offering of interests of the Fund or its investments);
- (xxiii) costs of winding up and liquidating the Fund;
- (xxiv) expenses incurred in connection with an investor that defaults in respect of a commitment;
- (xxv) any and all fees, costs and expenses incurred in connection with computing the value of the assets of the Fund (including, as applicable, any and all fees, costs and expenses associated with advisors, independent pricing services and third-party valuation consultants);
- (xxvi) any fees, costs and expenses incurred in connection with the use of any person who is not affiliated with Silver Point, to consider and, on behalf of the investors and the Fund, review and/or approve such matters as Silver Point may determine, including any principal, agency, agency cross and cross transactions, or matters that require approval by applicable law, including Section 206(3) of the Advisers Act;

- (xxvii) expenses incurred in connection with the Fund's tax returns and Schedules K-1 (or similar schedules, if applicable), including the costs of creating, printing and distributing such tax returns and Schedules K-1 (or similar schedules);
- (xxviii) costs and expenses with respect to representation of the Fund and the investors by the tax matters partner or partnership representative;
- (xxix) fees and expenses in connection with ongoing compliance, filing and reporting obligations under AEOI (as defined below); and
- (xxx) other direct organizational costs and other expenses associated with the operation of the Fund and its investment activities, including extraordinary expenses such as litigation, workout and restructuring and indemnification expenses, if any.

"AEOI" means (i) Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), the Treasury Regulations issued thereunder and any other associated legislation, regulations or guidance, and any other similar legislation, regulations or guidance enacted in any other jurisdiction which seeks to implement similar financial account information reporting and/or withholding tax regimes; (ii) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard and any associated commentary and/or guidance and (iii) any intergovernmental agreement, treaty, regulation, guidance, standard or other agreements, entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in clauses (i) and (ii).

Silver Point is authorized to incur and pay in the name and on behalf of the relevant Fund, any parallel fund and any alternative investment vehicle, all expenses which they deem necessary or advisable.

#### **Other Fees and Expenses – The Flagship Funds, The Distressed Opportunities Funds and The Distressed Institutional Funds**

Subject to each Fund's offering documents, if Silver Point or its affiliates receive any compensation in connection with lending or other financial transactions or investments (including, without limitation, acquisitions, dispositions, recapitalizations and restructurings, and the provision of financial advisory, investment monitoring, investment management or similar or related services) (collectively "Fee Income"), 100% of the portion of such Fee Income (x) ratably attributable to a Fund's investment in any such transactions or investments (or, in the case of broken deal fees, such proposed transaction or investment), and (y) in the case of certain Funds, relating to the capital commitments to or the value of interests in, as applicable, such Fund held by fee and/or incentive compensation bearing investors, will be applied as an offset to either the management fee or the incentive compensation, if applicable, as set forth in the offering documents of the relevant Fund. The remaining portion of such compensation will not be applied as an offset to such Fund's management fee or the incentive compensation and will benefit Silver Point or its affiliates (in the case of the ratable interest of Silver Point, its affiliates or third parties in the applicable financial instrument) and/or other Silver Point Accounts (as defined below) (in the case of the ratable interest of such other Silver Point Accounts in the applicable financial instrument). If Silver Point or its affiliates receive any Fee Income in connection with or arising from providing administrative,

collateral management or similar or related services in respect of lending or other financial transactions, such Fee Income will not be applied as an offset to the management fee or of the incentive compensation (as applicable) and will instead be retained by Silver Point. If the management fee or the incentive compensation (as applicable) is not sufficient to fully effect such offset in any particular period, any shortfall will be carried forward to reduce future management fees or incentive compensation (as applicable) until such shortfall is fully offset. Notwithstanding the foregoing, in the event an investor in the Flagship Funds withdraws or redeems prior to the making of the adjustment described in this paragraph, such investor will forego, and will not be entitled to, any portion of any such subsequent adjustment.

The Funds will not receive the benefit of any compensation received by Silver Point or its affiliates in connection with the portion of any financial transactions or investments attributable to participants other than the Funds. A conflict of interest may arise if Silver Point causes a Fund to participate in a financial transaction or investment with others and fees are paid to Silver Point or its affiliates.

### **Administrative Fees and Expenses – The Flagship Funds**

In addition to the retention of any third-party administrators, Silver Point, or an affiliate, performs some of the functions of a third-party administrator in-house because it believes it can provide an effective integrated solution, including performing independent checks on certain work performed by the third-party administrator. Silver Point will charge administration costs to the Flagship Funds; provided, however, that such costs will be limited to an amount that, along with the costs of any third-party administration services it uses and Silver Point's expenses discussed below, will be the lesser of actual costs incurred or 12 basis points of the Domestic Flagship Fund's or the Offshore Flagship Fund's net asset value. The costs incurred by Silver Point in the provision of such administration services are included in the above, and include, but are not limited to, out of pocket expenses (including travel, meals and lodging), third party software licensing, implementation, data management and recovery services, custom development costs and Overhead Expenses.

### **Additional Fees and Expenses – The Specialty Credit Fund**

Expenses: In addition to the expenses described above and subject to its governing documents, the Specialty Credit Fund will also bear the following expenses: costs associated with Conversion and ensuring compliance with the applicable BDC and RIC requirements, including, but not limited to, costs incurred in connection with the organization of, and transfer of assets to, a private investment vehicle and all other expenses incurred in connection with effecting Conversion.

Following Conversion, the Specialty Credit Fund will also be responsible for the costs of the offering of common shares and other securities, including, but not limited to, all expenses incurred in connection with an IPO; costs and expenses relating to distributions paid to investors; costs of effecting sales and repurchases of the Specialty Credit Fund's securities; allocated costs incurred by Silver Point or its affiliate in providing managerial assistance to those companies in which the Specialty Credit Fund has invested who request it; transfer agent fees; fees and expenses paid to the Specialty Credit Fund's independent directors (including expenses and costs related to meetings of the independent directors); costs of preparing and filing reports with the SEC and other Specialty Credit Fund reporting and compliance costs, including registration and listing fees; the Specialty Credit Fund's allocable portion of the fidelity bond; the costs of reports, proxy statements or other notices to

investors, including printing and mailing costs; the costs of any stockholders' meetings and communications; expenses payable under any underwriting agreement, including associated fees, expenses and any indemnification obligations; and all other expenses incurred by the Specialty Credit Fund in connection with maintaining its status as a BDC and a RIC.

Administrative Fees and Expenses: Silver Point, or an affiliate, may perform some or all of the functions of a third-party administrator in-house. Each affiliated administrator will be reimbursed for all out-of-pocket expenses out of the assets of the Specialty Credit Fund.

Following Conversion, the Specialty Credit Fund will reimburse Silver Point or its affiliates, as applicable, for all costs and expenses incurred in connection with administering the Specialty Credit Fund's business including out of pocket expenses (including travel, lodging and meals), the Specialty Credit Fund's allocable portion of Silver Point's or any affiliated administrator's overhead expenses in performing its obligations under the Specialty Credit Fund's advisory agreement or any administration agreement, as applicable, including rent and the allocable portion of the compensation paid by Silver Point or its affiliates, as applicable, to the Specialty Credit Fund's Chief Compliance Officer and Chief Financial Officer and their respective staffs (based on the percentage of time such individuals devote, on an estimated basis, to the business affairs of the Specialty Credit Fund), third-party software licensing, implementation, data management and recovery services and custom development costs.

Other Fees: If Silver Point or its affiliates receives any Fee Income, the portion of such Fee Income ratably attributable to investments made (or, in the case of broken deal fees, proposed) by the Specialty Credit Fund will be either (a) paid to the Specialty Credit Fund or (b) prior to Conversion, applied as an offset to the Specialty Credit Fund Management Fee. Prior to Conversion, if the Specialty Credit Fund Management Fee is not sufficient to offset any such fees, any shortfall will be carried forward to reduce future Specialty Credit Fund Management Fees until the earlier of such time as (i) such shortfall is fully offset or (ii) Silver Point is no longer entitled to receive the Specialty Credit Fund Management Fee from the Specialty Credit Fund. Upon Conversion or such time that Silver Point is no longer entitled to receive the Specialty Credit Fund Management Fee from the Specialty Credit Fund, any remaining shortfall will be paid by Silver Point or its affiliates to the Specialty Credit Fund.

Any fees received by Silver Point or its affiliates in connection with or arising from providing administrative, collateral management or similar or related services to the Specialty Credit Fund in respect of lending or other financial transactions or investments will be retained by Silver Point or its affiliates and will not be applied as an offset to the Specialty Credit Fund Management Fee.

#### **Additional Fees and Expenses – Select Opportunities Fund**

With respect to the Select Opportunities Fund, fees received by Silver Point or its affiliates and expenses borne by the Select Opportunities Fund are determined on a strategy-by-strategy basis and include fee and expense arrangements similar to those described above for the other Funds.

#### **Additional Fees and Expenses – SPCP Group VIII**

SPCP Group VIII will bear its own expenses and will reimburse the SPCP Group VIII Manager and Silver Point for all out-of-pocket fees and expenses incurred by the SPCP Group VIII Manager and Silver Point in forming SPCP Group VIII and carrying out the

SPCP Group VIII Manager's powers, duties and responsibilities (including to the extent delegated to Silver Point).

### **Allocation of Expenses Generally**

Generally, expenses incurred directly in connection with a particular investment (or proposed investment) of certain Silver Point Accounts will be allocated among such Silver Point Accounts; provided that expenses specifically attributable to a particular Silver Point Account may be allocated to such Silver Point Account. Silver Point will allocate expenses among Silver Point Accounts in a fair and equitable manner upon taking into account such factors as it deems appropriate.

Notwithstanding the foregoing, it may not be practical to specifically allocate certain investment-related expenses to the particular investment or Silver Point Account to which they relate. Silver Point, in its sole discretion, may instead allocate such expenses (along with expenses that relate to transactions that are not consummated) across one or more investments or Silver Point Accounts; provided that any such allocation will, on balance, be in a fair and equitable manner.

### **Additional Compensation**

Neither Silver Point nor any of its supervised persons accept brokerage commissions for the sale of securities or other investment products.



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

Silver Point and its affiliates accept performance-based compensation from every Fund. As a result, Silver Point and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some clients, but not from other clients.

**ITEM 7**  
**TYPES OF CLIENTS**

Silver Point and its affiliates generally provide investment advice to the Funds, as described above.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### **Methods of Analysis and Investment Strategies**

*The descriptions set forth in this Brochure of specific advisory services that Silver Point offers to clients, and investment strategies pursued and investments made by Silver Point on behalf of its clients, should not be understood to limit in any way Silver Point's investment activities. Silver Point may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Silver Point considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Silver Point pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

#### **Flagship Funds**

Silver Point's investment strategy with respect to the Flagship Funds focuses on making investments in debt, equity or other securities, obligations or instruments of misvalued, mislevered, leveraged or financially distressed companies and in event-oriented and other special situations. The Flagship Funds may hold both long and short positions in such investments. The investment strategies employed by the Flagship Funds may include (without limitation) the following: credit-oriented investments; event-oriented investments; asset-oriented investments; and investments in misvalued securities, obligations or instruments.

In seeking to achieve its investment objective, the Flagship Funds may utilize any equity, debt, derivative or other instrument that Silver Point deems appropriate, including, but not limited to, bank debt, receivables and trade claims, and may provide financing, including direct lending, debtor-in-possession financing and bankruptcy exit financing, either directly or indirectly through investments in companies, including affiliates of Silver Point, providing such financing. In select circumstances, Silver Point may also pursue other attractive private investment opportunities.

#### **Specialty Credit Fund**

Silver Point's investment strategy with respect to the Specialty Credit Fund is to originate loans to small and middle market companies domiciled in the United States and invest in specialty bridge financings, rescue financings and secondary purchases of loans and other credit-related assets. It is anticipated that the majority of these loans will be secured, floating rate investments. The Specialty Credit Fund will focus on opportunities that have niche characteristics—situations involving complexity, imminent capital needs, sourcing challenges, and similar features that limit the participation of traditional financing sources—as well as on other credit-related assets. In seeking to achieve its investment objective, the Specialty Credit Fund may invest across a broad range of industries.

In addition, the Fund may invest in a broad range of asset classes and instruments as the Specialty Credit Fund GP deems appropriate, including, but not limited to, equity and debt securities (secured or unsecured), loans, derivatives, receivables and trade claims, whether or not such investments are privately placed, directly purchased, publicly traded, held through participations or otherwise, or issued by any company, entity, organization, government or

other person. The Specialty Credit Fund may also make investments in companies and issuers domiciled outside of the United States.

At any time during the term of the Specialty Credit Fund, Silver Point may, in its sole discretion, elect to effect a restructuring of the Specialty Credit Fund by causing the Specialty Credit Fund to (i) convert to, merge with or directly or indirectly transfer all or any portion of its assets to, an entity that has elected to be treated as a BDC under the 1940 Act, (ii) elect to be treated as a RIC for U.S. federal income tax purposes and (iii) conduct an IPO.

#### Select Opportunities Fund

Silver Point's investment strategies with respect to the Select Opportunities Fund are to invest alongside the Specialty Credit Fund and potentially other Funds, in each case, on an "overflow basis" after such Funds have received their entire desired share of each investment opportunity falling within their respective investment programs (including through co-investments alongside a particular Fund or Funds) and to make investments in investment opportunities within or outside the strategies of the Specialty Credit Fund and potentially other Funds, in each case, that are not pursued by such Funds.

#### Distressed Opportunities Funds and Distressed Institutional Funds

Silver Point's investment strategies with respect to the Distressed Opportunities Funds and the Distressed Institutional Funds are to invest opportunistically in debt, equity and other financial instruments, obligations and assets, with a particular focus on companies and/or instruments that are stressed, distressed, overleveraged and/or going through restructurings, bankruptcies or other complex situations. The Distressed Opportunities Funds and Distressed Institutional Funds have flexibility to invest in a wide variety of instruments, including less liquid and longer duration investments, and may have a concentrated portfolio, including control positions.

#### SPCP Group VIII

Silver Point's investment strategy with respect to SPCP Group VIII is to invest in the debt, equity and other securities, obligations or instruments of a particular company.

#### **Risk Factors**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Silver Point. These risk factors relate to particular significant investment strategies or methods of analysis employed by or types of securities recommended by Silver Point.*

The Funds' investment programs are speculative and entail substantial risks. There can be no assurance that the investment objectives of the Funds will be achieved.

#### Risk Factors with respect to the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds

*Investments Generally.* All investments are speculative and risk the loss of substantial capital. No guarantee or representation is made that the Funds' investment programs will be successful. The Funds' investment programs involve, without limitation, risks associated

with limited diversification and concentration, investments in speculative assets and the use of speculative investment strategies and techniques, interest rates, volatility, tracking risks in hedged positions, credit deterioration or default risks, currency risks, systems risks and other risks inherent in the Funds' activities. The Funds' investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular markets where the Funds may invest their assets.

Silver Point's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted. In certain situations Silver Point may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances, and even if risk management strategies are utilized, such strategies cannot fully insulate the Funds from the risks inherent in their planned activities.

*Availability of Investments.* The identification of investments suitable for the Funds is difficult and involves significant uncertainty. There can be no guarantee that Silver Point will identify such investment opportunities or that committed capital will be fully invested. Even if such investments are identified there can be no assurance that they will not decline in value considerably while held by the Funds including, without limitation, as a result of weakness in the credit or other markets, or other circumstances.

