

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

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PART 2A OF FORM ADV: FIRM BROCHURE

MUDRICK CAPITAL MANAGEMENT, L.P.

MARCH 2019

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*This brochure provides information about the qualifications and business practices of Mudrick Capital Management, L.P. (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 646-747-9500 or [compliance@mudrickcapital.com](mailto:compliance@mudrickcapital.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.*

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

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

## **ITEM 2**

### **MATERIAL CHANGES**

The rules promulgated under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) require the Adviser to identify and discuss any material changes made to its brochure since the last annual update. This brochure was last updated on March 31, 2018. The only material changes to report since our last update are to: (i) note the Adviser’s updated regulatory assets under management; (ii) update certain disclosure related to expenses to reflect current policy; (iii) update certain risk factors and conflicts of interest disclosures consistent with our current offerings and practices; (iv) note that the Mudrick Distressed Energy Co-Investment Fund is in wind-down mode; and (v) as previously communicated to the Adviser’s clients and Fund investors, the appointment of Janet Joyce Arzt as President of the Adviser.

Please note the above summary does not reflect all of the changes that have been made to this Brochure since its last update. We encourage all recipients of this Brochure to read it carefully in its entirety.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

The Adviser, Mudrick Capital Management, L.P., a Delaware limited partnership, commenced operations in 2009 and has its office in New York, New York. Mr. Jason Mudrick, as a limited partner of the Adviser and as the managing member of the general partner of the Adviser, Mudrick Capital Management, LLC, a Delaware limited liability company, is the principal owner of the Adviser and controls the Adviser. The general partner of the Adviser has ultimate responsibility for the management, operations and the investment decisions made by the Adviser. As previously communicated to clients and Fund investors, as of January 1, 2019, Janet Joyce Arzt, former Director of Business Development & Investor Relations of the Adviser, was appointed President of the Adviser.

#### **B. Description of Advisory Services.**

##### **1. Advisory Services.**

The Adviser serves as the investment manager to a number of investment funds (the “Funds”) and separately managed accounts and may, from time to time, serve as the investment manager to additional funds or products. The interests in the Funds are generally offered on a private placement basis, in compliance with the exemption provided by Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Investment Company Act”) to persons who are “accredited investors” as defined under the Securities Act of 1933 and “qualified purchasers” (or “knowledgeable employees”) as defined under the Investment Company Act, and subject to other conditions, that are set forth in the offering documents for the Funds.

As used herein, the term “clients” generally refers to the Funds and/or the Adviser’s separately managed account clients, as applicable.

*This brochure generally includes information about the Adviser and its relationships with its clients and affiliates. While much of this brochure applies to all of those clients and affiliates, there is information included herein that only applies to specific clients or affiliates.*

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

The descriptions set forth in this brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser’s investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Adviser considers appropriate, subject to each client’s investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Investors 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.

*The investment objectives and strategy of the Funds are set forth in confidential private offering memoranda and are summarized below. In the case of variations in investment strategies pursued by certain Funds, those differences are noted below where applicable. The Adviser also provides investment advisory services to separately managed accounts. The investment objectives and strategy of the separately managed accounts are generally consistent with the following, though certain differences are noted below where applicable.*

### Investment Objectives

The principal objective of the Funds is to seek to maximize total return while seeking to preserve capital through investment in a portfolio of distressed debt and equity securities, focused predominantly on event-driven value investments, such as debt that trades at a discount to par because the market is discounting the ability of the issuer to repay the loan in whole, distressed and turnaround equities, post-reorganized equities, spin-offs, broken merger or acquisition deals and activist situations, among others; provided that certain of the Funds and separately managed accounts have been set up (i) to co-invest in only a specific subset of industries, opportunities or companies or (ii) to generate stable, income driven returns through primarily passive investments in senior secured securities of distressed issuers, as in the case of the Mudrick Distressed Senior Secured Fund (the “Senior Secured Fund”), and the objectives of those Funds (as well as the investment strategies and types of investments as described herein) are modified accordingly. Senior secured investments include top of the capital structure debt, such as secured term loans, secured bonds and debtor-in-possession (“DIP”) financing, which investments may be acquired pre-bankruptcy, during bankruptcy or post-bankruptcy.

Certain separately managed accounts have been set up to co-invest in the securities of a single post-reorganized company. No Fund has been set up specifically as a co-investment vehicle to invest solely in the securities of this company; however, certain Funds hold securities of this company in their portfolios.

One of the Adviser’s co-investment funds, the Mudrick Distressed Energy Co-Investment Fund, is currently in wind-down mode and will commence liquidation proceedings pending final disposition of its remaining assets.

### Investment Strategy Overview

Event-driven value investing is a specialized version of value investing. The Funds will generally invest in securities that the Adviser believes are trading at a significant discount to their intrinsic values, thus providing a potential margin of safety. The slight variation as compared to pure value investing is that rather than employing the buy and hold strategy characteristic of pure value investing, the Adviser typically will look for an event, such as a balance sheet restructuring, a spin-off of assets or the modification of a corporate strategy, that can allow the Funds to capture the undervaluation spread.

The Fund investments are expected to focus primarily on the following strategies: (1) purchasing the distressed debt of companies that the Adviser believes are trading significantly below their intrinsic values, either for attractive yields or to own the equity of these businesses through a potential debt for equity swap, in each case, as determined by the Adviser; (2)

purchasing the equity of distressed companies and companies facing turnaround situations that the Adviser believes are trading at significant discounts to their intrinsic value; (3) purchasing the post-reorganized equity of companies that have emerged from a bankruptcy proceeding (or turnaround situation); and (4) purchasing securities that present unique investment opportunities such as spin-offs, broken merger or acquisition deals, activist situations and other special situation opportunities that the Adviser deems appropriate.

In the case of the Senior Secured Fund, its investments will generally focus primarily on the following strategies: (1) purchasing the senior secured distressed debt of companies that the Adviser believes are trading below their intrinsic values due to a potential restructuring event; (2) purchasing interests in DIP loans of companies going through bankruptcy, in secondary market transactions; and (3) purchasing senior secured debt of post-bankruptcy companies.

Types of Securities (Applicable to Funds other than the Senior Secured Fund)

*The below describes the types of securities in which the Funds, other than the Senior Secured Fund, will invest. The types of securities in which the Senior Secured Fund will invest is described further below.*

The Funds will generally invest long or short in both publicly traded equity and debt securities and obligations and private securities and obligations, at original issuance and/or on the secondary market. The equity securities may include common and preferred equity or such other securities as the Adviser may determine from time to time, and the debt securities and obligations may include all types of debt securities and obligations, such as corporate bonds, debentures, notes, municipal bonds, equipment lease certificates, equipment trust certificates and, to the extent permitted by applicable laws and regulations, securities issued by troubled foreign issuers, including foreign governments. The private securities and obligations may include bank debt, trade claims of bankrupt companies and other privately traded securities and obligations. In addition, as described in more detail below, certain Funds hold an investment in the sponsor of a special purpose acquisition vehicle formed to pursue an initial business combination with a post-bankruptcy or post-restructured target company (though such vehicle may target a company in any stage of its corporate evolution).

As a consequence of their purchase of private claims from banks and other financial institutions, the Funds may be required to perform certain lending functions, such as funding issued but undrawn letters of credit in the course of the restructuring of a troubled company or providing debtor-in-possession financing to the troubled company in the event that it seeks relief under Chapter 11 of the Bankruptcy Code. Upon the completion of a restructuring, the Funds' distributions may be in the form of obligations arising under an amended credit facility made available to the troubled company. The Funds' performance of these traditional lending functions may often be essential to their ability to consummate purchases of private claims. The Funds' decisions to undertake such lending functions are determined by the overall projected return for the private claim investment.

The Funds will be authorized to fund, participate in the funding of or otherwise sponsor the plan of reorganization of a debtor-in-possession or an out-of-bankruptcy restructuring. This

activity typically involves formulating or participating in the formulation of a plan of reorganization and the funding of such plan in return for the acquisition of assets of the debtor and/or a debt and/or equity interest in the reorganized entity. The Adviser believes that there are several factors that might create opportunities to invest in this manner at attractive prices. First, companies exiting bankruptcy often have difficulty raising new capital, particularly new equity. Permanent capital may be a necessary component of the company's plan of reorganization or management or creditors may prefer a plan that provides for new equity capital. Second, creditors may undervalue the securities to be received through a plan of reorganization. Third, creditors may be willing to accept a lower payout if that payout is in cash rather than securities of the reorganized company.