*Exposure to Certain Financial Institutions.* The Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds may invest in financial instruments issued by financial institutions, such as investment and commercial banks, insurance companies, savings and loan associations, mortgage originators and other companies engaged in the financial services industry (collectively, "financial institutions"). In addition, financial institutions will act as counterparties to the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds in connection with their respective investment activities, and will provide prime brokerage services to the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds. The Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds may also gain exposure to these entities through derivative transactions, including, without limitation, options, credit default swaps and credit linked notes, and through long and short strategies. In the course of conducting their business operations, financial institutions are exposed to a variety of risks that are inherent to the financial services industry. Significant risks that could affect the financial condition and results of operations of financial institutions include, but are not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads caused by global and local market and economic conditions; credit-related losses that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations; the potential inability to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations; operational failures or unfavorable external events; potential changes to the established rules and policies of various U.S. and non-U.S. legislative bodies and regulatory and exchange authorities, such as federal and state securities, bank regulators and industry participants; risks associated with litigation, investigations and/or proceedings by private claimants and governmental and self-regulatory agencies arising in connection with a financial institution's activities; and its continuing

ability to compete effectively in the market. Many financial institutions have announced writedowns and losses relating to their exposures to the U.S. subprime market. These financial institutions may continue to have exposure to these markets and products, and as market conditions continue to evolve the fair value of certain mortgage-related instruments could further deteriorate, which could result in further writedowns and losses. Other areas of financial institutions' businesses that have not yet been adversely affected by the illiquidity in mortgage and lending markets could be adversely affected if current conditions in the credit market spread to other sectors. While financial institutions seek to manage these and other risks through risk management policies and procedures, there can be no assurance that any financial institution's risk management practices will be effective.

*Repurchase Programs and Bank Obligations.* Repurchase agreements are subject to the risk of failure of the seller to repurchase the investment purchased by the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds, or delays or limitations on realization of the purchase obligation in the event of the initiation of bankruptcy or other proceedings involving the seller. Certain types of bank obligations which may be acquired by the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds may not be covered by insurance from the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

*Investments in Non-Traded Equity.* As part of their investment programs, the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds may make investments in non-traded equity. These investments may occur as a result of, among other things, direct equity investments and the Flagship Funds', the Specialty Credit Fund's, the Distressed Opportunities Funds' and the Distressed Institutional Funds' purchase of debt instruments that convert to equity interests in the event of a reorganization of an entity's capital structure.

The Flagship Funds', the Specialty Credit Fund's, the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments in non-traded equity involve a high degree of business and financial risk. The entities in which the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds invest may be financially distressed or have recently emerged from bankruptcy, they may require substantial additional capital to support expansion or to achieve or maintain a competitive position, they may produce substantial variations in operating results from period to period and they may operate at a loss. Such risks may adversely affect the performance of such investments and result in substantial losses. In addition, these entities may require governmental approvals or be subject to licensing procedures in order to operate in their markets. The Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds could be adversely affected by delays in, or refusals to grant, such approvals or licenses.

*Bank Loans.* The Flagship Funds', the Specialty Credit Fund's, the Distressed Opportunities Funds' and the Distressed Institutional Funds' investment programs will include investments in bank loans. The value of bank loans can fluctuate in response to actual and perceived changes in creditworthiness, non-U.S. exchange rates, political stability or soundness of economic policies. Bank loans (as well as other debt obligations) are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market

risk). These obligations are subject to other risks, including, without limitation: (i) declines in the value of collateral securing the obligations, if any; (ii) declines in the enterprise value of the obligor; (iii) failure of restrictive covenants, if any, to adequately protect the interests of the creditor; (iv) the failure of the bankruptcy process (or other determination of creditors' rights) to produce the outcome anticipated by the investor; (v) the possible invalidation of an investment transaction as a preference or fraudulent conveyance under relevant creditors' rights laws; (vi) so-called lender-liability claims by the issuer of the obligations; and (vii) environmental or other liabilities that may arise with respect to collateral securing the obligations. In analyzing each bank loan, Silver Point compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds, as applicable. The risks associated with bank loans generally also apply to the specific types of bank loans discussed below (e.g., leveraged loans and bridge loans).

Risk Factors with respect to the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds

*High Yield and Preferred Securities.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds invest in "high yield" bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities, and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings or comparable non-rated securities in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid, and less active than that for higher-rated or comparable securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities. High-yield bonds and preferred securities are also typically lower in the capital structure of the relevant issuer than other forms of indebtedness, including secured bank debt. As a result, these securities may not be secured (or fully secured) by the underlying assets of the issuer and, in the event of a bankruptcy, reorganization or other similar event, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds would be subject to significant losses in respect of their investment in such securities.

*Investments in Equity Securities Generally.* The Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investment portfolios may include long positions in equity securities of publicly listed companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Flagship Funds, the Distressed Opportunities Funds or the Distressed Institutional Funds.

*Corporate Debt.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds invest in bonds, notes, debentures and other instruments of indebtedness issued by, and other obligations of, corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon and pay-in-kind obligations. The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may invest in corporate debt instruments that have experienced or are contemplated to experience ratings downgrades. The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may invest in instruments that have the lowest quality ratings or are unrated.

*Ratings.* Credit ratings of debt instruments represent the rating agency's opinions regarding their credit quality and are not a guarantee of quality. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk, of lower-rated instruments. Such ratings also may not accurately reflect macroeconomic or systematic risk, including the risk of increased illiquidity in the credit markets. Accordingly, credit ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. Such reviews and potential downgrades may be more likely during periods of volatility in the credit markets. Additionally, rating agencies may incorrectly rate instruments due to errors in their internal evaluation processes or models or methodologies. The rating agencies may retrospectively change their rating methodology in the future, which may affect the rating assigned to the existing debt instruments. The Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments may experience significant credit rating volatility.

*Early Prepayment.* Certain debt that the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may invest in, such as senior debt, may be repaid early, so that the actual maturity of such investments is shorter than their stated final maturity calculated solely on the basis of the stated life and repayment schedule. Generally voluntary prepayments are permitted and the timing of prepayments cannot be predicted with any accuracy. The degree to which borrowers prepay debt, whether as a contractual requirement or at their election, may be affected by general business conditions, market interest rates, the borrower's financial condition and competitive conditions among lenders. Prepayments are likely to be made during any period of declining interest rates. Such prepayments may result in the Flagship Funds, the Distressed Opportunities Funds or the Distressed Institutional Funds receiving a lower than anticipated yield on such investments.

*Borrower Fraud; Breach of Covenant.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may obtain structural, covenant and other contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to their investments will achieve their desired effect, and potential investors should regard an investment in the Flagship Funds, the Distressed Opportunities Funds or the Distressed Institutional Funds as being speculative and having a high degree of risk. Of paramount concern in investments in senior secured loans, notes or bonds is the possibility of material misrepresentation or omission on the part of the borrower or other credit support providers or breach of covenant by such parties. Such inaccuracy or incompleteness or breach of covenants may adversely affect the valuation of the collateral underlying such loans, notes or bonds or may adversely affect the ability of the Flagship



Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds to perfect or effectuate a lien on the collateral securing the loan or otherwise realize on the investment. The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will rely upon the accuracy and completeness of representations made by borrowers and their agents to the extent reasonable, but cannot guarantee such accuracy or completeness.

*Leveraged Loans.* "Leveraged loans" are loans made to companies with a below investment grade rating from Moody's and S&P. Such loans may be performing poorly when the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds acquire them. There is no assurance that Silver Point will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may lose their entire investment or may be required to accept cash, property or securities with a value less than the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' original investment and/or may be required to accept payment over an extended period of time.

*"Covenant-Lite" Loans.* There has been an increase in the average debt multiple of leveraged loans and the growth in the percentage of leveraged loans issued as "covenant-lite." In addition, Silver Point believes that the covenants that do exist have generally become less restrictive, thereby offering more limited protection to lenders. As a result of the foregoing, the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments in such "covenant-lite" loans may pose a higher risk as the borrowers of such loans are subject to fewer covenants with respect to, among other things, other debt that such borrowers may incur. The lack of such covenants may increase the likelihood that such borrowers could default on their payments to the Flagship Funds, the Distressed Opportunities Funds or the Distressed Institutional Funds, thereby resulting in losses to the Flagship Funds, the Distressed Opportunities Funds or the Distressed Institutional Funds, as applicable.

*Bridge Loans.* It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including leveraged buyouts, where it serves as an advisor to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer term financing is not available at the time the funds are needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing. However, due to recent market conditions affecting the availability of these other sources of financing (principally high yield bond transactions), bridge loan commitments have been and may be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities than the permanent financing by which they are expected to be replaced. Borrowers and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing may be uncertain and can be affected by, among other things, market conditions and the financial condition of the borrower at the maturity date of the bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan may provide for the bridge loan to be converted to a longer term loan (with maturities similar to that of a bond). If bridge loans are not repaid (or cannot be disposed of on

favorable terms) on the dates projected by Silver Point, there may be an adverse effect upon the ability of Silver Point to manage the assets of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds in accordance with its models and projections or an adverse effect upon the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' performance and ability to make distributions.

*Investments in Rescue Lending.* As part of its lending activities, the Domestic Flagship Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds may originate loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to the Domestic Flagship Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Domestic Flagship Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company they fund, the Domestic Flagship Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by the Domestic Flagship Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds to the borrower.

*Risks of Investments in Special Situations.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may invest in "event-driven" and other special situations such as recapitalizations, spin-offs, restructurings, bankruptcy, litigation, corporate control transactions, corporate events and other catalyst-oriented strategies. Silver Point could be incorrect in its assessment of the magnitude or probability of the downside risks associated with an investment in an "event-driven" or other special situation, thus resulting in significant losses to the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds. Investments in such securities are often difficult to analyze or may have limited trading histories or limited in-depth research coverage. Investing in special situations frequently requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as Silver Point had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the price paid by the Flagship Funds, the Distressed Opportunities Funds and/or the Distressed Institutional Funds for the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which may result in litigation to enjoin the proposed transaction; (ii) intervention of a federal or state 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 a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of investing in special situations, the results of the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' operations may be expected to fluctuate from period to period. Accordingly, limited partners of the Domestic Flagship Fund, the Distressed Opportunities Funds and the Distressed Institutional Funds, or shareholders of the Offshore Flagship Fund, as applicable, should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*Broad Investment Mandate.* The Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investment strategy permits investments to be made in a broad range of issuers, securities, financial instruments and transactions. Subject to the concentration limits set forth in the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' respective offering memoranda, Silver Point may also cause the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds to focus their investment activities in a limited number of industries, market sectors or types of securities, financial instruments or transactions. Within those broad parameters, Silver Point will make investment decisions for the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds as it deems appropriate in its sole discretion. No assurance can be given that the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will be achieved.

*Nature of Bankruptcy Proceedings.* There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including the following: First, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be adversely impacted by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, 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. Fifth, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings. Sixth, certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors. Seventh, under certain circumstances, payments to the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds and distributions by the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds to their investors may be reclaimed if any such payment is later determined to have been a preferential payment. Eighth, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may seek representation on creditors' committees, and as a member of a creditors' committee they may owe certain

obligations generally to all creditors similarly situated that the committee represents and they may be subject to various trading or confidentiality restrictions. If Silver Point concludes that the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' membership on a creditors' committee entails obligations or restrictions that conflict with the duties it or its affiliates owe to the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investors, or that otherwise outweigh the advantages of such membership, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will not seek membership in, or will resign from, that committee. Because the Flagship Funds will indemnify the Flagship GPs, Silver Point or any other person serving on a committee on behalf of the Flagship Funds for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Flagship Funds' investment in a reorganization company. Similarly, because the Distressed Opportunities Funds and the Distressed Institutional Funds will indemnify the Distressed Fund GPs, Silver Point or any other person serving on a committee on behalf of the Distressed Opportunities Funds or the Distressed Institutional Funds, respectively, for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Distressed Opportunities Funds' or the Distressed Institutional Funds' investment, respectively, in a reorganization company.

*Leveraged Companies.* The Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments are expected to include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired by the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

*Hedging Risks.* Silver Point may hedge some or all of the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' portfolios by taking long and short positions in related securities or through the use of futures, swaps and other derivative instruments, involving, among other things, securities, interest rates or currencies. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus seeking to moderate the decline in the portfolio position's value. Therefore, hedging transactions may prevent losses while limiting the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs and risks, such as counterparty risk. Silver Point may determine in its sole discretion not to hedge against certain risks or may not anticipate certain risks and certain risks may exist that cannot be hedged.

*Leverage and Financing Risk.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may leverage their investments in order to enhance returns.

Accordingly, the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' securities may be pledged in order to borrow additional funds for investment purposes. The Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investment return may be leveraged with options, short sales and other derivative instruments (including swaps).

Financing arrangements to which the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds are or may be subject may contain financial covenants, including limitations on the level of financing that may be provided, asset coverage requirements, limitations on restricted payments (including distributions), minimum performance requirements, issuer and industry diversification requirements, and other limitations and covenants. Furthermore, the financing terms (including, without limitation, terms related to margin requirements) contained in each of the Flagship Fund's, the Distressed Opportunities Funds' and the Distressed Institutional Funds' prime brokerage arrangements may be changed by the relevant prime broker, subject to certain limitations.

While leverage presents opportunities for increasing the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds would be magnified to the extent the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds are leveraged. The cumulative effect of the use of leverage by the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds in a market that moves adversely to the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments could result in a substantial loss to the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds which would be greater than if the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds were not leveraged.

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

None of the Flagship Funds will borrow money to acquire investments or satisfy obligations of the Flagship Funds in excess of two and one-half times the sum of (i) the net asset value of the Domestic Flagship Fund or the Master Flagship Fund (as applicable) and (ii) the aggregate amount of deferred management fees and incentive compensation (as applicable), if any, owed to Silver Point (each, as determined at the time of the borrowing); provided that

the Flagship Funds may exceed such limit with respect to borrowings incurred to facilitate short trading activity and hedging activity.

Without the approval of the applicable investor representative, the outstanding principal amount of the borrowings or guarantees (other than interim financing or any leverage incurred in connection with derivative activities) by the Distressed Opportunities Funds that are recourse to the Distressed Opportunities Funds will not, in the aggregate, exceed 15% of the aggregate commitments of the investors at any time; provided, that the Distressed Opportunities Funds may exceed such limit with respect to borrowings incurred to facilitate short trading activity and hedging activity.

Without the approval of the advisory committee, the outstanding principal amount of the borrowings or guarantees (other than interim financing or any leverage incurred in connection with derivative activities) by the Distressed Institutional Funds that are recourse to the Distressed Institutional Funds will not, in the aggregate, exceed 20% of the aggregate commitments of the investors at any time; provided, that the Distressed Institutional Funds may exceed such limit with respect to borrowings incurred to facilitate short trading activity and hedging activity.

*Short Selling.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may sell securities short. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' portfolios. A short sale of a security involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating any loss.

*Position Limits.* In addition to the requirement that each Flagship Fund not invest more than an amount equal to 15% of its net asset value (determined at the time of investment) in any single portfolio company without the consent of a majority in interest of such Flagship Fund's investors, the Flagship Funds may be subject to "position limits" imposed by various regulators. Such position limits may limit the Flagship Funds' ability to effect desired trades. Position limits are the maximum amounts of net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Flagship Funds do not intend to exceed applicable position limits, it is possible that different accounts managed by Silver Point and its affiliates may be aggregated. If at any time positions managed by Silver Point were to exceed applicable position limits, Silver Point would be required to liquidate positions to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Flagship Funds might have to forego or modify certain of their contemplated trades.

Without the approval of the applicable investor representative, the Distressed Opportunities Funds may not invest more than 30% of the aggregate commitments in issuers whose principal business operations are or were (in the case of a liquidating issuer) in a single industry, as determined by the Distressed Fund GPs by reference to the Global Industry Classification Standard.

Without the approval of the advisory committee, the Distressed Institutional Funds may not invest more than (i) 20% of the aggregate commitments in the financial instruments of any individual issuer and (ii) 30% of the aggregate commitments in a single industry, as determined by the Distressed Fund GPs by reference to the Global Industry Classification Standard; provided, that the limitation in this clause (ii) shall not apply with respect to issuers that are determined by Silver Point to be liquidations.

*Risks of Options.* A component of the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investment programs may involve the purchase and sale of options. There are risks associated with the sale and purchase of call options and put options.

The value of an option may change because of a change in the value of the underlying securities, the passage of time, changes in the market's perception as to the future price behavior of the underlying securities, interest rates, or any combination of the foregoing. In the case of the purchase of an option, the risk of loss of an option buyer's entire investment in the option (i.e., the premium paid and transaction charges) reflects the nature of an option as a wasting asset that may become worthless at its expiration. Where an option is written (or sold) uncovered, the option seller may be liable to pay substantial additional margin, and the risk of loss is theoretically unlimited, as the option seller will be obligated to deliver, or take delivery of, a security at a predetermined price, which may, upon the exercise of the option, be significantly different from its market value at the time the option was initially written (or sold).

The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may purchase and sell exchange-traded options on individual securities, securities sectors and/or securities indices. There can be no guarantee that there will at all times be a liquid market for all options. A market could become unavailable if one or more exchanges were to stop trading options or it could become unavailable with respect to options on a particular underlying stock if the exchanges stopped trading options on that stock. In addition, a market could become temporarily unavailable if unusual events (e.g., volume exceeds clearing capability) were to interrupt normal exchange operations. If an options market were to become illiquid or otherwise unavailable, an option holder would be able to realize profits or limit losses only by exercising and an option seller or writer would remain obligated until the option is exercised or until the option expires.

If trading is interrupted in an underlying stock, the trading of exchange-traded options on that stock is usually halted as well. Holders and writers of such options will then be unable to close out their positions until options trading resumes, and they may be faced with considerable losses if the stock reopens at a substantially different price. Even if options trading is halted, holders of options will generally be able to exercise them. However, if trading has also been halted in the underlying stock, option holders face the risk of exercising options without knowing the stock's current market value. If exercises do occur when trading of the underlying stock is halted, the party required to deliver the underlying stock may be unable to obtain it, which may necessitate a postponed settlement and/or the fixing of cash settlement prices.

*Highly Volatile Markets.* The prices of commodities contracts and all derivative instruments, including options prices, can be highly volatile. Price movements of forward and other derivative contracts in which the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' assets may be invested are 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. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds also are subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

*Illiquidity and Credit Risk of Derivative Instruments.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may enter into transactions involving privately negotiated over-the-counter derivative instruments, including, without limitation, total-return, interest rate, non-U.S. currency and credit default swaps, over-the-counter options and forward contracts on securities, security indices and non-U.S. currency, and volatility and other swaps (each, a "Synthetic Asset"). There can be no assurance that a liquid secondary market will exist for any particular derivative instrument at any particular time. Although over-the-counter derivative instruments are designed to be tailored to meet particular financing needs and, therefore, typically provide more flexibility than exchange-traded products, the risk of illiquidity is also greater as these instruments can generally be terminated only by negotiation with the other party to the instrument. Over-the-counter derivative instruments, unlike exchange-traded instruments, are not guaranteed by an exchange or clearinghouse and thus may have greater credit risks.

*Other Derivative Instruments.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may effectuate a portion of their investment objective indirectly through Synthetic Assets including, without limitation, total return swaps and credit derivatives.

Each Synthetic Asset that is a credit derivative or total return swap may reference one or more reference assets including leveraged loans, high yield bonds, second lien loans and other debt financings or securities (each, a "Reference Obligation"). Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the securities or investments. The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will have a contractual relationship only with a counterparty, and not with any issuer (each, a "Reference Entity") of a Reference Obligation unless an event of default occurs with respect to any such Reference Obligation, physical settlement applies and the counterparty delivers the Reference Obligation to the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds. If the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds do not take delivery of the Reference Obligation, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds likely will have no right directly to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will not have any rights of set-off against the Reference Entity.

In the event of the insolvency of the counterparty, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will be treated as general creditors of the counterparty, and will not have any claim of title with respect to the Reference



Obligations. Consequently, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will be subject to the credit risk of the counterparty, as well as that of the Reference Entity. As a result, entering into Synthetic Assets subjects the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds to an additional degree of risk with respect to defaults by the counterparty as well as by the respective Reference Entities.

While the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds expect that returns in connection with Synthetic Assets will reflect those of each related Reference Obligation, as a result of the terms of the individual Synthetic Asset instruments and the assumption of the credit risk of the counterparty, the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' Synthetic Assets will likely have a different expected return, a different (and potentially greater) probability of default and different expected loss and recovery characteristics following a default. In addition, entering into Synthetic Assets may also be done on a levered basis, which means that the returns in connection with an investment in a Synthetic Asset, whether positive or negative, may be higher than they would have been had the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds purchased the Reference Obligation directly.

Synthetic Assets may be less liquid and not as transferable as other obligations and may be subject to more variability between their market value and actual sale price of the underlying Reference Obligation than other obligations. In addition, there is no assurance that a buyer will be available or a termination value will be immediately determinable if the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds decide to sell or terminate a Synthetic Asset.

It is expected that the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds will not be able to transfer Synthetic Assets without the consent of the applicable counterparty. If the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds want to terminate their exposure to a Synthetic Asset and the counterparty objects, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may be obligated to continue to hold the Synthetic Asset. In addition, because the Synthetic Asset may not be liquid, it may be difficult to enter into an offsetting synthetic transaction at what Silver Point believes is the market price.

To enter into a Synthetic Asset, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds generally will enter into a form of ISDA Master Agreement. The ISDA Master Agreement has "events of default" and "termination events" and an unwind methodology that is applicable to both parties. If an "event of default" or "termination event" occurs with respect to either party, the non-defaulting or non-affected party will have a right to designate an "early termination date", and the party will use a standard valuation methodology as specified in the ISDA Master Agreement to determine the termination price for all the Synthetic Assets. Depending upon the market conditions when the early termination date is designated, the unwind price may be less than what Silver Point believes is a fair unwind price, particularly if the price is based upon third party quotations. For example, the credit markets have experienced a liquidity crisis, including the derivative markets on loans and leveraged finance instruments, which has made the sale and termination of derivative instruments difficult.

The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may take advantage of opportunities with respect to certain Synthetic Assets that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds and legally permissible. Special risks may apply to instruments that are invested in by the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds. For example, risks with respect to credit derivatives may include determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to basis risk. Other Synthetic Assets may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

*Non-U.S. Currency.* The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds may enter into non-U.S. currency option and forward contracts for speculative, hedging or other investment purposes. Non-U.S. currency option contracts (the right to buy or sell the underlying non-U.S. currency at a specific price in a specific currency) involve risks similar to the risks involved in trading securities options. Non-U.S. currency forward contracts (agreements to exchange one currency for another at a future date) involve a risk of loss if currency exchange rates move against the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds, unless such contracts are hedges of non-U.S. currency risk of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds in their investments. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds for the value of unrealized profits on the contract or for the difference between the value of their commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

It is contemplated that most non-U.S. currency forward contracts will be with banks. There are no limitations on daily price moves of forward contracts. Banks are not required to continue to make markets in currencies. There have been periods during which certain banks have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the difference between the price at which the bank is prepared to buy and that at which it is prepared to sell). The imposition of credit controls by governmental authorities might limit the level of such forward trading to less than that which Silver Point would otherwise recommend, to the possible detriment of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds. Neither the Commodity Futures Trading Commission nor the U.S. banking authorities regulate forward currency transactions through banks. In respect of such trading, the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds are subject to the risk of bank failure or the inability of or refusal by a bank to perform with respect to such contracts.

*Liquidity of Investments.* The Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments will include privately-held securities or other financial instruments which are generally less liquid than publicly-traded securities. Such investments may require a significant amount of time from the date of initial investment before disposition. The value of all illiquid securities and any marketable securities for which reliable quotations are not available (including Designated Investments) will be their fair value (which may be their cost) as determined pursuant to the policies and procedures described under the respective Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' offering memoranda. There can be no assurance that the valuations assigned to such securities will ever be realized.

*Non-U.S. Investments.* The Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' portfolios may consist of non-U.S. securities, financial instruments and other assets. Such investments require consideration of certain risks typically not associated with investing in the U.S. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the U.S. or non-U.S. governments, U.S. and non-U.S. withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in non-U.S. nations.

With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of funds or other assets of the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the markets of different countries, and their associated risks, are expected to change independently of each other.

There may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S., and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the U.S., while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these non-U.S. markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in particular countries than in the U.S.

Additional costs could be incurred in connection with the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' international investment activities. Brokerage commissions outside the U.S. generally are higher than in the U.S. Expenses also may be incurred on currency exchanges when investments are changed from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions.

Investments denominated in currencies other than the U.S. dollar have a price determined by reference to currencies other than the U.S. dollar. The Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds value their securities and other assets in U.S. dollars. The value of certain of the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' assets fluctuates with U.S. dollar exchange rates as well as with price changes of the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Flagship Funds, the Distressed Opportunities Funds and the Distressed Institutional Funds make their investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' investments in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Flagship Funds', the Distressed Opportunities Funds' and the Distressed Institutional Funds' non-U.S. dollar investments.

*CFIUS & National Security/Investment Clearance Considerations.* Certain investments by the Flagship Funds, the Distressed Opportunities Funds or the Distressed Institutional Funds that involve the acquisition of interests in a business connected with or related to national security or critical technology, critical infrastructure or the collection or maintenance of personal data of U.S. citizens may be subject to review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS") and/or non-U.S. national security/investment clearance regulators depending on the beneficial ownership and/or control of interests in the relevant Fund. In the event that CFIUS or another regulator reviews one or more of the Flagship Funds', the Distressed Opportunities Funds' or the Distressed Institutional Funds' proposed or existing investments, there can be no assurances that such Fund will be able to maintain, or proceed with, such investments on terms it finds acceptable. CFIUS or another regulator may seek to impose limitations on or prohibit one or more of the Funds' investments. Such limitations or restrictions may prevent the Flagship Funds, the Distressed Opportunities Funds or the Distressed Institutional Funds from maintaining or pursuing investments, which could adversely affect the relevant Fund's performance with respect to such investments (if consummated) and thus such Fund's performance as a whole.

#### Risk Factors with respect to the Specialty Credit Fund

*Nature of Investments.* The Specialty Credit Fund intends to invest a substantial portion of its commitments in senior secured loans and secondary purchases of debt issued by small and middle market companies, and to a lesser extent, preferred stock and equity investments.

- *Senior Secured Loans.* When the Specialty Credit Fund makes a "unitranche" or senior secured term loan investment in a portfolio company, it generally takes a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which is expected to help mitigate the risk that the Specialty Credit Fund will not be repaid. However, there is a risk that the collateral securing the loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, the lien could be subordinated

to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that the Specialty Credit Fund will receive principal and interest payments according to the loan's terms, or at all, or that the Specialty Credit Fund will be able to collect on the loan should it be forced to enforce its remedies.

- *Mezzanine or Other Junior Debt.* To the extent the Specialty Credit Fund invests in mezzanine or other junior debt, it may incur additional risks. Junior debt investments generally will be subordinated to senior loans and will either have junior security interests or be unsecured. As such, other creditors may rank senior to the Specialty Credit Fund in the event of an insolvency. This may result in greater risk and loss of principal.
- *Equity Investments.* When the Specialty Credit Fund invests in senior secured loans or mezzanine loans, it may acquire equity securities, including warrants, as well. In addition, the Specialty Credit Fund may invest directly in the equity securities of portfolio companies. The goal is ultimately to dispose of such equity interests and realize gains upon the disposition of such interests. However, the equity interests the Specialty Credit Fund receives may not appreciate in value and, in fact, may decline in value. Accordingly, the Specialty Credit Fund may not be able to realize gains from its equity interests, and any gains that it does realize on the disposition of any equity interests may not be sufficient to offset any other losses.
- *Preferred Stock and Preferred Securities.* To the extent the Specialty Credit Fund invests in preferred securities, it may incur particular risks, including:
  - preferred stock and preferred securities generally include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer;
  - if the Specialty Credit Fund owns a preferred security that is deferring its distributions or paying interest in-kind, it may be required to report income for U.S. federal income tax purposes before it receives such distributions and investors may be required to pay incentive compensation on non-cash accruals that ultimately may not be realized;
  - preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments, and preferred stock is similarly subordinated to preferred securities; and
  - generally, preferred stock and preferred security holders have no voting rights with respect to the issuing company unless preferred distributions or dividends have been in arrears for a

specified number of periods, at which time the holders may elect a number of directors to the issuer's board, but only until all the arrearages have been paid.

Silver Point expects that a substantial portion of the Specialty Credit Fund's portfolio will consist of investments in private companies and companies with attributes that may be perceived as more risky or speculative by loan counterparties. These attributes include, but are not limited to: (i) borrowers with an imminent need for capital; (ii) borrowers with complex capital structures; (iii) borrowers undergoing corporate reorganizations or restructurings; (iv) borrowers in out-of-favor or misunderstood industries; and/or (v) borrowers pledging non-traditional assets as security. The Specialty Credit Fund's ability to make a fully informed investment decision may be constrained, as there is little public information available about private companies, which also may not have third-party debt ratings or audited financial statements. Insufficient access to information about market comparables may also constrain the quality of the investment decision process. The Specialty Credit Fund will depend on Silver Point to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies. If the Specialty Credit Fund is unable to obtain sufficient material information about the companies in which it invests, it may not make a fully informed investment decision and the Specialty Credit Fund may suffer losses.

*Small and Middle Market Companies.* The Specialty Credit Fund intends to invest primarily in small and middle market companies, which involves a number of significant risks, including:

- such issuers may have limited financial resources and may be unable to meet their obligations under their debt securities that the Specialty Credit Fund holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Specialty Credit Fund realizing any guarantees the Specialty Credit Fund may have obtained in connection with its investment;
- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company and, in turn, on the Specialty Credit Fund;
- they generally have less predictable operating results, may from time to time be parties to litigation, 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;
- Silver Point and, following Conversion, any of the Specialty Credit Fund's executive officers or directors may, in the ordinary course of business, be

named as defendants in litigation arising from the Specialty Credit Fund's investments in the portfolio companies;

- they generally have less publicly available information about their businesses, operations and financial condition and, if the Specialty Credit Fund is unable to uncover all material information about these companies, it may not make a fully informed investment decision; and
- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

*Foreclosure Risks.* It is possible that the Specialty Credit Fund may find it necessary or desirable to foreclose on certain loans. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against the Specialty Credit Fund, including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the mortgaged property and may result in disrupting the ongoing leasing, management and operation of the property, and may negatively affect the sales price of the property.