Trade Claims of Companies in Bankruptcy. Trade claims are unpaid accounts receivables held by a creditor of a company in a Chapter 11 or a Chapter 7 bankruptcy proceeding. Trade claims are general unsecured debt obligations. The United States bankruptcy laws allow a company to avoid payment on its pre-petition accounts receivable during the pendency of a bankruptcy case. Therefore, a trade creditor must generally wait until a Chapter 11 plan of reorganization or a Chapter 7 plan of liquidation is confirmed by the bankruptcy court before it can receive any distributions from the company on account of a trade creditor's pre-petition accounts receivable. Although Wall Street dealers are active in trading larger trade claims in major cases, there is less liquidity in the broader trade claims market. The Adviser believes that significant opportunities exist in the trade claims market because many overlooked bankruptcies contain trade claims, and because holders of trade claims may not possess the skillset for properly valuing distressed debt. Purchasing trade claims of bankrupt companies may be a means of obtaining post-reorganized equity at a significant discount to its perceived inherent value.

Short Sales and Derivative Securities. The Funds, in the discretion of the Adviser, may engage in short sales and in options transactions with respect to securities and other obligations. The Funds may purchase and write covered and uncovered put and call options on individual securities or on securities indices both as independent investment opportunities and as hedging devices as deemed appropriate by the Adviser. The Funds may also purchase or sell warrants or other derivative instruments. Short positions may also be taken in securities that the Adviser believes are relatively overvalued or are about to decline in price due to impending financial distress. Short positions generally are intended to serve as a degree of protection against a declining market but may also be independently viewed by the Adviser as profit opportunities for the Funds. Certain clients do not engage in short sales or derivatives transactions in accordance with those clients' investment guidelines.

Futures. The Funds, in the discretion of the Adviser, may purchase, hold, sell or otherwise deal in commodities, commodity contracts, commodity futures, financial futures or options thereon.

#### Types of Securities (Applicable to the Senior Secured Fund)

The Senior Secured Fund expects to invest in senior secured debt securities and obligations of issuers before an expected or actual restructuring, during bankruptcy and post-



bankruptcy. The senior secured debt securities and obligations may include all types of debt securities and obligations, such as corporate bonds, term loans, and DIP loans, as well as private securities and obligations that may include trade claims of bankrupt companies and other privately traded securities and obligations.

The Senior Secured Fund intends to acquire securities and obligations on the secondary market, rather than at original issuance. Nevertheless, in order to protect its position with respect to an investment in a debt obligation of a troubled company, the Senior Secured Fund may occasionally be required to perform certain limited lending functions, such as providing DIP financing to the troubled company in the event that it seeks relief under Chapter 11 of the Bankruptcy Code. Upon the completion of a restructuring of a troubled company, the Senior Secured Fund may receive distributions in the form of obligations arising under an amended credit facility made available to the troubled company. The Senior Secured Fund will not assume any obligation to fund any undrawn letter of credit or any undrawn commitment under a revolving loan. The Senior Secured Fund will acquire an interest in a revolving loan only if it is “frozen” – that is, only if the borrower is no longer permitted to make drawdowns under the facility, with the result that the revolver has essentially been converted into a term loan. The Senior Secured Fund does not intend to acquire any investment in a situation in which it is aware that the holders of the investment are likely to participate in any lending functions.

While the Senior Secured Fund intends to take a primarily passive investment approach, to protect its position with respect to an investment in a debt obligation of a troubled company, it may occasionally be required to take an active role in negotiating the plan of reorganization of a debtor-in-possession or an out-of-bankruptcy restructuring. This activity typically involves formulating or participating in the formulation of a plan of reorganization, and may involve the performance of limiting lending functions as described above, in each case in return for the acquisition of assets of the debtor and/or a debt and/or equity interest in the reorganized entity.

The Senior Secured Fund, in the discretion of the Adviser, may purchase and sell derivative instruments, both as independent investment opportunities (i.e., to gain exposure to certain senior secured debt securities or obligations) and as hedging devices. In particular, the Senior Secured Fund may invest in total return swaps as a means of gaining exposure to securities and obligations in which the Senior Secured Fund could otherwise directly invest.

### Methodology

*Identification.* The investment process begins with a screening for companies that are undergoing certain events. Spin-offs, split-offs and broken merger or acquisition deals, for example, usually carry substantial media coverage. In the case of distressed situations, financial trouble for most companies is a gradual process, with substantial media coverage and trade discussion. Newspapers and industry publications give broad coverage to actual and suspected deteriorating financial conditions. Additionally, the Adviser believes that clues to possible investment opportunities can be detected by monitoring the price of debt and equity securities in the public and private markets. Monitoring debt that trades below par and equities that are reaching 52-week lows are examples.

*Due Diligence.* Once potential investments are identified, the Adviser will engage in rigorous industry research and company-specific due diligence in order to have a fully informed view of the financial condition of a company prior to making an investment decision.

*Valuation.* The heart of the Adviser's investment analysis is the valuation of companies. The Adviser starts by seeking to understand the nature of the company's business, the drivers of its cash flows and the volatility and sustainability of its cash flows. The Adviser prefers investing in companies that have strong franchises that are not easily duplicated, have high barriers to entry and that manufacture products as opposed to those that provide services. Ideally, the Adviser looks for what it views as "good" businesses with "bad" capital structures. The Adviser tries to understand the value of the underlying collateral, the company's long-term ability to generate cash flow, the company's place in its industry and the future of the industry itself. All liabilities of a company are marked to market in order to determine the current market value of the company.

*Choice of Security and Exit.* After coming to a view on the attractiveness of the valuation of a firm and timing of events, the Adviser will determine what investment presents the best risk-reward within the capital structure given the Funds' investment objectives. Finally, the Adviser will attempt to thoroughly explore and identify potential exit strategies and react promptly when certain events occur.

### Portfolio Risk Management

In seeking to preserve capital, the Adviser intends to follow its disciplined investment methodology and to consider several well-defined investment approaches:

*Team Approach.* The investment professionals of the Adviser have extensive experience investing in distressed securities and obligations, and a team approach is used to take advantage of their experience. While Mr. Mudrick is the ultimate decision maker, various members of the team are involved in analyzing and reviewing all investments.

*Asset Protection and Cash Flow Multiples.* The Funds intend to make investments when the Adviser believes the price paid for the security is backed by substantial asset values or that the cash generating ability of the assets should support reorganization values or liquidation proceeds above the purchase price. The Adviser believes that purchasing a business at a discount to the value of its assets or at low multiples of its free cash flow can substantially reduce the investment's downside risk.

*Borrowing.* The Funds may employ leverage, including margin borrowing, to seek to enhance investment returns or for any other reason. The Adviser believes that, in certain situations, the use of borrowing can significantly enhance returns with an acceptable increase in risk.

### Side Pockets

Investors in certain of the Funds may be subject to side pocket investments (each, a "Side Pocket Investment"); *provided* that the Adviser may designate an investment as a Side Pocket

Investment only if, immediately after giving effect to such designation, no more than 20% of the carrying value of the such Funds' assets would consist of Side Pocket Investments and "new issues." When subscribing for interests in such Funds, investors will elect whether to participate in Side Pocket Investments and the Adviser's determination about whether or not to designate an investment as a Side Pocket is expected to be impacted by how many investors elect to participate in Side Pocket Investments (*i.e.*, if, as is true today, only a relatively small amount of investors (as a percentage of total assets of the applicable Fund) elect to participate in Side Pocket Investments, then the Adviser could choose not to exercise its discretion to designate an investment as a Side Pocket unless or until the number of investors electing to participate in Side Pocket Investments increases). Unless the Adviser determines otherwise in its sole discretion, an investor will participate in any Side Pocket Investment if, and only if, such investor is an investor on the date as of which the Adviser designates such investment as a Side Pocket Investment. Until a Side Pocket Investment has been sold or has otherwise become readily marketable, no gain or loss on such Side Pocket Investment will be ordinarily allocated, and investors will not be permitted to redeem or withdraw the portion of their interest in the Funds that is attributable to such Side Pocket Investment.

#### Other Investment Vehicles

The clients may participate in all or part of an investment through special-purpose vehicles (such as a corporation, a limited liability company, a business trust or a combination thereof) formed to address tax, legal, regulatory or other considerations or to aggregate multiple accounts, in each case as determined by the Adviser in its discretion.