There can be no assurance that there will be a ready market for resale of foreclosed properties because investments in real estate generally are not liquid; holding periods accordingly are difficult to predict, particularly as business plans may be revised to adapt to changing economic, business and financial conditions. In addition, there may be significant expenditures associated with holding real property, including real estate taxes and maintenance costs. The liquidation proceeds upon sale of the real estate may be less than the amount invested in the loan, resulting in a loss to the Specialty Credit Fund. Any costs or delays involved in the liquidation of the real estate will further reduce proceeds received and thus increase any loss.

*Taking Possession of Underlying Collateral.* The Specialty Credit Fund may take possession of collateral including, without limitation, an asset or business, through a purchase or foreclosure action. There can be no assurance that Silver Point or any management team established by Silver Point will be able to successfully operate, hold or maintain the collateral in accordance with the expectations of the Specialty Credit Fund, or that the Specialty Credit Fund will be able to profit from their investment in such collateral.

*Risks Associated with Bankruptcy Cases.* There may be instances where the borrowers of the loans in which the Specialty Credit Fund invest seek protection under U.S. bankruptcy law. 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 which may be contrary to the interests of the Specialty Credit Fund.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a debtor usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the debtor and the Specialty Credit Fund; it is subject to unpredictable and lengthy delays; and during the process the debtor's competitive position may erode, key management may depart and the debtor may not be able to invest adequately. In some cases, the debtor may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal.

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

Silver Point, on behalf of the Specialty Credit Fund, may elect to serve on creditors' committees or other groups to ensure preservation or enhancement of the Specialty Credit Fund's positions as creditors. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If Silver Point concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Specialty Credit Fund, it will resign from that committee or group, and the Specialty Credit Fund may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if the Specialty Credit Fund are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of or increasing their investments in such company while they continue to be represented on such committee or group.

*Risks Associated with Investing in Commercial and Industrial Loans; Real Estate as Collateral.* Certain of the Specialty Credit Fund's loan investments may be subject to the risks inherent in the ownership of real property to the extent that real property may be underlying collateral for such investments. Factors that can affect the value of the loans that are targeted for investment by the Specialty Credit Fund include, without limitation, (i) the diversity and quality of a property's tenants, including whether the owner relies on a single or dominant tenant and the creditworthiness of any such tenant; (ii) the terms, including duration, of a property's leases with tenants; (iii) an economic decline in the business that occupies a property; (iv) a decline in a particular business segment, which thereby reduces demand for a particular type of space; (v) the physical attributes of a property (both individually and in comparison to competing properties), including, but not limited to, a property's age, its physical condition, design and appearance, its location and access to transportation, and its ability to offer amenities (e.g., sophisticated systems and/or wiring requirements); (vi) a property's technological attributes and adaptability to changes in a tenant's technological needs; (vii) the desirability of the neighborhood as a location; (viii) continued expenses for maintenance, refurbishment and modernization of existing facilities, even prior to their useful life; (ix) a decline in the managerial capacity or prowess of a business operator; (x) the strength of the local economy, including the cost of labor, quality



of life and the tax environment; (xi) an adverse impact on the neighborhood's population, including employment growth (thereby creating demand for office space), each influence the ability of the borrower to repay the loan and the underlying value of the business occupying the property and (xii) acts of God and other factors beyond the control of Silver Point. In the event of a default of a loan, the Specialty Credit Fund may not fully recover the amount invested in the loan, which may result in a loss on such loan even if purchased at a discount.

*Potential Environmental Liabilities.* Under various U.S. Federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate (which may include lenders such as the Specialty Credit Fund in some instances) may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases and may be liable for the costs in connection with such contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner knew of, or was responsible for, the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the owner's liability as to any property is generally not limited to the value of the property and/or the aggregate assets of the owner. Furthermore, the presence of such substances on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral.

Persons who arrange for the disposal or treatment of hazardous or toxic substances or petroleum products at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at such disposal or treatment facility, whether or not the facility is owned or operated by such person. In certain circumstances, third-party lenders that have directed or had an active involvement in the environmental compliance activities or the day-to-day management of a borrower's facilities or that have taken possession of or title to such borrower's collateral may be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at the facility. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with contamination. In addition, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain U.S. Federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for release of asbestos-containing materials and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with such asbestos-containing materials.

In connection with the Specialty Credit Fund's debt investments, the Specialty Credit Fund, to the extent it has an active involvement in the environmental compliance activities of a borrower's facilities or takes possession of a borrower's collateral, may incur liability for environmental costs. Additionally, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of acquisition and that could not have been foreseen.

*Investments in Sub-Investment Grade and Non-Rated Securities.* Silver Point anticipates that a substantial portion of the Specialty Credit Fund's portfolio may consist of investments that

have been given either a below investment grade rating from Moody's Investors Service, Inc. and Standard & Poor's Corporation or have not been rated by any ratings agency. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities, and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings or comparable non-rated securities in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid, and less active than that for higher-rated or comparable securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities.

*Hedging Policies and Risks; Synthetic Investments.* In connection with the financing of certain investments, the Specialty Credit Fund may employ hedging techniques designed to reduce the risks of such investments, including, without limitation, adverse movements in securities prices. However, such hedging techniques are not expected to play a significant role in the Specialty Credit Fund's overall investment strategy. Moreover, the Specialty Credit Fund is not required to employ such hedging techniques in connection with its investments, and may be unable to anticipate all risks against which such hedges could be employed. Inherent risks associated with such transactions include, among others, the possible default by the counterparty to the transaction and the illiquidity of the instrument acquired by the Specialty Credit Fund relating thereto. Although such transactions may reduce the Specialty Credit Fund's exposure to, among other things, decreases in the value of investments, the costs and risks associated with these arrangements may reduce the returns that the Specialty Credit Fund would have otherwise achieved if these transactions were not entered into by the Specialty Credit Fund. In addition, although such hedging transactions may hedge economic risks, they may not be effective hedges for tax purposes. For example, the tax character of the gain or loss on the hedging transaction may differ from the character of the gain or loss on the investment or the timing of the gain or loss for tax purposes may differ between the hedging transaction and the investment. Changes to the regulations applicable to the financial instruments the Specialty Credit Fund uses to accomplish its hedging strategy could affect the effectiveness of that strategy.

With respect to any investments in synthetic instruments, the Specialty Credit Fund will have a contractual relationship only with the synthetic instrument counterparty, and no direct rights with respect to the underlying asset. The Specialty Credit Fund may not have any voting, information, or other rights of ownership with respect to the underlying asset. In addition, the Specialty Credit Fund will be subject to the credit risk of the synthetic instrument counterparty, and, in the event of the insolvency of such counterparty, the Specialty Credit Fund generally will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the underlying asset.

*Derivative Instruments.* The Specialty Credit Fund may enter into derivative transactions, including total return swaps ("TRSs") and other derivative instruments for hedging and other investment purposes. Derivative instruments come in many varieties, including futures and forward contracts, options (both written and purchased), swaps and swaptions. For example,

in certain situations, the Specialty Credit Fund expects to enter into currency hedges with such instruments.

The Specialty Credit Fund's derivatives may be exchange-listed, centrally-cleared or traded over the counter ("OTC"). In connection with trading in exchange-listed or centrally-cleared instruments, the Specialty Credit Fund is subject to the risk of failure of any of the clearinghouses or clearing members through which its positions are cleared. OTC derivative instruments may be subject to the risk that a counterparty will default on its payment obligations or that one party will not be able to meet its obligations to the other. Furthermore, in certain derivative transactions, the Specialty Credit Fund will be required to post collateral to secure its obligations to a counterparty or clearing member under the transaction. The counterparty or clearing member, however, may not be required to collateralize any of its obligations to the Specialty Credit Fund. Requirements for the Specialty Credit Fund to post collateral may expose it to the risk that it will not have sufficient unencumbered cash or securities to satisfy those collateral requirements and the risk that its counterparty or clearing member will fail to return excess collateral. Depending on the extent to which the Specialty Credit Fund is required to collateralize its derivatives positions, those positions may effectively add leverage to the Specialty Credit Fund's portfolio by exposing it to changes in the value of the derivative's underlier in excess of the amount that the Specialty Credit Fund has invested in the derivative. Furthermore, an OTC derivative instrument may contain optional early termination provisions that require a cash settlement. It is possible that the Specialty Credit Fund will owe more to the counterparty or, alternatively, will be entitled to receive less from the counterparty than it would have if the Specialty Credit Fund controlled the timing of such termination due to the existence of adverse market conditions at the time of such termination.

With respect to leverage embedded in derivative instruments, the Specialty Credit Fund may be subject to major losses in the event that it is forced to liquidate positions at a disadvantageous time. Furthermore, the credit extended to the Specialty Credit Fund by dealers to permit it to maintain its leveraged positions can be terminated by the dealers largely in their discretion, forcing liquidation at potentially material losses.

There is a lack of authoritative guidance related to the treatment of TRSs in the context of the 1940 Act asset coverage ratio. For this reason, following Conversion, the Specialty Credit Fund may be required to include the leverage of a TRS for purposes of computation of the asset coverage ratio under the 1940 Act, which would cause the Specialty Credit Fund's asset coverage ratio to decrease.

Changes to the regulations applicable to derivatives, including TRSs, could affect the Specialty Credit Fund's ability to use these instruments and the costs of doing so.

*Investments Longer Than Term.* In the event that the Specialty Credit Fund does not conduct an IPO, the Specialty Credit Fund may not be able to advantageously dispose of its investments prior to the end of the term of the Specialty Credit Fund. In these circumstances, although Silver Point expects that investments (and their underlying collateral, if applicable) will be able to be disposed of prior to the end of the term of the Specialty Credit Fund, the Specialty Credit Fund may have to sell, distribute, or otherwise dispose of investments (or collateral) at a disadvantageous time for a price which is less than the price that could have been obtained if they were held for a longer period of time. Additionally, due to the illiquid nature of the collateral that underlies many of the positions which the Specialty Credit Fund is expected to acquire, as well as the uncertainties of the reorganization and active

management process, Silver Point is unable to predict with confidence what the exit strategy will ultimately be for any given position. Further, if the Specialty Credit Fund creates a subsidiary licensed as a small business investment company (an "SBIC") prior to an IPO, the term of the Specialty Credit Fund will be automatically extended pending the final distribution by such SBIC subsidiary to the Specialty Credit Fund.

*Sourcing of Investments.* Silver Point expects to source a substantial volume of the Specialty Credit Fund's investment opportunities through Silver Point's investment professionals, internal sourcing platform and external relationships. To the extent these sourcing channels do not present the Specialty Credit Fund with a sufficient volume of investment opportunities, or the opportunities presented are not suitable for investment by the Specialty Credit Fund, the Specialty Credit Fund's performance may be materially adversely affected.

*Competition for Investments.* Other public and private entities, including commercial banks, commercial financing companies, BDCs, insurance companies and other private investment funds compete with the Specialty Credit Fund to make the types of investments that the Specialty Credit Fund plans to make. The Specialty Credit Fund may also compete for investments with alternative investment vehicles such as hedge funds, whose investment in this area has increased. As a result of these new entrants, competition for investment opportunities has intensified in recent years and may continue to intensify in the future. Certain of these competitors may be substantially larger, have considerably greater financial, technical and marketing resources than the Specialty Credit Fund will have and offer a wider array of financial services. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to the Specialty Credit Fund. 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. The Specialty Credit Fund may lose investment opportunities if it does not match its competitors' pricing, terms and structure. If it matches competitors' pricing, terms and structure, however, the Specialty Credit Fund may experience decreased net interest income and increased risk of credit loss. Many of the Specialty Credit Fund's competitors are not subject to the regulatory restrictions and valuations that 1940 Act will impose on the Specialty Credit Fund following Conversion and the tax consequences of qualifying as a RIC. The investment strategy of the Specialty Credit Fund depends in part on the ability of the Specialty Credit Fund to source investment opportunities in which the participation of traditional financing sources is limited. As a result, there can be no assurance that the competitive pressures faced by the Specialty Credit Fund will not have a material adverse effect on the Specialty Credit Fund's business, financial condition and results of operations.

*Risk of Leverage.* As part of the Specialty Credit Fund's business strategy, the Specialty Credit Fund may directly or indirectly leverage its investments through borrowings and may utilize leverage embedded in derivative instruments. This will result in the Specialty Credit Fund controlling more assets than the Specialty Credit Fund has capital contributions from investors. Direct leverage increases the Specialty Credit Fund's returns if the Specialty Credit Fund earns a greater return on investments purchased with borrowed funds than the Specialty Credit Fund's cost of borrowing such funds. However, the use of leverage exposes the Specialty Credit Fund to additional levels of risk, including (i) net asset value declining more sharply than it otherwise would have had the Specialty Credit Fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Specialty Credit Fund's cost of borrowing such funds

and (iv) general interest rate fluctuations, which may adversely impact the rate of return on invested capital. If the assets and liabilities of the Specialty Credit Fund are not appropriately matched, adverse changes in interest rates could reduce or eliminate the incremental income created through the use of leverage. In the event of a sudden, precipitous drop in value of the Specialty Credit Fund's assets, the Specialty Credit Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses, and may not be able to make distributions. The Specialty Credit Fund's ability to service any debt that it incurs will depend largely on its financial performance and will be subject to prevailing economic conditions and competitive pressures. The financing costs of direct leverage will reduce cash available for distribution to investors.

Following Conversion, the Specialty Credit Fund's ability to incur leverage will be constrained by the limitations on leverage applicable to BDCs. Under the 1940 Act, a BDC generally is not permitted to incur borrowings, issue debt securities or issue preferred stock unless immediately after the borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock is at least 200%. However, under the Small Business Credit Availability Act (the "SBCAA"), which became law in March 2018, BDCs have the ability to elect to become subject to a lower asset coverage requirement of 150%, subject to the receipt of the requisite board or stockholder approvals under the SBCAA and satisfaction of certain other conditions. In other words, Section 61(a) of the 1940 Act, as amended, permits BDCs to potentially increase their maximum debt-to-equity ratio from an effective level of one-to-one to two-to-one. As a result, the Specialty Credit Fund would be able to incur additional indebtedness in the future if it satisfies the conditions under the SBCAA and limited partners may face increased investment risk.

Prior to Conversion, it is not anticipated that aggregate borrowing by the Specialty Credit Fund will exceed the limitations on leverage applicable to BDCs under the 1940 Act. However, the Specialty Credit Fund may engage in borrowings in excess of these limitations where Silver Point believes such borrowings are in the best interest of the Specialty Credit Fund. Furthermore, the Specialty Credit Fund may, in accordance with regulatory guidance or SEC approval, be able to indirectly obtain leverage in excess of these limits through off-balance sheet arrangements, including non-controlling investments in a joint venture or similar investment vehicle which itself has direct exposure to leverage or other off-balance sheet financings. If approved by the SEC, leverage incurred by the joint venture or investment vehicle generally would not be included in the calculation of debt for the purposes of the asset coverage test described above. In addition, if the Specialty Credit Fund (either directly, or indirectly through a subsidiary) is licensed as an SBIC, the limitations on leverage applicable to BDCs under the 1940 Act may be exceeded.

Moreover, after an IPO, the Specialty Credit Fund Management Fee payable to Silver Point will be payable based on the Specialty Credit Fund's total gross assets, including those assets acquired through the use of leverage.

Furthermore, any debt facility into which the Specialty Credit Fund may enter may impose financial and operating covenants that restrict business activities, ability to call capital, remedies on default and similar matters. In connection with borrowings, the Specialty Credit Fund's lenders may also require it to pledge assets, capital commitments and/or the proceeds of its capital calls. Debt facilities into which the Specialty Credit Fund enters may be subject to periodic renewal by lenders and there can be no guarantee that lenders will continue to extend credit to the Specialty Credit Fund.

Lastly, the Specialty Credit Fund may be unable to obtain its desired leverage, which would, in turn, affect its return on capital, resulting in reduced rates of return relative to projections.

*Predatory and Other Lending Laws.* Under the anti-predatory lending laws of some states, the origination of certain residential mortgage loans (including loans that are not classified as "high cost" loans under applicable law) must satisfy a net tangible benefits test with respect to the related borrower. This test may be highly subjective and open to interpretation. As a result, a court may determine that a residential mortgage loan, for example, does not meet the test even if the related originator reasonably believed that the test was satisfied.

Failure of residential mortgage loan originators or servicers to comply with these laws, to the extent any of their residential mortgage loans become part of the Specialty Credit Fund's mortgage-related assets, could subject the Specialty Credit Fund, as an assignee or purchaser of the related residential mortgage loans, to monetary penalties and could result in the borrowers attempting to rescind the affected residential mortgage loans. If the loans are found to have been originated in violation of predatory or abusive lending laws, and the Specialty Credit Fund has no right to indemnification or the sellers are unable to meet their indemnification obligations, the Specialty Credit Fund could incur losses, which could adversely impact the Specialty Credit Fund's results of operations, financial conditions and business.

*Rescue Lending.* As part of its lending activities, the Specialty Credit Fund may originate loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to the Specialty Credit Fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Specialty Credit Fund will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company that it funds, the Specialty Credit Fund may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by the Specialty Credit Fund to the borrower.

*State Licensing Requirements.* The Specialty Credit Fund may be required to obtain various state licenses in order to, among other things, originate commercial loans, and may also be required to obtain similar licenses from other authorities, including outside the United States in connection with one or more investments. Applying for and obtaining required licenses can be costly and take several months. There is no assurance that the Specialty Credit Fund will obtain all of the licenses that it needs on a timely basis. Furthermore, the Specialty Credit Fund will be subject to various information and other requirements in order to obtain and maintain these licenses, and there is no assurance that the Specialty Credit Fund will satisfy those requirements. The failure to obtain or maintain licenses might restrict investment options and have other adverse consequences.

*Illiquidity; Market for Investments in Portfolio Companies.* A significant portion of the Specialty Credit Fund's investments will be in loans to private companies. The illiquidity of these investments may make it difficult for the Specialty Credit Fund to sell positions if the need arises. In addition, if the Specialty Credit Fund is required to liquidate all or a portion of its portfolio quickly, it may realize significantly less than the value at which it had

previously recorded such investments. In addition, the Specialty Credit Fund may face other restrictions on its ability to liquidate an investment in a portfolio company to the extent that it holds a significant portion of a company's equity or if it has material non-public information regarding that company.

*Potential Lack of Diversification.* The Specialty Credit Fund's portfolio may be concentrated in a limited number of portfolio companies and industries. Beyond the asset diversification requirements associated with the qualification as a RIC for U.S. tax purposes following Conversion, the Specialty Credit Fund does not have fixed guidelines for diversification, and while the Specialty Credit Fund is not targeting any specific industries, its investments may be concentrated in relatively few industries. As a result, the aggregate returns the Specialty Credit Fund realizes may be significantly adversely affected if a small number of investments perform poorly or if the Specialty Credit Fund needs to write down the value of any one investment. Additionally, a downturn in any particular industry in which the Specialty Credit Fund is invested could significantly affect its aggregate returns. Market conditions, including increased competition, may also cause the Specialty Credit Fund's portfolio to be comprised of assets that differ significantly from Silver Point's expectations at the time of the initial offering of interests.

*Non-U.S. Investments.* The Specialty Credit Fund's investment strategy may include potential investments in foreign companies and in companies whose principal assets, including real estate, are located in foreign countries. Investing in such companies may expose the Specialty Credit Fund to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of the Specialty Credit Fund's investments will be U.S. dollar-denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. Even where the Specialty Credit Fund is able to hedge currency risk, there can be no assurance that the Specialty Credit Fund's strategies will be effective.

*Structure of Investments.* The Specialty Credit Fund's portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities that rank equally with, or senior to, the Specialty Credit Fund's investments. By their terms, those instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which the Specialty Credit Fund is entitled to receive payments in respect of its investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying the Specialty Credit Fund's investments in the event and during the continuance of a default under the debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to the Specialty Credit Fund's investment in that portfolio company typically would be entitled to receive payment in full before the Specialty Credit Fund receives any distribution in respect of its investment. After repaying those holders, the

portfolio company may not have any remaining assets to use for repaying its obligation to the Specialty Credit Fund. In the case of securities ranking equally with the Specialty Credit Fund's investments, the Specialty Credit Fund would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights the Specialty Credit Fund may have with respect to the collateral securing certain loans it makes to its portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements or agreements among lenders. Under these agreements, the Specialty Credit Fund may forfeit certain rights with respect to the collateral to holders with prior claims. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of those enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. The Specialty Credit Fund may not have the ability to control or direct such actions, even if as a result its rights as lenders are adversely affected.

*Original Issue Discount and Payment-in-kind Interest.* Original issue discount ("OID") may arise if the Specialty Credit Fund holds securities issued at a discount, receive warrants in connection with the making of a loan, through contractual payment-in-kind ("PIK") interest (interest paid in the form of additional principal amount of the loan instead of in cash), or in certain other circumstances. Prior to a qualifying IPO, and in certain circumstances following a qualifying IPO, Income Incentive Compensation will be calculated and paid on income that may include OID, i.e., interest that has been accrued but not yet received in cash. The higher interest rates of OID instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID instruments generally represent a significantly higher credit risk than coupon loans. Even if the accounting conditions for income accrual are met, the borrower could still default when actual payment to the Specialty Credit Fund is supposed to occur at the maturity of the obligation. OID instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. PIK interest has the effect of increasing the assets of the Specialty Credit Fund under management, thereby increasing the Specialty Credit Fund Management Fee. Depending on the amount of noncash income generated by OID and PIK, the Specialty Credit Fund may have difficulty funding distributions to investors, and may use leverage to do so.

*Interest Rate Risk.* The majority of the Specialty Credit Fund's debt investments are likely to be based on floating rates, such as LIBOR, EURIBOR, the Federal Funds Rate or the Prime Rate. General interest rate fluctuations may have a substantial negative impact on the Specialty Credit Fund's investments, the value of an investment in the Specialty Credit Fund and the rate of return on invested capital. On one hand, a reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on net interest income, which also could be negatively impacted by borrowers making prepayments on their loans. On the other hand, an increase in interest rates could increase the interest repayment obligations of borrowers and result in challenges to their financial performance and ability to repay their obligations.

An increase in interest rates also could decrease the value of any investments the Specialty Credit Fund holds which earn fixed interest rates, including subordinated loans, senior and junior secured and unsecured debt securities and loans and high yield bonds, and also could increase the Specialty Credit Fund's interest expense, thereby decreasing net income. Also,



an increase in interest rates available to investors could make investment in the Specialty Credit Fund less attractive if the Specialty Credit Fund is not able to increase its distribution rate, which could reduce the value of an investment in the Specialty Credit Fund.

A rise in the general level of interest rates typically leads to higher interest rates applicable to the Specialty Credit Fund's debt investments. Accordingly, an increase in interest rates may result in an increase in the amount of the incentive compensation payable to Silver Point. To the extent that the floating interest rates applicable to the Specialty Credit Fund's debt investments are subject to a negotiated cap or floor, the Specialty Credit Fund may be unable to capitalize upon favorable market fluctuations of interest rates.

*The following risk factors will apply only in the event Silver Point determines to proceed with Conversion and the Specialty Credit Fund elects to be regulated as a BDC under the 1940 Act.*

*BDC Regulations; Raising Capital.* Operating as a BDC has a number of advantages compared to continuing as a private fund but also presents additional challenges. The 1940 Act imposes numerous constraints on the operations of BDCs and in connection with Conversion the Specialty Credit Fund must be brought into compliance with these constraints. For example, BDCs are required to invest at least 70% of their total assets in securities of nonpublic or thinly traded U.S. companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. The asset diversification requirements and leverage limitations applicable to BDCs may hinder Silver Point's ability to take advantage of attractive investment opportunities and to achieve the Specialty Credit Fund's targeted returns on its investments, as the Specialty Credit Fund will have less flexibility to alter its asset mix following Conversion than during the private phase.

Regulations governing the Specialty Credit Fund's operation as a BDC could affect the Specialty Credit Fund's ability to raise additional capital, and the ways in which the Specialty Credit Fund can do so. Even if the Specialty Credit Fund is able to raise additional capital, there can be no assurance that it will be able to invest proceeds in a manner sufficient to achieve the Specialty Credit Fund's investment objectives. Market conditions and risk/return profiles of targeted investments following Conversion may differ significantly from expectations at the time of this offering, which could result in lower returns on investments. Raising additional capital through debt or equity financing may expose the Specialty Credit Fund to risks, including the typical risks associated with leverage, or may result in dilution to the Specialty Credit Fund's then-current stockholders. The 1940 Act limits the Specialty Credit Fund's ability to incur borrowings and issue debt securities and preferred stock, requiring that after any borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock, is at least 200% (or 150%, if the Specialty Credit Fund elects to be subject to the lower asset coverage requirement pursuant to the SBCAA). Consequently, if the value of the Specialty Credit Fund's assets declines, the Specialty Credit Fund may be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when it may be disadvantageous to do so, including in connection with Conversion.

As a BDC, the Specialty Credit Fund will not generally be able to issue and sell its common stock at a price below net asset value per share. The Specialty Credit Fund may, however, sell its common stock, or warrants, options or rights to acquire its common stock, at a price below the then-current net asset value per share of its common stock if its board of directors

determines that a sale is in the best interests of the Specialty Credit Fund and its stockholders, and its stockholders approve it.

*Continuing Investment by Silver Point.* Following an IPO, and subject to any applicable underwriter's lock-up or restrictions under U.S. securities laws, the SP Persons may dispose of their investment in the Specialty Credit Fund.

*Required Participation in Conversion.* Limited partners will not have a consent right with respect to Silver Point's decision to convert the Specialty Credit Fund to a BDC. Upon Conversion, each limited partner will cease to be a limited partner of the Specialty Credit Fund and will receive interests in the newly formed entity that will elect to be regulated as a BDC under the 1940 Act and as a RIC under the Internal Revenue Code. While limited partners will not have the option to approve Conversion, each limited partner will be entitled to receive an interest in a newly formed BDC Vehicle in proportion to the relative fair market value of its interest in the Specialty Credit Fund as determined by Silver Point (taking into account relative interests in underlying investments of the Specialty Credit Fund, including accrued Specialty Credit Fund Incentive Compensation and any loss carryforward associated with any cumulative net realized capital losses and unrealized capital depreciation to the extent applicable) as of the effective date of Conversion (net of the fair value of assets distributed to a private investment vehicle organized for the purpose of ensuring compliance with BDC and RIC requirements, and taking into consideration expenses and taxes incurred by the Specialty Credit Fund, or any parallel investment entity or feeder entity, in connection with Conversion). In addition, in the event that Conversion occurs prior to the expiration or early termination of the Specialty Credit Fund Commitment Period, each limited partner will be required to "roll over" its commitment to the Specialty Credit Fund by making a capital commitment to purchase additional shares of the BDC Vehicle in an amount up to its unfunded commitment as of the effective date of Conversion. In order to facilitate compliance with BDC and RIC portfolio diversification requirements applicable to the Specialty Credit Fund following Conversion, limited partners may also be issued interests in a private investment vehicle with economic and other material terms substantially similar to the economic and other material terms of the Specialty Credit Fund in order to ensure compliance with BDC and RIC requirements. No assurance can be made as to the percentage of the Specialty Credit Fund's assets, if any, that will be transferred to such a private investment vehicle. Although Silver Point expects that each limited partner will receive a proportionate interest in such private investment vehicle corresponding to its proportionate interest in the Specialty Credit Fund, Silver Point may distribute to any limited partner a greater interest in such private investment vehicle and proportionately reduce such limited partner's interest in the BDC Vehicle in order to address legal or regulatory requirements applicable to the BDC Vehicle.

In order to facilitate Conversion, each limited partner will grant Silver Point an irrevocable power of attorney authorizing Silver Point to act in the limited partner's name and on its behalf to execute, file, and complete any and all documents, certifications and consents determined by Silver Point to be reasonably necessary or desirable to effect Conversion and consummate an IPO, including in connection with (i) reconstituting the Specialty Credit Fund as a corporation, (ii) exchanging each limited partner's interest in the Specialty Credit Fund for interests in the BDC Vehicle, (iii) providing any stockholder consents or approvals required by the 1940 Act, including for purposes of approving or ratifying entry into any investment advisory agreement between the BDC Vehicle and Silver Point. Similarly, Silver Point will have the right, without obtaining the consent of any limited partners, to make such

modifications to the Specialty Credit Fund's constitutive documents, capital structure and governance arrangements in order to facilitate Conversion so long as, in the reasonable opinion of Silver Point, (x) the economic interests of the limited partners are not materially diminished or materially impaired, (y) such modifications are consistent with the requirements applicable to BDCs under the 1940 Act and (z) such modifications are not inconsistent with the description of Conversion set forth in the Specialty Credit Fund's offering documents.

Since the BDC Vehicle is expected to be organized as a corporation following Conversion, a limited partner's statutory and contractual rights as a stockholder of a corporation are expected to differ materially from a limited partner's rights and obligations as a limited partner in a Delaware limited partnership prior to Conversion, and in some cases may be less favorable.

*Tax Implications of Conversion.* Conversion may be structured in a number of different ways, each of which may have distinct tax consequences. Limited partners that are C corporations for U.S. federal income tax purposes, and possibly other U.S. Partners, may be required to recognize tax as a result of Conversion. To the extent Conversion is not taxable, the BDC Vehicle's basis in the assets will be the same as the Specialty Credit Fund's basis in the assets prior to Conversion, which may result in the BDC Vehicle recognizing greater taxable gain upon disposition of the assets, giving rise to taxable dividends that will be paid out proportionately to BDC Vehicle stockholders at the time.

*Corporate Form of BDC Vehicle.* The BDC Vehicle is expected to be organized as a domestic corporation. However, the BDC Vehicle may be organized as another type of limited liability entity that will elect to be treated as a BDC under the 1940 Act. As such, the BDC Vehicle may have a capital structure or governance arrangements that differs from what is described in the Specialty Credit Fund's offering documents.

*No Partnership Agreement Following Conversion.* Upon Conversion, each limited partner will cease to be a limited partner of the Specialty Credit Fund and instead will become a stockholder of the BDC Vehicle. Following Conversion, the continuing rights and obligations of each limited partner will be reflected in the governing documents of the BDC Vehicle and in a separate shareholders agreement between each limited partner and Silver Point, which will include provisions addressing each limited partner's continuing capital obligations to the Specialty Credit Fund, transfer restrictions and other rights and obligations, and which will remain in effect until the occurrence of an IPO. While the shareholders agreement will contain some terms and conditions that are substantially similar to terms and conditions of the partnership agreement, many contractual provisions contained in the partnership agreement will automatically cease to apply upon Conversion or upon an IPO.