#### Special Purpose Acquisition Company

As mentioned above, certain clients participate in an investment in the sponsor of Mudrick Capital Acquisition Corporation, a publicly traded special purpose acquisition company (a blank check company) formed to pursue an initial business combination with a post-bankruptcy or post-restructured target company (though such vehicle may target a company in any stage of its corporate evolution) (the "SPAC"). The sponsor of the SPAC is Mudrick Capital Acquisition Holdings, LLC, a Delaware organized limited liability company (the "Sponsor"), which is 100% owned by those clients. As more fully described in the publicly available prospectus of the SPAC, as part of the Sponsor's investment in the SPAC, the Sponsor has (i) purchased 6,700,000 private placement warrants at a price of \$1.00 per warrant, each exercisable to purchase one share of Class A common stock of the SPAC at \$11.50 (subject to certain lock-up and other restrictions) (ii) 5,200,000 shares of Class B common stock in a private placement for \$25,000, which will automatically convert into shares of Class A common stock at the time of the SPAC's initial business combination or upon certain other events (subject to certain lockup and other restrictions) and (iii) committed to purchase, pursuant to a forward purchase contract, in a private placement for gross proceeds of \$25,000,000 to occur concurrently with the consummation of the SPAC's initial business combination, 2,500,000 of units of the SPAC at \$10.10 per unit (which was the initial offering price of the SPAC) and 625,000 shares of Class A common stock (subject to certain lockup and other restrictions).

The President of the SPAC is Jason Mudrick and all other executive officers of the SPAC are senior employees of the Adviser. Two of the five directors of the SPAC are Jason Mudrick and another senior investment professional of the Adviser. The SPAC is not an advisory client of the Adviser.

Further information about the SPAC and the Sponsor's investment and role in the SPAC may be found in the current prospectus of the SPAC publicly filed with the SEC's Edgar system and available here: <https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001718405&owner=exclude&count=40&hidefilings=0>

*The descriptions contained herein of specific investment strategies that are or may be engaged in by the Funds should not be understood as in any way limiting the Funds' investment activities as determined by the Adviser to be in the best interests of the Funds, whether or not described in this brochure. The Funds may engage in investment strategies not described herein that the Adviser considers appropriate.*

C. Availability of Customized Services for Individual Clients.

Unless otherwise agreed to in writing, the Adviser does not generally tailor its advisory services to the individual needs of its clients, and clients generally may not impose restrictions on investing in certain securities or types of securities.

D. Assets Under Management.

The Adviser has regulatory assets under management ("RAUM") of approximately \$2,419,300,000. This value has been calculated as of December 31, 2018 for all clients, except with respect to (i) Mudrick Distressed Opportunity Drawdown Fund II, L.P., which had its first closing on January 8, 2019, whose RAUM is based on gross asset value of the Fund as of February 28, 2019 and includes commitments received in its second closing dated March 15, 2019 and (ii) certain separately managed account clients that commenced in February 2019 (whose RAUM is calculated as of February 28, 2019) and March 2019 (whose RAUM is calculated as of the date of such account).

All of the Adviser's assets are managed on a discretionary basis, and does not manage any assets on non-discretionary basis.

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of these fees, along with the separately managed account fees, is provided below. Other than the ability to waive or reduce fees as described below, fees for each of the Funds are generally not negotiable.

#### Asset-Based Compensation

Clients generally pay the Adviser management fees for its management services ("Management Fees"). The Management Fees are typically based on the client's assets under management with the Adviser and are determined on an annualized rate. Currently, such rate ranges from .75% to 2% as described in more detail in each Fund's offering memorandum (though, as noted below, such rates could be higher or lower for certain investors in any given Fund or, with respect to separately managed accounts, each client's investment management agreement). Differences in Management Fees generally relate to differing liquidity terms or differing investment strategies. The Adviser, in its discretion (or as required pursuant to an agreement), may waive, reduce or calculate differently the management fee with respect to any client or any investor in any Fund. Investors that are officers, employees or affiliates of the Adviser, members of the immediate families of such persons and trusts or other entities established by them or for their benefit and certain other persons in the discretion of the Adviser ("Internal Investors") are not subject to management fees.

#### Performance-Based Compensation

The Adviser receives performance-based compensation ("Performance Fees") from certain clients, which is compensation that is based on a share of the capital appreciation of the assets of a client. Currently, the Adviser is entitled to receive Performance Fees with respect to the separately managed accounts that it manages. With respect to these separately managed accounts, the Adviser generally receives a Performance Fee which may be payable (x) subject to a high water mark, (i) on certain fiscal year-ends or certain anniversaries of the initial contribution date or (ii) on a date triggered by a withdrawal, distribution or termination of the investment advisory agreement, or (y) on any date on which assets have been returned to the separately managed account's owners. Variations in the above are set forth in the specific investment management agreement related to each applicable separately managed account. Separately managed account clients that are members of the immediate families of employees of the Adviser are not subject to Performance Fees.

#### Incentive Allocations

Finally, the general partner of certain applicable Funds (or the general partner of the master funds (the "Master Funds") with respect to any Funds that are part of a master-feeder or mini-master structure) (each a "General Partner") is generally entitled to a performance

allocation (the “Incentive Allocation”) from the applicable Funds. Each General Partner is affiliated with the Adviser and controlled by Mr. Mudrick.

With respect to the Adviser’s open-end Funds, the Incentive Allocations generally range from 10% to 20% of the annual capital appreciation, if any, on the capital accounts or sub-accounts, as applicable, maintained with respect to each investor, subject in each case to a modified high water mark. Differences in performance allocations generally relate to differing liquidity terms or differing strategies. The performance allocation is calculated based on both realized and unrealized net profits and net losses, except with respect to Side Pocket Investments, where applicable. Generally, any capital depreciation in a fiscal year allocated to any investor’s capital account or sub-account, as applicable, is carried forward in a “loss recovery account” so that a reduced performance allocation is charged to that capital sub-account until a multiple of the losses has been recouped, subject to various adjustments.

With respect to the Adviser’s closed-end funds, the Incentive Allocations generally range from 10% to 20% of the investment proceeds after the investors receive an annualized priority return (the incentive distribution is based on the net proceeds distributed by the Funds to investors, and is described in further detail in the confidential offering memorandum relating to these Funds). Differences in performance allocations generally relate to the timing of each investor’s capital commitment. The General Partners, in their discretion (or as required pursuant to an agreement), may waive, reduce or calculate differently the Incentive Allocation with respect to any client or any investor in any Fund. Internal Investors are not subject to incentive allocations.

B. Payment of Fees.

Fees and compensation paid to the Adviser or its affiliates by a client are generally deducted from the assets of such client’s account except in the case of the separately managed accounts that it manages, the Adviser does not deduct fees from such client’s assets and instead bills the client separately. As discussed above, management fees are generally charged or deducted on a monthly basis and performance compensation is charged (or Incentive Allocation is reallocated, as applicable) generally on an annual basis. If an investor withdraws all of its assets from a Fund, or a client withdraws all or some of the assets from its account on a termination of the advisory contract or otherwise, on any date other than the last day of a calendar month (though generally withdrawals from the Funds are not permitted mid-month), the management fee paid for that month with respect to the portion withdrawn will generally be prorated based on the number of days in such month or quarter that have elapsed and the modified net asset value attributable to the assets withdrawn (determined as of the date of withdrawal). If paid in advance, the pro rata portion of the management fee paid with respect to such assets from the date of withdrawal to the last day of that calendar month will be refunded by the Adviser to Fund investor or, in the case of the separately managed accounts, refunded to the client if the contract is thereby terminated (or credited towards future monthly management fees payable by the client if such withdrawal is a partial withdrawal).

C. Additional Fees and Expenses.



Each Fund bears its own expenses, which generally include, without limitation, the following: investment-related expenses incurred by the Funds, or by the applicable General Partner, the Adviser or their affiliates, in connection with the Funds' investments (including any investments that are ultimately not consummated) (e.g., brokerage commissions, transaction costs, ticket charges, clearing and settlement charges, custodial fees, expenses relating to short sales, interest expenses and other financing charges (including initial and variation margin); stock borrowing fees; broken deal expenses (including with respect to broken deals intended to involve co-investors and expenses that might have been assumed by such co-investors had such deals been consummated); legal expenses relating to negotiation of ISDA agreements; expenses relating to proxy voting research; expenses relating to reporting, execution and recordkeeping services; consulting, advisory, investment banking and other professional fees relating to particular investments or contemplated investments; research-related expenses (including fees for news and quotation equipment and connectivity costs and services, market data services and fees paid to third-party providers of research and software for managing and monitoring research and legal expenses); fees for portfolio risk management services (including the costs of risk management software or database packages and related connectivity costs); fees for market information systems and related connectivity costs; fees for investment-, operations- and accounting-, portfolio- and trading-related software, including trade order management software and related connectivity costs of each such type of software, and expenses related to the formation and operation of any vehicle through which the Funds may hold investments); third-party legal, accounting, audit, tax preparation and other similar expenses, including fees associated with updates to any Fund's offering and subscription materials; interest expenses and other costs of any borrowing or financing by the Funds, including expenses of professional advisors incurred in connection with obtaining and entering into any such borrowing or financing; fees charged by the Administrator (including for certain information technology services and middle office trade support services as well as for accounting, reporting, tax compliance, audit services and software); corporate licensing fees; litigation-related and indemnification expenses; research travel and expenses associated with attendance at industry conferences (including the expenses of business-class travel, lodging and meals for investment professionals); foreign withholding taxes; regulatory expenses and filing fees (including expenses related to the preparation and submission of filings with the SEC and/or other national, state, provincial or local regulatory authorities in any country or territory (such as Form PF, Form D and blue sky and world sky filings, but excluding expenses related to preparation of the Adviser's Form ADV) and expenses incurred in connection with tax filings, preparation of tax information and audits; expenses attributable to compliance with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, applicable Treasury regulations and additional guidance thereunder ("FATCA"), the Organization for Economic Cooperation and Development's Common Reporting Standard and similar regimes; expenses related to legal inquiries, including regulatory "sweeps," investigations, or audits or any judicial or administrative proceedings, including but not limited to discovery requests, or arbitration, mediation or similar proceedings arising out of an investment or class of investments held or proposed to be held by the Funds); organizational expenses and expenses relating to the offer and sale of interests in the Funds (other than (x) placement fees and expenses of placement agents (if any) that do not reduce Management Fees and (y) expenses relating to marketing-related travel, lodging and meals and attendance at marketing-related conferences, but including Cayman Islands registration and filing fees and expenses and expenses attributable to compliance with the Alternative Investment