*Parallel Investment Entities Following Conversion.* Prior to Conversion, Silver Point may establish parallel investment entities that will generally invest proportionally in transactions on similar terms and conditions, including parallel investment entities that will not utilize leverage ("Unlevered Parallel Investment Entities"). If any parallel investment entities are formed, an investor in such a parallel investment entity will be entitled to receive an interest in the newly formed BDC Vehicle in proportion to the relative fair market value of its interest in the parallel investment entity as of the effective date of Conversion in the same manner described above with regard to limited partners and the Specialty Credit Fund. Upon Conversion, it is expected that the BDC Vehicle will assume all of the outstanding indebtedness of the Specialty Credit Fund and parallel investment entities that utilize

leverage, if any. As a result, investors in Unlevered Parallel Investment Entities will be exposed to less credit risk prior to Conversion than investors in the Specialty Credit Fund and parallel investment entities that utilize leverage.

*IPO and Listing.* Following Conversion, there can be no assurances that the Specialty Credit Fund will be able to successfully commence or complete an IPO or list the common stock of the BDC Vehicle on a national securities exchange. The timing and pricing of any IPO are dependent upon market conditions and there may be a significant delay between Conversion and an IPO. During the period following Conversion until consummation of an IPO or the expiration of the term of the Specialty Credit Fund, the Specialty Credit Fund will continue its investment activities and operations as a privately held BDC whose shares are subject to transfer restrictions. Even if the Specialty Credit Fund successfully completes an IPO, the Specialty Credit Fund may not be able to list the common stock of the BDC Vehicle on a national securities exchange, which would significantly restrict the ability of investors to transfer their interests in the Specialty Credit Fund. Furthermore, even if the common stock of the BDC Vehicle is listed on a national securities exchange, investors' ability to dispose of their shares of the BDC Vehicle will be dependent upon the existence of sufficient trading volume in, and a market for, the common stock of the BDC and there can be no assurances that such trading volume or market will materialize.

*RIC Qualification.* The Specialty Credit Fund will incur corporate-level income tax costs following Conversion if it is unable to qualify as a RIC for U.S. tax purposes or if the Specialty Credit Fund is not able to substantially distribute all of its income in a timely fashion. Although Silver Point will use commercially reasonable efforts to cause the Specialty Credit Fund to qualify as a RIC, no assurance can be given that the Specialty Credit Fund will be able to qualify for and maintain RIC status. To obtain and maintain RIC tax treatment under the Internal Revenue Code, the Specialty Credit Fund must meet the following annual distribution, income source and asset diversification requirements.

The Specialty Credit Fund must distribute to its stockholders on an annual basis at least 90% of its net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In the event the Specialty Credit Fund uses debt financing, it will be subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict it from making distributions necessary to satisfy the distribution requirement. In addition, as discussed in more detail below, the Specialty Credit Fund's income for tax purposes may exceed its available cash flow. If the Specialty Credit Fund is unable to obtain cash from other sources, it could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

The Specialty Credit Fund must derive at least 90% of its gross income for each year from dividends, interest, gains from the sale of stock or securities or similar sources.

The Specialty Credit Fund must meet specified asset diversification requirements at the end of each quarter of its taxable year. The need to satisfy these requirements in order to prevent the loss of RIC status may result in the Specialty Credit Fund's having to dispose of certain investments quickly on unfavorable terms. Because most of the Specialty Credit Fund's investments will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If the Specialty Credit Fund fails to qualify for RIC tax treatment for any reason, the resulting federal income tax liability could substantially reduce the Specialty Credit Fund's net assets, the amount of income available for distribution, and the amount of the Specialty Credit Fund's distributions.

*Failure to Maintain BDC Status.* If the Specialty Credit Fund does not remain a BDC, it might be regulated as a closed-end investment company under the 1940 Act, which would subject the Specialty Credit Fund to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease its operating flexibility. In addition, failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against the Specialty Credit Fund.

*Distributions Following Conversion.* There can be no assurance that the Specialty Credit Fund will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. Although a portion of the Specialty Credit Fund's expected earnings and distributions will be attributable to net interest income, it is not expected that the Specialty Credit Fund will generate capital gains from the sale of its portfolio investments on a level or uniform basis from quarter to quarter. This may result in substantial fluctuations in quarterly distributions.

In certain cases, the Specialty Credit Fund may recognize income before or without receiving cash representing the income. Depending on the amount of noncash income, this could result in difficulty satisfying the annual distribution requirement applicable to RICs. Accordingly, the Specialty Credit Fund may delay distributions during a year until it generates cash or it may have to sell some of its investments at times it would not consider advantageous, raise additional debt or equity capital or reduce new investments to meet these distribution requirements.

*Ownership Restrictions.* Investment companies registered under the 1940 Act are restricted from acquiring directly or through a controlled entity more than 3% of the Specialty Credit Fund's total outstanding voting stock (measured at the time of the acquisition), unless these funds comply with an exemption under the 1940 Act as well as other limitations under the 1940 Act that would restrict the amount that they are able to invest in the Specialty Credit Fund's securities. Private funds that are excluded from the definition of "investment company" either pursuant to Section 3(c)(1) or 3(c)(7) of the 1940 Act are also subject to this restriction. In order to ensure compliance with these restrictions, certain investors may be precluded from acquiring additional shares at a time that they might desire to do so and may be prohibited from participating in drawdowns and/or the BDC Vehicle's dividend reinvestment plan. Silver Point may also purchase for the benefit of the BDC Vehicle or its investors, or cause the BDC Vehicle to purchase, some or all of an investor's shares of the BDC Vehicle at a price determined by Silver Point in accordance with the valuation policies set forth herein.

*Stockholder Filing Requirements.* Because the Specialty Credit Fund's common stock will be registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") ownership information for any person who beneficially owns 5% or more of the Specialty Credit Fund's common stock will have to be disclosed in a Schedule 13G or other filings with the SEC. Beneficial ownership for these purposes is determined in accordance with the rules of the SEC, and includes having voting or investment power over the securities. In some circumstances, investors who choose to reinvest their dividends may see their percentage stake in the Specialty Credit Fund increased to more than 5%, thus triggering this filing

requirement. Although the Specialty Credit Fund will provide in its quarterly statements the amount of outstanding stock and the amount of the investor's stock, the responsibility for determining the filing obligation and preparing the filing remains with the investor.

*Broad Authority for Board Action.* The Specialty Credit Fund's board of directors will have the authority to modify or waive certain of the Specialty Credit Fund's operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, once the election is made, absent stockholder approval, the Specialty Credit Fund may not change the nature of its business so as to cease to be, or withdraw the Specialty Credit Fund's election as, a BDC. The effect any changes to the Specialty Credit Fund's current operating policies and strategies would have on its business, operating results and value of the Specialty Credit Fund's common stock cannot be predicted. Nevertheless, the effects may adversely affect the Specialty Credit Fund's business and impact its ability to make distributions.

*Resignation of Adviser.* Following Conversion, the Silver Point affiliate serving as adviser of the Specialty Credit Fund will have the right, under its advisory agreement, to resign at any time upon 60 days' written notice, regardless of whether the Specialty Credit Fund has found a replacement. In addition, the board of directors will have the authority to remove Silver Point for any reason or for no reason, or may choose not to renew the advisory agreement. If Silver Point resigns or is terminated, the Specialty Credit Fund may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If the Specialty Credit Fund is unable to do so quickly, its operations are likely to experience a disruption, costs under any new agreements could increase, its financial condition, business and results of operations as well as its ability to pay distributions are likely to be adversely affected and the value of an interest in the Specialty Credit Fund may decline.

*Failure to Generate Net Realized Capital Gains or Obtain Additional Funds.* As a RIC, the Specialty Credit Fund must annually distribute at least 90 percent of its investment company taxable income as a dividend and may either distribute or retain its realized net capital gains from investments. Unless investors elect to reinvest dividends, earnings that the Specialty Credit Fund is required to distribute to stockholders will not be available to fund future investments. Accordingly, absent raising additional capital, the Specialty Credit Fund may have insufficient funds to make new and follow-on investments, which could have a material adverse effect on the Specialty Credit Fund's financial condition and results of operations. Because of the structure and objectives of its business, the Specialty Credit Fund may experience operating losses and expect to rely on proceeds from sales of investments, rather than on interest and dividend income, to pay its operating expenses. There is no assurance that the Specialty Credit Fund will be able to sell its investments and thereby fund its operating expenses.

*Valuation of Portfolio Securities Following Conversion.* In accordance with the 1940 Act, assets that are not publicly traded or whose market prices are not readily available will be valued at fair value as determined in good faith by the Specialty Credit Fund's board of directors, which will be supported by the valuation function of Silver Point and by the audit committee of the board of directors. In connection with that determination, investment professionals from Silver Point will prepare portfolio company valuations using sources and/or proprietary models depending on the availability of information on the assets and the type of asset being valued, all in accordance with the Specialty Credit Fund's valuation policy.

The participation of Silver Point in the valuation process could result in a conflict of interest, since Silver Point's incentive compensation and (following an IPO) Specialty Credit Fund Management Fee is based in part on the Specialty Credit Fund's assets.

*Anti-Takeover Provisions.* State corporate law, the Specialty Credit Fund's certificate of incorporation and bylaws will contain provisions that may discourage, delay or make more difficult a change in control of the Specialty Credit Fund or the removal of the Specialty Credit Fund's directors. These measures may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of the Specialty Credit Fund's stockholders and could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices.

*Legislative Changes Allowing Additional Leverage.* Under the 1940 Act, following Conversion the Specialty Credit Fund generally will not be permitted to incur borrowings, issue debt securities or issue preferred stock unless immediately after the borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock, is at least 200%. However, under the SBCAA, which became law in March 2018, BDCs have the ability to elect to become subject to a lower asset coverage requirement of 150%, subject to the receipt of the requisite board or stockholder approvals under the SBCAA and satisfaction of certain other conditions. In other words, Section 61(a) of the 1940 Act, as amended, permits BDCs to potentially increase their maximum debt-to-equity ratio from an effective level of one-to-one to two-to-one. As a result, the Specialty Credit Fund would be able to incur additional indebtedness in the future if it satisfies the conditions under the SBCAA and limited partners may face increased investment risk. In addition, since the Specialty Credit Fund Management Fee following Conversion is calculated as a percentage of the value of the Specialty Credit Fund's total gross assets, which includes any borrowings for investment purposes, Specialty Credit Fund Management Fee expenses will increase if the Specialty Credit Fund incurs additional indebtedness.*No Opt-Out Rights Following Conversion.* Prior to Conversion, some limited partners may exercise rights granted to them pursuant to a side letter to opt out of particular investments, which may increase the other limited partners' pro rata interest in that particular investment.

Following Conversion, limited partners will not have the ability to opt out of particular investments, notwithstanding any rights granted to them pursuant to a side letter. Limited partners that had opted out of certain investments prior to Conversion will hold a pro rata interest in those investments to the extent the BDC Vehicle holds those investments, by virtue of their ownership of shares of stock of the BDC Vehicle which represent undivided interests in the assets of the BDC Vehicle. Furthermore, the fair value of a limited partner's interest, upon which the size of the interest in the BDC Vehicle to which the limited partner is entitled upon Conversion is based, will take into account the degree to which a limited partner has opted out of any investments prior to Conversion. As a result, each limited partner's pro rata interest in, and income from, each of the Specialty Credit Fund's investments may change upon Conversion.

*Risks Related to Operating as a Small Business Investment Company.*

*SBA Regulation.* The Specialty Credit Fund (either directly, or indirectly through a subsidiary) may apply to the U.S. Small Business Association (the "SBA") for a license to operate as a Small Business Investment Company (an "SBIC"). As a licensed SBIC, the Fund, or its subsidiary, licensed as an SBIC (the "SBIC Vehicle") will be subject to

regulation under the Small Business Investment Act and the regulations and policies promulgated thereunder. During the term of the SBIC Vehicle, the applicable SBA regulations and policies may change in ways that could require the SBIC Vehicle to alter its business activities.

Current SBA regulations provide SBA with certain rights and remedies if an SBIC violates their terms. Remedies for regulatory violations are graduated in severity depending on the severity of a particular violation or significant departure from certain key regulatory metrics. For minor regulatory infractions, warnings are typically given. Remedies for more significant infractions may include (i) limiting or prohibiting the use of debentures, (ii) declaring outstanding debentures immediately due and payable, (iii) restricting distributions and the making of new investments, (iv) mandatory reductions of management fees and (v) drawdown of unfunded capital commitments to the SBIC. In cases of significant violations, SBA may require the investors in an SBIC to remove its general partner or its officers, directors, managers or partners, or SBA may obtain appointment of a receiver for such SBIC.

"Capital Impairment," or the extent of net realized (and, in certain circumstances, net unrealized) losses as compared to an SBIC's private capital commitments, is a key SBA regulatory metric. "Realized losses" include interest payments, management fees, organizational and other expenses. Under certain circumstances, SBA regulations preclude the inclusion of the full amount of "unrealized appreciation" from portfolio companies in the calculation of Capital Impairment, which may further exacerbate the extent of any Capital Impairment. Significant Capital Impairment may result in the imposition of severe penalties by SBA.

*No Assurance of SBIC License.* There can be no assurances that SBA will issue an SBIC license to the Fund or its subsidiary.

*Limited Transferability.* Prior to an IPO, investors in the SBIC Vehicle will not be permitted to transfer their interests (directly or indirectly) in the SBIC Vehicle without the consent of SBA, and no investor may be released of its obligation to fund its unfunded commitment to the SBIC Vehicle without the consent of SBA.

SBA facilitates investment in small businesses by financing loans ("SBA Leverage") to SBICs. Under the current policy of SBA, in order to secure SBA Leverage, investors with a 50% or greater interest in an SBIC are required to provide SBA with a written agreement not to transfer their interest in the SBIC without SBA's consent and to be held liable for the repayment of the total amount of such SBA funding if they violate such agreement.

*Unavailability of SBA Leverage.* Becoming licensed as an SBIC does not automatically assure that an SBIC will receive SBA Leverage. Receipt of SBA leverage is dependent upon the SBIC's continued compliance with SBA regulations and policies and the availability of funding. The amount and availability of SBA Leverage is dependent upon annual Congressional authorizations and in the future, may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient SBA Leverage available at the times desired by the SBIC Vehicle.

*Use of SBA Leverage.* The use of SBA Leverage will magnify the potential for both gains and losses with respect to investments made by the SBIC Vehicle. As a result of the commitment fees, repayment obligations and semi-annual interest payments to which SBA is entitled, returns to investors in the SBIC Vehicle may be flat, lower than, or even negative as



compared to returns from an investment in a fund that did not use SBA Leverage. There can be no assurance that the SBIC Vehicle will generate returns that exceed the crossover point for return enhancement attributable to SBA Leverage. The payments to which SBA is entitled may reduce or entirely eliminate returns to investors if the SBIC Vehicle does not generate sufficient returns in excess of such payments.

*SBA Leverage and Limitations on Leverage Applicable to BDCs.* In the event that the Fund (or its subsidiary) is licensed as an SBIC, the limitations on leverage applicable to BDCs under the 1940 Act may be exceeded either in accordance with certain provisions of the 1940 Act applicable to SBICs or in accordance with an exemptive order from the SEC. There can be no assurance as to when or whether the SEC would grant such an exemptive order.

*Limits on Distributions.* Pursuant to SBA regulations, an SBIC with outstanding debentures may distribute cumulative realized profits (less unrealized losses on investments) to its investors, but it may not return more than 2% of its outstanding capital to investors in any fiscal year without SBA's prior approval. SBA's limitations on an SBIC's ability to make distributions may result in the receipt of "phantom income" by investors in the SBIC Vehicle.