Fund Managers Directive (“AIFMD”) and with anti-money laundering laws and know-your-customer requirements in connection with the offer and sale of the Interests); fees, costs and expenses incurred in connection with negotiating and entering into any side letters or other written agreements between a Fund and one or more of its investors; expenses relating to obtaining and maintaining insurance to benefit, directly or indirectly, the Funds, any Fund investor, the General Partners and/or the Adviser and its affiliates or their respective shareholders, partners, members, officers, directors, employees and agents; fees and expenses relating to compliance with Cayman Islands anti-money laundering regulations, including the fees and expenses of a Money Laundering Reporting Officer, Anti-Money Laundering Compliance Officer and Deputy Money Laundering Reporting Officer; expenses attributable to compliance with the AIFMD and with anti-money laundering laws and know-your-customer requirements; fees and expenses relating to compliance with data protection laws and regulations; the Management Fee; certain administrative and accounting services fees; and other expenses incurred in connection with the ongoing operations of the Funds, including costs relating to communications with Fund Investors, fees and expenses relating to Fund investor meetings and meetings of the advisory committee, if any (including compensation payable to members of such advisory committee that are not representatives of an investor), expenses incurred in connection with the obtaining of consents or waivers or effecting amendments to relevant Fund agreements, any costs incurred in connection with the winding-up, liquidation and dissolution of a Fund and any investment vehicle formed by the Adviser to facilitate investments, extraordinary expenses and other similar expenses related to the Funds.

Each separately managed account bears those expenses set forth in the investment management agreement between the Adviser and the applicable client.

In addition, to the extent a client invests in money market mutual funds, exchange-traded funds or other registered investment companies, the relevant client will indirectly bear its *pro rata* share of such funds’ operating and other expenses, including any management fees of the underlying fund.

Please see Item 12 below for further discussion of the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Certain expenses may be attributable to more than one client. Such shared expenses will, to the extent permitted by the client’s governing documents, generally be apportioned among all participating clients *pro rata* according to their amounts of assets under management or their participation in the activity or investment which generated such expense, as applicable.

D. Additional Compensation and Conflicts of Interest.

Neither the Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.



## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Adviser and its affiliates accept performance-based fees (or incentive allocations) from every client. Investors should be aware that the receipt of performance-based fees (or incentive allocations) may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect, or to allocate more desirable investment opportunities to clients that already have generated positive performance in a given period in which performance-based compensation is calculated.

In addition, because performance-based compensation is calculated on a basis that includes unrealized appreciation of a client's assets, it likely will be greater than if such compensation were based solely on realized gains. Item 5 above describes the incentive allocations and performance fees received by the Adviser (or its affiliate) from its clients. Neither any affiliate of the Adviser nor any supervised persons of the Adviser receive additional performance-based compensation from clients.

There are additional actual and potential conflicts of interest inherent in the Adviser's organizational structure and operation, certain of which are described below. The discussion below does not purport to be a comprehensive discussion of all of the conflicts of interest associated with the Adviser and an investment in any client. Each client's offering memorandum, investment management agreement, sub-advisory agreement, and supplemental disclosure document or other governing document, as applicable, contain additional information with respect to the actual and potential conflicts associated with an investment in such client.

Because the Adviser manages accounts for multiple clients, the potential exists for one client to be favored over another client. In particular, (i) the rates of asset-based fees and performance-based compensation are higher for some clients than for other clients, (ii) some clients may have investors with positive "loss recovery accounts" that result in an effectively lower incentive allocation rate overall for such client and (iii) different clients use differing amounts of leverage. Accordingly, the Adviser has an incentive to favor clients that pay higher performance-based compensation or higher asset-based fees or, potentially, that use a higher degree of leverage. In addition, certain affiliates and employees of the Adviser (as well as their respective principals and certain personnel) invest in the Funds. Because of the allocation of proprietary capital, the Adviser has an incentive to favor clients that contain more proprietary capital.

These factors create a conflict of interest with respect to the allocation of investment opportunities among the clients with the same or substantially similar strategies. However, the Adviser is committed to allocating investment opportunities on a fair and equitable basis and has established order aggregation and allocation policies and procedures to address the potential conflict of interest. (Please see Item 11 for a description of the Adviser's order aggregation and allocation policies and procedures.)

Certain of the Adviser's clients are expected to invest in different parts of the capital structure of issuers in which certain other clients also invest. It is expected that certain clients

will often invest in the subordinated and/or unsecured debt of such issuers, while other clients will invest in the more senior, secured debt. As such, there may be instances during a restructuring, insolvency or bankruptcy where the Adviser and its affiliates will be presented with decisions in which the interests of clients are in conflict. While it is expected that, in many cases, activity conducted on behalf of certain clients will be beneficial to the other clients, such other clients' interests may also be adversely affected by virtue of those clients' involvement and actions relating to its investment. For example, actions taken by the Adviser on behalf of certain clients may result in expense and delay in realizing returns on other clients' investments that would not have resulted in the absence of such action by the Adviser. Such expense and delay may result in losses to those clients or otherwise reduce the return that would be realized by those clients in the absence of such actions.

In addition, from time to time, the Adviser will be required to decide whether costs and expenses are to be borne by one or more clients, on the one hand, or the Investment Manager and/or its affiliates, on the other hand, and/or whether certain costs and expenses should be allocated between or among clients, including any co-investment vehicles or separately managed accounts. In particular, where expenses are attributable to multiple clients, the Adviser generally intends to allocate (i) expenses related to investments in issuers that are not ultimately consummated based on the assets under management of each client, (ii) expenses relating to any investments in issuers that are consummated based on the relative size of each client's investment and (iii) shared operating or general expenses based upon assets under management of each client. It should be noted that it generally will not be possible to separate expenses relating to researching, evaluating and diligencing particular issuers whose securities would be appropriate for multiple clients into portions attributable to specific securities (e.g., if different clients are investing in different tranches of debt of such issuer) and, in such cases, aggregate expenses will be treated as shared investment expenses and allocated to such multiple clients according to the principles referenced above for the allocation of shared investment expenses. The Adviser will make such judgments, which may be based, in certain cases, on good faith estimates, in its fair and reasonable discretion, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable.

Finally, the Adviser or its affiliates (or the Board of Directors of certain Funds in consultation with the Adviser) generally has the ability to waive notice requirements or permit redemptions under such other circumstances and conditions as it deems appropriate or as may be required. Such other circumstances and conditions include instances where a client (or an investor in a Fund) is maintaining exposure to the general strategy of that Fund but moving, or committing, their redeemed amounts to an investment vehicle managed by the Adviser that has more restrictive liquidity terms.

## **ITEM 7**

### **TYPES OF CLIENTS**

As noted above, the Adviser provides advice to the Funds, which are private investment funds, and to separately managed account clients. Investors in the Funds may include high net worth individuals, pension funds and profit sharing plans, trusts, estates, charitable organizations, corporations, business entities and endowments. Separately managed account clients may include endowments, pension funds, institutional investors or other pooled investment vehicles (other than investment companies).

As described elsewhere herein, the investment objectives and strategy of the Funds are set forth in confidential private offering memoranda and are summarized in Item 4. Certain Funds have been setup to co-invest in only a specific subset of industries, opportunities or companies. The Adviser also provides investment advisory services to separately managed accounts. The investment objectives and strategy of the separately managed accounts are generally consistent with those of the Funds. Certain separately managed accounts have been set up to co-invest in the securities of a single post-reorganized company. No Fund has been set up specifically as a co-investment vehicle to invest solely in the securities of this company; however, certain Funds and other separately managed account clients hold securities of this company in their portfolios.

The minimum initial investment in the Adviser's open-end Funds by an investor is generally \$1 million and the minimum initial investment in the Adviser's closed-end Funds by an investor is generally \$5 million, subject in each case to the discretion of each Fund to accept lesser amounts. The minimum investment amounts generally do not apply to Internal Investors. Each prospective investor in a Fund is required to certify that the interests subscribed for are being acquired, directly or indirectly, for the account of a person or entity that is an "accredited investor", as defined in Regulation D under the Securities Act, and a "qualified purchaser", as defined under Section 2(a)(51)(A) of the Investment Company Act (or a "knowledgeable employee" pursuant to Investment Company Act rules and guidance).

## ITEM 8

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

#### A. Methods of Analysis and Investment Strategies.

Please see Item 4 of this brochure for a description of the methods of analysis and investment strategies that the Adviser uses in formulating investment advice and managing assets. The descriptions set forth in this brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients, and investors in the Funds, 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.

#### B. Material, Significant or Unusual Risks Relating to Investment Strategies.

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 the Adviser. These risk factors include only those risks the Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Adviser. Fund investors should refer to the Funds' offering documents for a more complete description of the risk factors.

### General Risks

Investment-Related Risks. The securities business is speculative, prices are volatile and market movements are difficult to predict. Supply and demand for securities change rapidly and are affected by a variety of factors, including interest rates, housing prices, merger activities, regulation, unemployment, wage growth and general economic trends. In addition to these general investment risks, the Adviser may use investment techniques that may subject clients to certain risks; some, but not all, of these risks are summarized herein.

Investment and Trading Risks Generally. An investment with the Adviser involves a high degree of risk, including the risk that the entire amount invested may be lost. Generally, the Adviser will invest client assets in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the global equity, currency and fixed income markets, short sales, leverage, the potential illiquidity of derivative instruments and other portfolio investments, loss from counterparty defaults and borrowing to meet redemption requests. No guarantee is made that any client's investment program or overall portfolio or various investment strategies used or investments made will have low correlation with each other or that such client's returns will exhibit low long-term correlation with an investor's traditional securities portfolio. A client's investment program may use such investment techniques as margin transactions, option transactions, swap and other derivative transactions, short sales and forward and futures

contracts, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which such client may be subject. All investments made by a client risk the loss of capital. No guarantee or representation is made that any client's investment program will be successful, that any client will achieve its investment objective or that there will be any return of capital invested to investors in the clients, and investment results may vary substantially over time.

Broad Discretionary Power to Choose Investments and Strategies. The Adviser generally has broad discretionary power to decide what investments clients will make and what strategies they will use. While the Adviser currently intends to use the strategies described herein and in the confidential offering memoranda or investment management agreements of the clients, it is not obligated to do so for certain clients, and for such clients the Adviser may choose any other investments and strategies that it believes are advisable, consistent with the client's investment objectives and relevant disclosure documents.

Valuation of Illiquid Assets. Valuations of a client portfolio, which will affect the amount of the management fee and the incentive allocation, are expected to involve uncertainties and discretionary determinations. From time to time, third-party pricing information may not be generally available regarding a portion of the client's securities, derivatives and other assets. If the valuation of a client should prove to be incorrect, the net asset value of such client could be adversely affected.

Limited Operating Histories. The Adviser and certain clients have limited operating histories upon which prospective investors can evaluate their performance. Clients' investment programs should be evaluated on the basis that there can be no assurance that the Adviser's assessment of the short-term or long-term prospects of investments will prove accurate or that such clients will achieve their investment objective.

Dependence on Key Individuals. Investors in clients will have no authority to make decisions or to exercise discretion on behalf of such clients. The authority for such decisions will generally be delegated to the Adviser. The success of the clients will be significantly dependent upon the expertise of the investment management team. There can be no assurance that this team will be successful in implementing any client's investment objectives. The Adviser or its principals also serve as general partner, managing member, investment adviser or investment manager to other clients. Furthermore, the Adviser's investment personnel are not required to devote all of their time to the Adviser, and there can be no assurance that any principal of the Adviser will continue to remain associated with the Adviser.

Limited Liquidity. For a variety of reasons, an investment in certain clients, including the Funds, is suitable only for certain sophisticated investors who have no need for liquidity in the investment. In general, there is no public market for interests in the Funds, and no such market is expected to develop in the near future, and such interests may not be sold, transferred or assigned without the written consent of an affiliate of the Adviser, which may be granted or withheld in such person's discretion. In addition, as a general matter, an investor's ability to make withdrawals will be subject to limitations described in the offering memorandum of the applicable Fund (or the investment management agreement for the client). In particular,

investments in the Adviser's closed-end Funds represent highly illiquid investments and should be acquired only by investors who are able to commit their funds for an indefinite period of time given that investors in such closed-end Funds may not be able to liquidate their investments prior to the completion of the winding up of those Funds.

Absence of Regulatory Oversight. Clients are not required to, and will not, register as investment companies under the Investment Company Act, in reliance upon an exclusion from the definition of "investment company" thereunder. The Funds rely on the exclusion from the definition of investment company provided by Section 3(c)(7) of the Investment Company Act, limiting the availability of interests in the Funds only to persons who are "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act. Accordingly, the provisions of the Investment Company Act (which may provide certain regulatory safeguards to investors) are not applicable. In addition, because securities of the clients expected to be held by brokers generally will not be held in segregated accounts, a failure of any such broker is likely to have a greater adverse impact on such clients than if such securities were registered in such client's name. Under the provisions of the Securities Investor Protection Act of 1970, as amended, the bankruptcy of a client's prime broker might have a greater adverse effect on such client than would be the case if such prime broker was required to mark the client's securities as property of the client and to comply with other regulations of the SEC governing the custody of the securities of registered investment companies.

CFTC/NFA Registration. Pursuant to an exemption from registration under regulations of the Commodity Futures Trading Commission ("CFTC"), the Adviser is not required to register, and is not registered, with the CFTC or the National Futures Association ("NFA") as a commodity pool operator (a "CPO") or as a commodity trading advisor ("CTA"). To comply with the exemption, the Adviser is subject to specific limitations on its trading of futures (including financial futures, such as interest rate, currency, index and security futures), commodity options and swaps (excluding security-based swaps, but including interest rate, currency and other financial swaps and swaps on broad-based securities indices) (collectively, "Commodity Interests") that it can trade. Should the Adviser's investments in Commodity Interests exceed the limits provided by the applicable exemption from registration, the Adviser would likely be required to register as a CPO or CTA and, if registration or reliance on an alternative exemption were impracticable, cease providing Commodity Interest trading advice to clients and liquidate the clients' holdings of Commodity Interests, which could result in losses and additional costs to the applicable clients. In the event that the Adviser determines to register with the CFTC as a CPO or CTA or to manage or operate any client pursuant to an exemption in connection with pools whose participants are limited to qualified eligible persons, the private offering memorandum of each Fund, as applicable, will not be required to be, and will not be, filed with the CFTC. Consequently, the CFTC will not review or approve any offerings by the Funds or any relevant private offering memorandum.

Systems Risks. Clients depend on the Adviser to develop and implement appropriate systems for clients' activities. In particular, the Adviser will rely extensively on computer programs and systems to trade, clear and settle securities transactions, to evaluate certain securities based on real-time trading information, to monitor their portfolios and net capital, and to generate risk management and other reports that are critical to the oversight of client activities.



In addition, certain of the Adviser's operations interface with or depend on systems operated by third parties, including brokers and market counterparties and their sub-custodians and other service providers, and the Adviser may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses, infiltration by unauthorized persons, security breaches and power failures. Any such defect or failure could have a material adverse effect on clients. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Adviser's ability to monitor a client's investment portfolio and its risks. Studies have shown that the lack of adequate systems is often a significant contributing factor to failures of funds like the Funds, or separately managed accounts.

In particular, the Adviser will rely on cloud (including private and public cloud-based) technology for its daily operations, including data storage. Cloud-based technology, like any electronic data storage or processing technology, is not fail-safe. It may be subject to certain defects, failures or interruptions of service beyond the Adviser's direct control. It is also possible that such technology could be compromised by a third-party, including through the use of malicious software or programs, such as viruses, which may expose the Adviser or a client to theft (of data or other assets) and/or significant business interruption. In addition, a software provider may cease operations or be relatively thinly capitalized and the Adviser's and a client's ability to be made whole after any loss may be compromised as a result.