Historically, SBA has permitted repayments in excess of 2% only pursuant to an approved "wind-up" plan filed by an SBIC pursuant to which SBA determines that repayment of the outstanding debentures is adequately assured. SBA generally only gives that approval when the SBIC has previously made significant repayments of debentures, the remaining portfolio is performing well and SBA feels reasonably well assured that outstanding debentures will be repaid in full. With respect to funds available for distribution, an SBIC will seek to negotiate with SBA the proportion of those funds that will be used to repay debentures and to make distributions constituting a return of its capital. While sometimes this proportion is 1:1, an SBIC cannot reliably predict what arrangement SBA may be willing to accept.

SBICs can make distributions before the end of a fiscal year. If, however, an SBIC were to make a distribution mid-year from its Retained Earnings Available for Distribution ("READ") that then existed, but at the end of the year the SBIC did not have READ for the year (for example, if the SBIC wrote off an investment after mid-year), then SBA has considered that distribution to be improper and an event of default under the debentures. The SBIC would be given a specified period of time to cure the default, not less than fifteen days. The failure to cure could result in SBA declaring all debentures immediately due and payable and seeking the appointment of SBA or its designee as a receiver.

#### Risk Factors with respect to the Select Opportunities Fund

To the extent the Select Opportunities Fund invests alongside one or more other Funds (or invests in investment opportunities within or outside the investment strategy of, but not pursued by, such other Funds), the Select Opportunities Fund will be subject to some or all of the foregoing risks, depending on the risks associated with the applicable transaction or investment strategy. The Select Opportunities Fund is also subject to additional risks as described in the applicable offering documents.

#### Risk Factors with respect to the Distressed Opportunities Funds and Distressed Institutional Funds

*Loan Origination.* The Domestic Distressed Opportunities Fund and Domestic Distressed Institutional Fund may originate loans, including secured and unsecured notes, senior and

second lien loans, mezzanine loans, and other similar investments. The Domestic Distressed Opportunities Fund and Domestic Distressed Institutional Fund may subsequently offer these investments (or portions thereof) for sale to its affiliates, including the Offshore Distressed Opportunities Fund, the Offshore Distressed Institutional Fund or affiliates thereof, or to third parties, which could include certain other investment funds or separately managed accounts managed by Silver Point or its affiliates. There is, however, no assurance that the Domestic Distressed Opportunities Fund and Domestic Distressed Institutional Fund will complete any such sale as anticipated. In determining the target amount to allocate to such investments, the Domestic Distressed Opportunities Fund and Domestic Distressed Institutional Fund may take into consideration the fact that it may sell, assign or offer participations in such investments to its affiliates or third parties as described above. If the Domestic Distressed Opportunities Fund and Domestic Distressed Institutional Fund are unable to sell, assign or successfully close transactions for the loans that it originates, the Domestic Distressed Opportunities Fund or Domestic Distressed Institutional Fund will be forced to hold its interest in such loans for an indeterminate period. This could result in the investments of the Domestic Distressed Opportunities Fund or Domestic Distressed Institutional Fund being over-concentrated in certain borrowers.

In making loans, the Distressed Opportunities Funds and the Distressed Institutional Funds will compete with a broad spectrum of lenders, some of which may be willing to lend money on better terms (from a borrower's standpoint) than the Distressed Opportunities Funds or the Distressed Institutional Funds. Increased competition for, or a diminution in the available supply of, qualifying loans may result in lower yields on such loans, which could reduce returns to the Distressed Opportunities Funds or the Distressed Institutional Funds.

In addition, loan origination involves a number of particular risks that may not exist in the case of secondary debt purchases, including:

- When originating loans, the Domestic Distressed Opportunities Fund and Domestic Distressed Institutional Fund will generally have to rely more on its own resources to conduct due diligence of the borrower, which will likely be more limited than the diligence conducted for a broadly syndicated transaction involving an underwriter;
- Loan origination involves additional regulatory risks (for example, the Domestic Distressed Opportunities Fund and Domestic Distressed Institutional Fund may have to obtain licenses in certain jurisdictions, which it may fail to obtain or fail to maintain); and
- The borrowers may in some circumstances be higher credit risks who could not obtain debt financing in the syndicated markets.

In addition to the above, originating loans to private and middle-market companies involves risks that may not exist in the case of large, more established and/or publicly-traded companies, including:

- These companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving creditors, such as the Distressed Opportunities Funds and Distressed Institutional Funds, dependent on any guarantees or collateral that they may have obtained;

- These companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render such companies more vulnerable to competition and market conditions, as well as general economic downturns;
- There will not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality;
- These companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations;
- These companies generally have less predictable operating results, may from time to time be parties to litigation, 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 their expansion or maintain their competitive position; and
- These companies may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

*Need for Follow-on Investments.* Following its initial investment in a given issuer, the Distressed Opportunities Funds and Distressed Institutional Funds may decide to provide additional funds to such issuer or may have the opportunity to increase its investment in an issuer. There is no assurance that the Distressed Opportunities Funds and Distressed Institutional Funds will make follow-on investments or that the Distressed Opportunities Funds and Distressed Institutional Funds will have sufficient funds to make all or any of such investments. Any decision by the Distressed Opportunities Funds and Distressed Institutional Funds not to make follow-on investments or their inability to make such investments may have a substantial negative effect on an issuer in need of such an investment, may result in a lost opportunity for the Distressed Opportunities Funds and Distressed Institutional Funds to increase their participation in a successful investment, may result in the Distressed Opportunities Funds' and Distressed Institutional Funds' investments in the relevant issuer becoming diluted may result in a loss of value for the Distressed Opportunities Funds and Distressed Institutional Funds.

#### Risk Factors with respect to SPCP Group VIII

The risks associated with an investment in SPCP Group VIII are generally addressed by the risks identified herein with respect to the Flagship Funds. In addition, SPCP Group VIII invests in the instruments of a single issuer.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

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

## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **Broker-Dealer Registration Status**

Silver Point and its management persons are not registered as broker-dealers and do not have any application pending to register as a broker-dealer or registered representative of a broker-dealer.

#### **Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

Silver Point and its management persons are not registered as, and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

#### **Material Relationship or Arrangements with Industry Participants**

Silver Point does not have any relationships or arrangements that are material to its advisory business or to its clients with related persons that are industry participants.

#### **Material Conflicts of Interest Relating to Other Investment Advisers**

Silver Point generally does not recommend or select other investment advisers for its clients; however, Silver Point has the right to cause its Funds to enter into joint venture arrangements or co-invest with third parties, if Silver Point determines that such an arrangement represents the best way to access a particular investment opportunity or otherwise expand the investment expertise available to the Funds. The Funds may be subject to various costs relating to such ventures, including additional performance-based or fixed asset-based fees or allocations payable to the promoters, managers, finders or sub-advisors of such ventures.

#### **Other Conflicts**

The Funds will be subject to a number of actual and potential conflicts of interest involving Silver Point and its affiliates, employees or partners, including the Funds, accounts or sub-accounts (collectively, the "Silver Point Group"), including, among other things, the fact that: (i) the Silver Point Group conducts substantial investment, administrative and other related activities for the accounts of clients or members of the Silver Point Group (such accounts or clients, including the Funds, "Silver Point Accounts") in which a particular Fund has no interest; (ii) the Silver Point Group may form a new fund or account that utilizes the same, similar or different strategies, objectives and policies as the Funds and such fund or account may have the same, similar or different fee terms than the Funds; (iii) the Silver Point Group advises other Silver Point Accounts, which may utilize the same, similar or different strategies, objectives and policies as a particular Fund, and may have financial incentives (including, without limitation, as it relates to the composition of investors in such funds and accounts or to the Silver Point Group's compensation arrangement) to favor certain Silver Point Accounts over such Fund; (iv) the Silver Point Group may use strategies similar, in whole or in part, to those of the Flagship Funds, the Specialty Credit Fund, the Distressed Opportunities Funds or the Distressed Institutional Funds in certain other Silver Point Accounts; (v) the Silver Point Group may give advice and recommend financial instruments to, or buy or sell financial instruments for, a Fund, which advice or financial instruments may

differ from advice given to, or financial instruments recommended or bought or sold for, other Silver Point Accounts; and (vi) the Silver Point Group and other Silver Point Accounts may actively engage in transactions in the same financial instruments sought by a Fund and, therefore, may compete with such Fund for investment opportunities or hold positions potentially in conflict with positions maintained on behalf of such Fund. Due to restrictions imposed on the Silver Point Group in connection with the management of other Silver Point Accounts, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Silver Point Accounts will make investments in the same issuers and conflicts of interest (or perceived conflicts of interest) may arise in connection with such investments, including as a result of investing in different levels of an issuer's capital structure or otherwise in different classes of an issuer's financial instruments. Other Silver Point Accounts may make follow-on or other investments (including with respect to issuers in which a Fund has an investment) in which such Fund will not participate. These investments may create additional conflicts of interest among a Fund and such Silver Point Accounts. While these conflicts cannot be eliminated, the Silver Point Group endeavors to address, and has policies and procedures in place to review, manage and resolve, potential conflicts in a manner that is fair and equitable to each Fund and the other Silver Point Accounts. Conflict resolution may result in a Fund receiving less consideration than it may have otherwise received in the absence of such a conflict of interest.

Where appropriate, Silver Point provides co-investment opportunities to investors and/or other third parties (including, without limitation, employees and partners of Silver Point). Silver Point is not obligated to offer any co-investment opportunities to investors and/or other third parties, and no investor or any other third party shall have any expectation or right to be offered any co-investment opportunities. Co-investment opportunities are made available through limited partnerships, limited liability companies or other entities formed to make such investments. Subject to Silver Point's allocation policy, Silver Point allocates the available investments among investors, Silver Point Accounts and/or any third party as Silver Point may, in its sole discretion, determine. Silver Point Accounts offer investment opportunities to co-investors after they have allocated as much as is appropriate for their investment programs and circumstances, as determined by Silver Point.

The participation by one or more co-investors in an investment has the potential to present conflicts as a result of differing interests as between a Fund and such co-investors. In addition, a Fund's interest in an investment has the potential to be negatively impacted by the actions of a participating co-investor, including as a result of such co-investor's failure to fund any portion of its investment. Such co-investors may make co-investments on terms and conditions that are materially different from each other and the investment by such Fund, and these terms may be more or less favorable to such co-investors, including with respect to fees, expenses and other material terms. Some or all of the investors or other persons participating in a co-investment opportunity may be charged management fees, incentive compensation or other fees in connection therewith.

Silver Point's partners and employees have co-invested and expect to continue to co-invest with the Flagship Funds in certain investments. It is expected that Silver Point's partners and employees will continue to invest or co-invest in certain opportunities identified by Silver Point. Conflicts of interest may arise with respect to such investment opportunities, including with respect to the allocation of such opportunities between the Flagship Funds and Silver Point's partners and/or employees, and with respect to potential conflicts arising from the

nature of certain investments as more fully described herein. Allocations of investment opportunities available to the Flagship Funds and Silver Point's partners and employees are made on a basis providing priority to the Flagship Funds.

The Specialty Credit Fund co-invests with other Funds (including the Select Opportunities Fund) or accounts managed by or for the benefit of Silver Point or its affiliates, including any vehicle formed by Silver Point or its affiliates whose principal purpose is to co-invest alongside the Specialty Credit Fund; provided that no such co-investment vehicle will be allocated all or part of any investment opportunity unless the Specialty Credit Fund has first received its appropriate share of such investment opportunity (if any), as determined by Silver Point.

Following Conversion, the Specialty Credit Fund generally will be prohibited under the 1940 Act from participating in certain transactions with its affiliates without prior approval of the independent directors of the Specialty Credit Fund (the "Independent Directors") and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of the Specialty Credit Fund's outstanding voting securities is an affiliate of the Specialty Credit Fund for purposes of the 1940 Act, and the Specialty Credit Fund generally will be prohibited from buying or selling any security from or to such affiliate, absent the prior approval of the Independent Directors. The 1940 Act also prohibits certain "joint" transactions with certain of the Specialty Credit Fund's affiliates, which could include investments in the same issuers (whether at the same or different times), without prior approval of the Independent Directors and, in some cases, the SEC. If a person acquires more than 25% of the Specialty Credit Fund's voting securities, the Specialty Credit Fund will be prohibited from buying or selling any security from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit the Specialty Credit Fund's ability to transact business with the Specialty Credit Fund's officers or directors or their affiliates.

These prohibitions will affect the manner in which investment opportunities (including follow-on investments) are allocated between the Specialty Credit Fund and other funds managed by Silver Point or its affiliates. For example, the full investment opportunity could be allocated to the Specialty Credit Fund or to another Silver Point Account, as applicable, where otherwise such opportunity would have been allocated in a pro rata or other manner in accordance with the allocation policies of Silver Point. As a general matter, therefore, these restrictions may prohibit a Silver Point Account from effecting transactions (including restructurings) or participating in negotiations that might otherwise benefit such Silver Point Account if they involve simultaneous or related investments in, or in different parts of the capital structure of, the same issuer as that held by the Specialty Credit Fund, to the extent such investments constitute prohibited joint transactions under the 1940 Act. A Silver Point Account may seek to gain exposure to, or otherwise participate in, such transactions (including restructurings) by acquiring or disposing of financial instruments in which they might not otherwise desire to transact. Most importantly, the Specialty Credit Fund generally will be prohibited from co-investing with other Silver Point Accounts or affiliates in Silver Point-originated loans and financings unless the Specialty Credit Fund co-invests in accordance with the applicable regulatory guidance or has obtained an exemptive order from the SEC permitting such co-investment activities. Accordingly, while Silver Point intends to allocate suitable opportunities among the Specialty Credit Fund and other Silver Point Accounts or affiliates of Silver Point based on the Specialty Credit Fund's allocation principles, the prohibition on co-investing with affiliates could significantly limit the scope of

investment opportunities available to the Specialty Credit Fund. In particular, the decision by Silver Point to allocate an opportunity to one or more Silver Point Accounts or to an affiliate, or the existence of a prior co-investment structure, might cause the Specialty Credit Fund to forgo an investment opportunity that it otherwise would have made. Similarly, the Specialty Credit Fund generally may be limited in its ability to invest in an issuer in which a Silver Point Account or affiliate had previously invested. The Specialty Credit Fund may in certain circumstances also be required to sell, transfer or otherwise reorganize assets in which the Specialty Credit Fund has invested with Silver Point Accounts or affiliates at times that the Specialty Credit Fund may not consider advantageous.

There can be no assurances that the Specialty Credit Fund will be able to co-invest alongside Silver Point Accounts or affiliates, other than in the limited circumstances currently permitted by regulatory guidance. In the event that the Specialty Credit Fund is able to obtain an exemptive order from the SEC, the Specialty Credit Fund would only be permitted to co-invest alongside Silver Point Accounts or other affiliates in accordance with the terms and condition of the exemptive order.

Silver Point's policies and procedures are intended to produce fairness over time, but may not, and are not expected to, produce mathematical precision in the allocation of individual purchases and sales of securities.

The Specialty Credit Fund has entered into, and may in the future enter into one or more, financing arrangements with third-party lenders to bridge the limited partners' capital contributions, for other investment purposes or for purposes of paying Specialty Credit Fund expenses. The financings entered into by the Specialty Credit Fund have been, and future financings may be, secured by a pledge of the asset related to the borrowing under the financing arrangement or to one or more other assets of the Specialty Credit Fund, the limited partners' unfunded commitments or the Specialty Credit Fund GP's right to call capital from the partners. In addition, any such financing may be personally guaranteed by certain partners of Silver Point (in such capacity, the "Guarantors"), which may give rise to potential conflicts of interest. The Guarantors will not receive any compensation for providing, or relating to, such a personal guarantee.