Cybersecurity Threats. Cybersecurity risks for investment funds have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties, including foreign state actors. Such cyberattacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, unlawful website scraping, improper access by employees or vendors, or other security breaches. The public perception that the Adviser, clients or their third-party processors have been the target of a cyberattack, whether successful or not, may also materially adversely affect clients, depending on the nature and severity of the attack.

The Adviser processes, stores and transmits large amounts of electronic information, including information relating to client transactions and personally identifiable information of its investors, during the ordinary course of its business. The Adviser has procedures and systems in place that endeavor to protect the firm's electronic information and infrastructure and prevent data loss and security breaches. However, such measures cannot guarantee absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or otherwise sabotage electronic systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Adviser may be susceptible to compromise, leading to a breach of the Adviser's network. The Adviser's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security

threats. If the Adviser's information systems are breached, become inoperable for extended periods of time or cease to function properly, information relating to client transactions and personally identifiable information of investors may be lost or improperly accessed, used, released, gathered, destroyed or disclosed.

The Adviser's third-party service providers are subject to the same electronic information security threats. If a service provider fails to adopt or adhere to adequate data security procedures, or if despite such procedures its networks are breached, information relating to client transactions and/or personally identifiable information of investors may be lost or improperly accessed, used, released, gathered, destroyed or disclosed.

The loss or improper access, use or disclosure of the Adviser or the clients' proprietary information may cause the Adviser or the clients to suffer, among other things, financial loss, business disruption, liability to third parties, exposure to legal claims, regulatory intervention or reputational damage. Any such events could have a material adverse effect on the clients.

In addition, cyber-attacks may render records of the Adviser, the clients and other data integral to the functioning of the Adviser and the clients inaccessible or inaccurate or incomplete. Substantial costs may be incurred by the Adviser or a client in order to resolve or prevent cyber incidents in the future.

Operational Risk. Clients depend on the Adviser to develop the appropriate systems and procedures to control operational risks. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Adviser's operations may cause clients to suffer financial loss, the disruption of their businesses, liability to clients or third parties, and regulatory intervention or reputational damage.

Trade Execution Risk. Clients' investment and trading strategies depend on the Adviser's ability to establish and maintain an overall market position in a combination of financial instruments selected by the Adviser. Clients' trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, trading volume surges or systems failures attributable to clients, the Adviser, clients' counterparties, brokers, dealers, agents, or other market participants. In such event, such clients might only be able to acquire or dispose of some, but not all, of the components of such position, or if the overall position were to need adjustment, such clients might not be able to make such adjustment. As a result, the clients would not be able to achieve the market position selected by the Adviser, which may result in a loss.

Investors Subject to Regulation. Certain prospective investors may be subject to U.S. federal and state laws, rules and regulations that may regulate their investment in certain clients, or their engaging in investment strategies of the type which certain clients may use from time to time (e.g., short sales of securities and the use of futures, leverage and limited diversification). Each type of organization may be subject to different laws, rules and regulations, and such prospective investors should consult with their own advisors as to the advisability and tax consequences of an investment in any of the clients. Investment in a client by entities subject to



the U.S. Employee Retirement Income Security Act of 1974, as amended and other tax-exempt entities may require special consideration. Governmental entities, including, but not limited to, pension plans maintained by governmental agencies and instrumentalities, may invest in the clients. Such investors may be subject to laws that affect the applicability or enforcement of certain terms generally governing the clients. For example, exculpation, indemnification, confidentiality, choice of law, and choice of venue provisions may be applied differently with respect to such investors. In addition, investment in clients by certain governmental entities may subject such clients and/or the Adviser to increased regulatory burdens and public disclosures about the client, its investors, and its activities.

Litigation and Claims. The Adviser, the General Partners and certain clients, as independent legal entities, may be subject to lawsuits or proceedings by government entities or private parties. Except in certain limited circumstances, expenses or liabilities of clients arising from any suit will be borne by such clients.

Expenses May Be a High Percentage of Assets. Operating expenses that are necessary for clients' proper operation may be a high percentage of a client's net asset value and, even if such client's strategies are successful, the client may still not be profitable. For example, it is possible that a client's net asset value could remain unchanged or even decrease even where the client has experienced trading gains due to fees and expenses, which could have the effect of increasing the client's expense ratio. Clients may initially have substantially fewer assets with which to trade than it may have over time.

Other Activities. The Adviser or its affiliates, principals and employees may engage or participate in other activities or ventures unrelated to the affairs of any client, whether or not of the same nature as clients. The Adviser and its affiliates serve as investment manager to investment funds and/or managed accounts, and certain of the Adviser's principals and employees serve as directors or executive officers for and/or provide other services to, certain other entities (including the SPAC), that are expected to invest in the same or similar types of securities and assets as clients, and such clients and other entities may therefore compete directly or indirectly for investment opportunities. The Adviser and its affiliates, principals and employees may become aware of business opportunities in which clients will not be given an opportunity to participate. No investor in a client or such client will be entitled to any profits or fees that the Adviser or any of its affiliates, principals or employees will derive from any activities or ventures other than those derived from such client, whether or not such businesses or ventures are of the same nature as, and/or compete with, the client. The Adviser and its affiliates, principals and employees will not be prohibited from buying or selling securities for their own account, including securities that are the same as those held by clients; provided that the Adviser's employees are generally prohibited from purchasing single-name corporate equity or debt securities. As a result of their other activities, the Adviser may have conflicts of interest in allocating time, services and functions among clients and other business ventures.

Turnover. The turnover rate of clients' investment portfolio may be significant, potentially involving substantial brokerage commissions and fees and other transaction costs.

Trading Limitations. For all securities listed on a securities exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject a client to potential losses. Also, such a suspension or limit could render it impossible for the Adviser to liquidate positions and thereby expose clients to potential losses.

Non-Disclosure of Positions. In an effort to protect the confidentiality of its positions, the Adviser generally will not disclose all of a Fund's positions to its investors on an ongoing basis, although such disclosure may be permitted on a select basis to certain investors and certain other parties if the Adviser determines that there are sufficient confidentiality agreements and procedures in place. Further, each client may not disclose its investment positions in its annual financial statements if it determines that confidential treatment is desirable. In certain situations however, disclosure of the clients' positions, and changes in those positions, may be required under federal securities laws, including, for example, where the clients accumulate a significant position in a publicly-traded security. The disclosure of such positions could adversely affect the ability of such clients to dispose of the position or the price at which the position may be disposed.

Effect of Redemptions. A significant level of redemptions from a client, including a Fund, may impair the ability of the client to maintain positions in some or all of its investments and may adversely affect the ability of the Adviser to follow its investment strategy. In such instances, the client may be required to liquidate securities positions at a time other than of its choosing and at disadvantageous valuations or on disadvantageous terms. The client also may be required to incur indebtedness to meet redemption requests, which will increase the operating cost of the client to the disadvantage of remaining investors. In addition, because the liquidity terms among clients (and/or investors in certain Funds) vary, certain clients (and/or certain investors in certain Funds) may be able to redeem sooner and or with greater frequency and volume than other clients (and/or other investors in certain Funds), and such redemptions may have a disadvantageous impact on non-redeeming clients or investors because such clients or investors often hold the same investments as the clients or investors that have preferential liquidity rights. For example, separately managed account investors often have different liquidity rights than investors in the Funds and, even within certain Funds, liquidity rights vary from investor to investor (*e.g.*, in exchange for different management fee and incentive allocation arrangements, certain investors in certain Funds can generally redeem every quarter, certain can generally redeem once annually and certain can generally redeem every three years, in each case by providing at least 90 days' notice). Finally, as described in Item 6 above, the Adviser or its affiliates (or the Board of Directors of certain Funds in consultation with the Adviser) generally has the ability to waive notice requirements or permit redemptions under such other circumstances and conditions as it deems appropriate or as may be required. Such other circumstances and conditions include instances where a client (or an investor in a Fund) is maintaining exposure to the general strategy of that Fund but moving, or committing, their redeemed amounts to an investment vehicle managed by the Adviser that has more restrictive liquidity terms.

Side Letters. The Adviser or one of its affiliates has entered into written arrangements (collectively, “Side Letters”) with certain investors in certain Funds, and may in the future enter into additional Side Letters with certain other investors, that have the effect of altering or supplementing the terms of such persons’ investments in such Funds. Such arrangements include, without limitation, arrangements with respect to waivers or reductions of management fee and/or incentive allocation, access to information about a Fund’s investments, transfer rights, excuse rights applicable to certain investments, additional reporting and/or disclosure rights, waiver or modification of confidentiality obligations or obligations to submit documentation to a Fund, rights with respect to structuring investments, rights with respect to the activities of the Adviser or its affiliates, rights to participate in a co-investment opportunity, other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, and/or rights relating to the circumstances under which withdrawals or redemptions may be effected. Such Side Letters may have the effect of establishing rights under, or altering or supplementing the terms of, the offering memorandum and governing documents of such Fund. Neither the Adviser nor any of its affiliates will be required to notify any or all of the other investors in such Fund of any such Side Letters or any of the rights or terms or provisions thereof, nor will the Adviser or its affiliates be required to offer such additional or different rights or terms to any or all of the other investors, unless otherwise agreed in writing. The Adviser and its affiliates may enter into such Side Letters with any party as they may determine in their sole and absolute discretion at any time, and the other investors in the Fund will have no recourse against the Adviser or any of their affiliates in the event that certain investors in such Fund receive additional or different rights or terms as a result of such Side Letters.