Silver Point may allocate any investment opportunities, in whole or in part, to the Select Opportunities Fund and other Funds or Silver Point Accounts, including third-party co-investors, strategic partners or other fund sponsors, including because Silver Point is incentivized to do so as a result of more favorable fee, expense and compensation structures.

Generally, expenses incurred directly in connection with a particular investment of the Select Opportunities Fund, the Specialty Credit Fund and other Silver Point Accounts will be allocated among the Select Opportunities Fund, the Specialty Credit Fund and other Silver Point Accounts pro rata based upon capital invested in such investment; provided that expenses specifically attributable to the Select Opportunities Fund, the Specialty Credit Fund or any other Silver Point Account may be allocated to the Select Opportunities Fund, the Specialty Credit Fund or any such other Silver Point Account, as applicable.

In addition, in order to facilitate an investment, the Funds may make (or commit to make) an investment with a view to selling a portion of such investment to co-investors or other persons prior to or within a brief period after making such investment. In such event, the Funds will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, the Funds may



bear the entire amount of any break-up fee or other fees, costs, and expenses related to such investment, hold a larger portion than expected in such investment, or may realize lower than expected returns from such investment. The Funds will also bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that may not reflect the then-current value of such investment. The Funds may also borrow to fund the portion of an investment that it intends to sell to co-investors. If the prospective co-investors do not ultimately invest in such investment, the Funds will bear the interest and other expenses relating to any such borrowing or investment as well as any broken deal expenses. With respect to unconsummated investments that were intended to be allocated to the Select Opportunities Fund, expenses will be allocated among all Silver Point Accounts that would have participated in such investment based on the intended allocation of such investment. With respect to such unconsummated investments, allocation decisions will be made based on Silver Point's best judgment of which Fund or Funds would have ultimately been allocated the transaction or a portion thereof had the investment been consummated.

This judgment is necessarily subjective, especially when a transaction is terminated particularly early on. Silver Point will allocate other expenses among the Select Opportunities Fund, the Specialty Credit Fund and other Silver Point Accounts in a fair and equitable manner taking into account such factors as it deems appropriate.

While Silver Point and its investment personnel will generally devote to the Funds as much time as Silver Point deems necessary and appropriate to manage the business of the Funds, Silver Point and its investment personnel will have no obligation to devote any particular amount of time and attention to any particular Fund. The investment personnel of Silver Point (and the other service providers of the Funds) will continue to provide services to other Silver Point Accounts. Future activities of the Silver Point Group, including the establishment of other investment funds, may give rise to additional conflicts of interest.

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

**Code of Ethics**

Silver Point strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, Silver Point has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must act in the best interests of the Funds;
- employees must comply with all applicable laws, rules and regulations;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions; and
- information concerning the identity of securities held by, and financial circumstances of, the Funds and their investors must be kept confidential.

Clients may request to review the Code by contacting Silver Point at the address or telephone number listed on the first page of this document.

**Cross Trades/Principal Transactions**

Subject to applicable restrictions in Silver Point's written policies and procedures, Silver Point may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax, liquidity, leverage, rebalancing or other legal reasons. If Silver Point decides to engage in a Cross Trade, Silver Point will determine that the trade is in the best interests of each client involved, will take steps to ensure that the transaction is consistent with its fiduciary duties and will seek to obtain best execution for each of those clients.

When effecting cross transactions between clients, Silver Point, its affiliates and its personnel may have cross ownership interests and will potentially have conflicting loyalties and responsibilities. To the extent that such transactions may be viewed as principal transactions due to the ownership interest in the client by Silver Point, its affiliates or its personnel, Silver Point will comply with the requirements of Section 206(3) of the Advisers Act. In no event will a Fund engage in a principal transaction except where (i) a Fund selects one or more unaffiliated persons to consider and approve or disapprove principal transactions, and such committee approves such transaction, or (ii) to the extent a Fund has independent third party directors, such directors consider and approve of such transaction.

## **Investing in Securities that Silver Point or a Related Person Recommends to Clients**

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to Silver Point on a periodic basis, and it requires that employees pre-clear certain types of personal securities transactions. Subject to internal compliance policies and approval procedures, and to the extent consistent with Silver Point's fiduciary duties to the Funds, Silver Point, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of the Funds.

Silver Point, its affiliates and its employees may give advice or take action for their own accounts that may differ from, or conflict with advice given or action taken for the Funds. These activities may affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds. Potential conflicts also may arise due to the fact that Silver Point and its personnel may have different levels of investments in the various Funds.

Silver Point endeavors to monitor and resolve conflicts with respect to investment opportunities in a manner that it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described in Items 10 and 11 herein.

## **Conflicts of Interest Created by Contemporaneous Trading**

Silver Point manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of Silver Point to allocate investment opportunities among all clients fairly, in accordance with each client's applicable investment strategies, over a period of time. Silver Point will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any other client solely because Silver Point purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

It is expected that investment opportunities that are consistent with the investment strategies of two or more clients will be allocated among such clients in such proportion as the Silver Point Group may deem to be fair and equitable. Among other considerations, in keeping with principles of fiduciary responsibility, the Silver Point Group may consider the following factors: (i) a client's objectives (whether such objectives are considered solely in light of the specific investment under consideration or in the context of such client's overall holdings); (ii) the relative amounts of a client's capital available for new investments in the relevant strategy or asset class or based on other investment-related characteristics; (iii) the terms, structure and, availability of financing in respect of an investment; (iv) the diversification of a client's overall holdings; (v) the size, liquidity and anticipated duration of the proposed investment; (vi) the potential for imbalances in a client's portfolio; (vii) a client's diversification, leverage and other limitations; and (viii) tax or legal issues (including BDC and RIC requirements). Such considerations, among others, may result in allocations among such clients on a basis other than available capital. Such clients may invest in issuers in which other clients have pre-existing investments (including the same, similar or potentially conflicting financial instruments of such issuers) and the terms and structure of such pre-

existing investments may differ from such client's investments (including in a manner that is more beneficial to the other clients).

In determining how to allocate investment opportunities, Silver Point may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among a Fund and other Silver Point Accounts with differing fee, expense and compensation structures, the Silver Point Group may have an incentive to allocate investment opportunities to Silver Point Accounts from which Silver Point may derive, directly or indirectly, a higher fee or compensation. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a particular Fund.

Other Silver Point Accounts may invest in the same or different investments from those invested in by a particular Fund, and such other Silver Point Accounts may make investments at the same or different times and at the same or different prices than such Fund. Although other Silver Point Accounts may hold certain investments in common with a particular Fund, the trading strategy for such investments may differ materially, including that such Fund may engage in more short-term oriented purchase and sale opportunities. Other Silver Point Accounts may or may not participate in such short-term opportunities. As a result and due to numerous other differences in strategy, leverage, hedging and design, the performance across Silver Point Accounts will differ and may differ materially.

## **ITEM 12**

### **BROKERAGE PRACTICES**

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

As noted previously, Silver Point has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

With respect to the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds and SPCP Group VIII, portfolio transactions will be allocated to broker-dealers on the basis of best execution and in consideration of the provision of certain investment-related services (including research services) and/or payment of the costs of investment-related research, which Silver Point believes to be of benefit to the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds or SPCP Group VIII. Silver Point will use various brokers and dealers to execute, settle and clear securities transactions for the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds and SPCP Group VIII. Subject to best execution, in selecting broker-dealers (including a prime broker) Silver Point may consider, among other things, the overall cost of the transaction; the size and type of the transaction; the nature of the market for the financial instrument; execution capability, speed and efficiency; market intelligence regarding the transaction; the extent to which the broker-dealer makes a market in the financial instrument involved or has access to such markets; the broker-dealer's financial stability; the broker-dealer's reputation for diligence, fairness and integrity; quality of service rendered by the broker-dealer in other transactions for Silver Point; confidentiality considerations; the quality and usefulness of research services and investment ideas presented by the broker-dealer; the broker-dealer's willingness to correct errors; the broker-dealer's ability to accommodate any special execution or order handling requirements in connection with any particular transaction; and other factors deemed appropriate by Silver Point. Accordingly, if Silver Point concludes that the commissions charged by a broker or the spreads applied by a dealer are reasonable in relation to the overall quality of services rendered by such broker or dealer (including, without limitation, the value of the brokerage and research products or services provided by such broker or dealer), the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds and SPCP Group VIII may pay commissions to or be subject to spreads applied by such broker-dealer in an amount greater than the amount another broker-dealer might charge or apply. Silver Point need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Silver Point reviews, on at least a quarterly basis, the quality of brokerage executions.

#### **Research and Other Soft Dollar Benefits**

Although Silver Point does not have any formal "soft dollar" arrangements, from time to time, Silver Point may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting the Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction

in recognition of the value of the brokerage and research services provided by the broker-dealer. The use of "soft dollars", if any, generated by the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds or SPCP Group VIII to pay for research and research-related products or services, if any, will fall within the safe harbor created by Section 28(e) of the Exchange Act, and will be subject to prevailing interpretations of Section 28(e) by the SEC. Silver Point believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research obtained with soft dollars generated by the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds or SPCP Group VIII may be used by Silver Point to service clients other than the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds or SPCP Group VIII, as applicable, including clients that may not have paid for the soft dollar benefits. Silver Point does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service provides both research and non-research assistance to the Flagship Funds, the Specialty Credit Fund, the Select Opportunities Fund, the Distressed Opportunities Funds, the Distressed Institutional Funds or SPCP Group VIII, Silver Point will make a reasonable allocation of the cost that may be paid for with soft dollars.

If Silver Point uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Silver Point receives a benefit because it does not have to produce or pay for such products or services. Silver Point may have an incentive to select or recommend a broker-dealer based on Silver Point's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

Silver Point reviews, on at least a quarterly basis, its order execution practices, the quality of brokerage services (including research) and the costs associated with such services. In no case will Silver Point make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

### **Brokerage for Client Referrals**

Neither Silver Point nor any related person receives referrals from any broker-dealer or third party to manage any investment fund or managed account. From time to time, representatives of Silver Point may speak at conferences and programs sponsored by a broker for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Funds may meet with Silver Point. Neither Silver Point nor the Funds compensate the brokers for organizing such events or for any investments ultimately made by prospective investors attending such events, nor do they anticipate doing so in the future. The Funds may accept subscriptions from investors who also provide services to the Funds, including brokers and their affiliates. Relationships such as these could be viewed as creating a conflict of interest that potentially could affect Silver Point's ability to seek best execution. While Silver Point's relationship with brokers may influence it in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, Silver Point will not commit to allocate a particular amount of

brokerage to a broker in any situation. Furthermore, Silver Point conducts best execution reviews on at least a quarterly basis.

### **Directed Brokerage**

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

### **Order Aggregation**

To the extent permitted by applicable law, orders of clients may be combined with orders for other clients, and if any order is not filled at the same price, orders may be allocated on an average price basis. Each client that participates in an aggregated order should participate at the average price for all of the clients' transactions in that security at that time, with transaction costs shared pro rata based on each client's participation in the transaction. Silver Point will generally execute client transactions on an aggregated basis when it believes that to do so will allow it to obtain best execution or reduce transaction costs. When aggregating orders, the clients will be treated in a fair and equitable manner. Situations may occur where a client could be disadvantaged because of the investment activities conducted by Silver Point or its affiliates for other clients. To the extent permitted by applicable law and while not disadvantaging any clients, orders of clients may be combined with orders for investment funds, accounts or sub-accounts of members of the Silver Point Group.

## **ITEM 13 REVIEW OF ACCOUNTS**

### **Frequency and Nature of Review of Client Accounts**

Silver Point, analysts, traders and the portfolio manager perform various daily, weekly, monthly, quarterly and periodic reviews of Fund positions. A review of a Fund account may also be triggered by any unusual activity or special circumstance.

### **Factors Prompting Review of Client Accounts Other than a Periodic Review**

Silver Point provides audited financial statements to its clients within at least 120 days of the applicable Fund's fiscal year end.

### **Content and Frequency of Account Reports to Clients**

Once a Fund starts making investments, investors in such Fund receive unaudited information at least quarterly regarding the performance of their Fund as well as other relevant information from time to time (which for the Flagship Funds currently includes, among other things, monthly investor letters and exposure reports). In addition, Silver Point issues tax reports and audited financial statements to investors on an annual basis. Investors may receive additional information (for example, in connection with due diligence requests), which is in addition to information provided in a Fund's regular reports to investors.



**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

**Economic Benefits for Providing Services to Clients**

Silver Point does not receive economic benefits from non-clients for providing investment advice and other advisory services to its clients.

**Compensation to Non-Supervised Persons for Client Referrals**

Neither Silver Point nor any related person directly or indirectly compensates any person who is not Silver Point's supervised person for client referrals. With respect to the Distressed Opportunities Funds, Silver Point has engaged a placement agent to solicit prospective investors for investment in such Fund, and such placement agent is entitled to receive compensation for its services. Silver Point may in the future engage and compensate placement agents to solicit prospective investors for other Funds.

## **ITEM 15**

### **CUSTODY**

Silver Point is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the Funds are sent by qualified custodians to Silver Point. Fund investors receive annual audited financial statements prepared by independent public accountants. In addition, Fund investors receive account statements from a third party administrator, which for certain Funds includes custody reports and account statements.

Silver Point is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, Silver Point is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it requires that each Fund be subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and Silver Point requires that each Fund distribute its audited financial statements to all investors within at least 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

Silver Point or an affiliate serves as the management company with discretionary trading authority for each Fund.

Silver Point's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

Silver Point or an affiliate of Silver Point entered into an investment management or similar agreement with each Fund, pursuant to which Silver Point or an affiliate of Silver Point was granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

Silver Point has adopted proxy voting policies and procedures in compliance with Advisers Act Rule 206(4)-6. The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities (collectively, "Proxies") in a manner that will best serve the interests of the applicable Funds, as determined by Silver Point in its discretion on a case-by-case basis.

In limited circumstances, Silver Point may refrain from voting Proxies where Silver Point believes that not voting would be in the best interests of the applicable Fund, taking into consideration various factors, including, but not limited to, the costs associated with exercising the Proxy, legal restrictions on trading relating to the exercise of the Proxy and whether Silver Point has sold the underlying securities since the record date of the Proxy. Generally, the Funds may not direct Silver Point's vote in a particular solicitation.

Actual or perceived conflicts of interest may arise between the interests of the investing Funds on the one hand and Silver Point or its affiliates on the other hand. If Silver Point determines that an actual or perceived conflict may arise when voting Proxies pursuant to its proxy voting policies and procedures, Silver Point will evaluate the potential conflict and will determine how to proceed in accordance with its Proxy voting policies. The Funds may obtain a copy of Silver Point's Proxy voting policies and its Proxy voting record upon request.

#### **Class Actions Lawsuits**

As a fiduciary, Silver Point always seeks to act in its clients' best interests with good faith, loyalty, and due care. When Silver Point becomes aware that securities held in a client account have become the subject of a class action lawsuit, Silver Point will evaluate whether it is in the best interests of the client to participate in the class action. Silver Point generally credits any investment-related litigation recovery received for a Fund to current investors in that particular Fund.

**ITEM 18**  
**FINANCIAL INFORMATION**

Silver Point is not required to include a balance sheet for its most recent fiscal 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.