In-Kind Distributions. The Funds expect to distribute cash to investors upon a withdrawal or redemption by any such investor. However, there can be no assurance that the Funds will have sufficient cash to satisfy withdrawal requests, or that the Funds will be able to liquidate investments at the time of such withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by the Adviser or its affiliate in its sole and absolute discretion, an investor may receive in-kind distributions from the Funds’ portfolio. The risk of loss and delay in liquidating these securities will be borne by the investor with the result that such investor may receive less cash than it would have received on the date of withdrawal.

Performance Fee/Incentive Allocation. The Adviser or its affiliates will generally receive a Performance Fee or an Incentive Allocation based upon the net capital appreciation, if any, of its clients. The receipt of the Performance Fee or Incentive Allocations, as applicable, may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect.

## **Portfolio Investment Risks**

Limited Diversification. At any given time, it is possible (and, with respect to certain clients set up to co-invest in only a specific subset of industries, opportunities or single companies, it should be expected) that the Adviser may select investments that are concentrated in a particular market or industry, or in a limited number or type of securities. This limited

diversity could expose clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Illiquid Portfolio Securities. The Adviser may cause the clients to invest in securities of private companies and privately issued securities of public companies, securities that lack a readily ascertainable market value or otherwise lack sufficient liquidity, or securities that should be held until the resolution of a special event or circumstance. Clients may not be able to readily dispose of such non-publicly traded securities and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Other assets and liabilities for which no market prices are available generally will be carried on client books at fair value (which may be cost) as reasonably determined by the Adviser in good faith and consistent with the Adviser's valuation policies and procedures. There is no guarantee that fair value will represent the value that will be realized by such clients on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. The illiquid nature of such securities may also contribute to the volatility of the client's performance.

Effect of Redemptions. As noted in more detail above, a significant level of redemptions from a client may impair the ability of such client to maintain positions in some or all investments and may adversely affect the ability of the Adviser to follow the investment strategy. In such instances, the client may be required to liquidate securities positions at a time other than of their choosing and at disadvantageous valuations or on disadvantageous terms.

No Guarantee of Return or Performance. The obligations or performance of clients or the returns on investments of clients are not guaranteed in any way. Any losses of a client will be borne solely by such client and its investors. Ownership interests in the clients are not insured by the Federal Deposit Insurance Corporation, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any banking entity.

Projections. The Adviser expects, at times, to rely on its own projections or upon projections developed by a portfolio company concerning such portfolio company's future performance and cash flow when making investment decisions for clients. Projections are inherently subject to uncertainty and factors beyond the control of the Adviser and such portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a company to realize projected values and cash flow.

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

The Adviser may cause clients to make certain speculative investments in securities which the Adviser believes to be undervalued; however, there are no assurances that the

securities purchased will in fact be undervalued. In addition, the clients may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the clients' capital would be committed to the securities purchased, thus possibly preventing the Adviser from investing in other opportunities on behalf of such clients. In addition, the clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Interest Rate Risk. The market value of debt securities generally varies in response to changes in interest rates and the financial condition of the issuer of such securities. During periods of declining interest rates, the value of debt generally increases. Conversely, during periods of rising interest rates, the value generally declines. These changes in market value will be reflected in the net asset value of a client. No assurance can be given that the debt and fixed income obligations in which a client invests will continue to earn yields comparable to those earned historically, nor can any assurance be given that the issuers of such securities will make payment on such obligations as they become due. The performance of clients may therefore depend in part on the ability to anticipate and respond to such fluctuations on market interest rates, and to utilize appropriate strategies to maximize returns, while seeking to preserve capital.

Issuer Concentration and Diversification Risk. Although the Adviser may from time to time follow guidelines on diversification, there are generally no limits on the Adviser's investment discretion. Certain clients may invest in a relatively limited number of investments. A consequence of a limited number of investments is that the aggregate returns realized by the clients may be substantially affected by the unfavorable performance of a small number of such investments and may reduce the clients' ability to hedge exposure and to dispose of depreciating assets. Clients generally do not have fixed guidelines for investment diversification. To the extent a client's investments are concentrated in a particular industry, security, issuer or country, the client's portfolio will then become more susceptible to fluctuations in value resulting from adverse economic conditions affecting that particular industry, security, issuer or country.

Event Driven Investing. Certain investment opportunities are expected to arise due to the pendency or occurrence of specific events affecting a company. Event driven investing 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 securities. If the event fails to occur or it does not have the effect foreseen, losses can result. Because of the inherently speculative nature of event driven investing, the Adviser's results with respect to any such investments on behalf of the clients may be expected to fluctuate from period to period and will not necessarily be indicative of results that may be expected in future periods.

Debt Securities. The Adviser expects to cause its clients to invest in U.S. and non-U.S. private, public and government debt securities and instruments, including without limitation, "higher yielding" (and therefore generally higher risk) debt securities, syndicated bank loans, bonds, notes, trade claims and other subordinate debt obligations. Such securities and instruments may be unrated or below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. Such securities may not be exchange-traded and trade in the over-the-counter market, which is generally less transparent and may have

wider bid/ask spreads than the exchange-traded marketplace. Such instruments are dependent on the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Bank Loans and Participations. Clients' investment programs generally include, regularly or from time to time, investments in bank loans and participations. These obligations are subject to unique risks, including (a) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (b) so-called lender-liability claims by the issuer of the obligations, (c) environmental liabilities that may arise with respect to collateral securing the obligations and (d) limitations on the ability of the clients to enforce directly its rights with respect to the obligations. Successful claims by third parties arising from these and other risks, absent certain conduct by the Adviser, its affiliates and certain other individuals, will be borne by the clients.

Some of the bank loans that may be purchased by clients may ultimately have no, or only a limited, trading market. Illiquid bank loans may trade at a discount to comparable, more liquid investments. In addition, because of the provision of confidential information, the unique and customized nature of a loan agreement, and the private syndication of a loan, certain bank loans may not be purchased or sold as easily as publicly traded securities, particularly as a result of the increased degree of complexity in negotiating a secondary market purchase or sale, which complexity does not exist, for example, in the high-yield bond market. Bank loans may encounter trading delays due to their unique and customized nature, and transfers may be prohibited without the consent of an agent bank or borrower.

Nature of Bankruptcy Proceedings. The Adviser expects to cause clients to invest in companies involved in bankruptcy proceedings. Such companies could require substantial workout negotiations or restructuring in the event of a default or bankruptcy. 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 that are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on the relevant 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 clients' investment in the company's securities. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be affected adversely 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, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, 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. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other



creditors can demonstrate that they have been harmed by such actions. Seventh, the clients' ability to trade debt obligations or equity of the relevant companies may be restricted during the pendency of the bankruptcy proceeds pursuant to a "claims trading order." Eighth, the Adviser may in some cases cause certain clients to 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 may be subject to various trading or confidentiality restrictions. In such cases, if the Adviser concludes that a client's membership on a creditors' committee entails obligations or restrictions that conflict with the duties it owes to the client, or that otherwise outweigh the advantages of such membership, the client will not seek membership in, or will resign from, that committee. Because clients will indemnify the Adviser, the General Partners or any other person serving on a committee on behalf of the clients for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the clients' investment in a company undergoing a reorganization.

Availability of Investment Strategies. The success of the clients' investment and trading activities depends on the ability of the Adviser and Mr. Mudrick to identify overvalued and undervalued investment opportunities that fit the clients' investment objectives. Identification and exploitation of these opportunities involve a high degree of uncertainty. No assurance can be given that the Adviser or Mr. Mudrick will be able to identify suitable investment opportunities in which to deploy all of the clients' capital. Various market factors over which the Adviser has no control may reduce the pool of profitable investment opportunities for clients.

Securities Filings and Restrictions; Risks of Owning Significant Positions. The Adviser may, in its sole discretion, elect to cause certain clients to (i) refrain from entering into a transaction that the Adviser may otherwise have caused such clients to enter into or (ii) sell a given financial instrument that such clients presently hold, if such transaction or the continued ownership of such financial instrument would cause the clients, the Adviser or any of their respective affiliates to make a governmental, regulatory or other public filing in the U.S. or any non-U.S. jurisdiction. Any such election by the Adviser may cause clients to (x) forego an investment opportunity that the Adviser had determined may otherwise generate a profit for such clients and/or (y) incur additional expenses, including without limitation, brokerage and/or legal fees. Further, there may be instances where the nature or size of a client's holdings prohibit it from effecting transactions in a given security during certain periods of time or subject such transactions to increased regulatory and compliance burdens, such as regulatory filings. In some cases, clients may, directly or indirectly, substantially participate in, or attempt to influence the conduct of, the affairs or management of issuers of securities acquired by the clients. These activities may give rise to certain filings and other obligations and may limit the clients' ability to trade. If a client, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the client may be subject to certain additional reporting requirements (including reporting of all purchases and sales of such securities) and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. To avoid the obligation to disgorge such profits, the clients will be required to hold the positions for longer than circumstances may warrant, with the result that the clients may be unable dispose of a position at a propitious time. Profits may be reduced and losses may result

from such an inability to timely dispose of a position. Furthermore, in such circumstances, the client would be prohibited from entering into a short position in such issuer's securities and, therefore, limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

Additionally, if clients or the Adviser (or one of their affiliates) have a nominee serving on a company's board of directors, they will likely have access to information about the company that is both material and non-public. Until that information is disclosed to the public or is no longer material, the clients will be unable to acquire additional securities of the company or dispose of any portion of the position. This situation could make the position illiquid for an indefinite period of time and would likely impair the ability of clients to otherwise invest capital or to meet a withdrawal request from an investor.

Hedging Transactions. On behalf of clients, the Adviser expects, at times, to utilize financial instruments, both for investment purposes and for risk management purposes, in order to: (i) protect against possible changes in the market value of the clients' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the clients' unrealized gains in the value of their investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the clients' portfolio; (v) hedge the interest rate or currency exchange rate on any of the clients' liabilities or assets; (vi) protect against any increase in the price of any securities the Adviser anticipates purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate. Notwithstanding the foregoing, the Adviser will not be required to hedge any particular risk in connection with a particular transaction or the portfolio generally. Hedging techniques involve risks different than those of underlying investments.

The ability of clients to hedge successfully will depend on the Adviser's ability to predict pertinent market movements, which cannot be assured, and to continually recalculate, readjust and execute hedges in an efficient and timely manner. However, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. For a variety of reasons, the Adviser and its affiliates may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent clients from achieving the intended hedge or expose the clients to risk of loss. The Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high or the magnitude of the risk to be sufficiently large as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Finally, the daily variation margin requirements in swaps and futures contracts that may be entered into by the Adviser on behalf of clients for the purposes of hedging would create an ongoing greater potential financial risk than would options transactions, where the exposure is limited to the cost of the initial premium and transaction costs paid by the clients.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory developments that may adversely affect clients could occur at any time. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements, other regulators and



self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to change by government and judicial actions. The regulatory environment for private funds is evolving, and currently there are numerous legislative and regulatory proposals in the United States, Europe and other countries that could affect clients and their respective trading activities. Changes in the regulation of private funds and their trading activities may adversely affect the ability of clients to pursue their investment strategies, their ability to obtain leverage and financing and the value of investments held by the clients. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. Such scrutiny may increase clients' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Adviser, including, responding to examinations and investigations, implementing new policies and procedures and complying with recordkeeping and reporting obligations. Such burdens may divert the Adviser's time, attention, and resources from portfolio management activities. The Adviser and its clients may also be adversely affected by changes in the enforcement or interpretation of existing laws, rules and regulations by federal, state and non-U.S. agencies, courts, authorities or regulators. It is impossible to predict what, if any, changes in laws and regulations may occur, but any laws and regulations which restrict or limit the ability of clients to trade in securities or the ability of clients to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on clients' portfolios.

Clients may also be subject to regulation in jurisdictions in which they engage in business. Investors should understand that clients' businesses are dynamic and are expected to change over time. Therefore, clients may be subject to new or additional regulatory constraints in the future. This brochure cannot address or anticipate every possible current or future regulation that may affect clients, the Adviser, their affiliates or any of their respective businesses. Such regulations may have a significant impact on the investors in, or the operations of, clients, including, without limitation, restricting the types of investments the Adviser may make on behalf of clients, preventing the Adviser from exercising the voting rights of clients with regard to certain financial instruments and requiring clients to disclose the identity of their investors (or such investors' beneficial owners). The Adviser may cause a client to be subject to such regulations if it believes that an investment or business activity which may trigger such regulation is in the client's interest, even if such regulations may have a detrimental effect on one or more investors. Investors are encouraged to consult their own advisors regarding an investment in a client.

The Dodd-Frank Act. The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was enacted on July 21, 2010, significantly revised and expanded the rulemaking, supervisory and enforcement authority of federal bank, securities and commodities regulators.

The Dodd-Frank Act imposes increased recordkeeping and reporting obligations on the Adviser with respect to its clients. Records and reports relating to clients that must be maintained by the Adviser and that are subject to inspection by the SEC include: (a) assets under

management and use of leverage (including off-balance-sheet leverage); (b) counterparty credit risk exposure; (c) trading and investment positions; (d) valuation policies and practices; (e) type of assets held; (f) side arrangements or side letters; (g) trading practices; and (h) such other information as the SEC, in consultation with the Financial Stability Oversight Council, determines is necessary and appropriate. While the Dodd-Frank Act subjects such records and reports to certain confidentiality provisions, and an exemption from the U.S. Freedom of Information Act (“FOIA”) may be available in respect of such records and reports, no assurance can be given that the mandated disclosure of records or reports to the SEC or other governmental entities will not have a significant negative impact on clients, the Adviser or any Fund investor. In addition, the new recordkeeping and reporting requirements and enhanced SEC scrutiny and audit may increase clients’ compliance, administrative and other operational costs.

The Dodd-Frank Act also established a general framework for systemic regulation. There can be no assurance that future regulatory actions authorized by the Dodd-Frank Act will not adversely affect clients.

MiFID II. The Markets in Financial Instruments Directive II, 2014/65/EU and the Markets in Financial Instruments Regulation, Regulation 600/2014 (together “MiFID II”) were published in the Official Journal of the European Union on 12 June 2014, and the majority of their provisions applied from January 3, 2018. MiFID II repeals and recasts the Markets in Financial Instruments Directive, and introduces a number of new requirements applicable to European Union investment firms, trading venues and third country firms providing investment services or activities in the European Union. MiFID II does not apply directly to the Funds or the Adviser (though it may apply directly to certain clients), but may indirectly impact the Funds or the Adviser where interests in any Funds are distributed in Europe or where any Fund or the Adviser enters into a trading relationship with an European Union investment firm and/or trades on European Union regulated exchanges or other markets primarily regulated by European Union regulators.

Employee Misconduct. The Adviser’s reputation is critical to maintaining and developing relationships with existing and prospective investors, as well as with the numerous third parties with which the Adviser, its affiliates and clients do business. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry, and there is a risk that an employee of or contractor to the Adviser or any of its affiliates could engage in misconduct that adversely affects the investment strategies implemented by the Adviser. It is not always possible to deter such misconduct, and the precautions the Adviser takes to detect and prevent such misconduct may not be effective in all cases. Misconduct by an employee of or contractor to the Adviser or its affiliates, or even unsubstantiated allegations of such misconduct, could result in both direct financial harm to the Adviser and the clients, as well as harm to the reputations of the Adviser and the clients, which would have a materially adverse effect on the clients.

Future Investment Techniques and Instruments. The Adviser may employ other investment techniques and invest in other instruments that the Adviser believes will help achieve a client’s investment objectives, whether or not such investment techniques or instruments are

specifically described herein. Such investment techniques and investments may entail risks not described herein.

Side Pocket Investments. For those Funds that allow side pockets, to the extent that an investment has been designated a Side Pocket Investment or is otherwise illiquid, the Fund may be required to delay payment of a portion of the amount otherwise being withdrawn by a withdrawing investor who participates in such Side Pocket Investment or to limit the amount being withdrawn. Even if the Fund is able to fully fund the withdrawal, there may be difficulties in valuing the withdrawing investor's interest.

Anti-Money Laundering. If the a Fund, the Administrator and/or any governmental agency believes that any clients have accepted subscriptions by, or are otherwise holding assets of, any person or entity that is acting directly or indirectly, in violation of U.S., international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, suspected drug trafficker, or senior foreign political figure(s) suspected in engaging in foreign corruption, the Fund, the Administrator and/or such governmental agency may freeze the assets of such person or entity invested in such clients or suspend their redemption rights. The clients may also be required to report and to remit or transfer those assets to a governmental agency.

Private Offering Exemption. Funds generally intend to offer interests without registration under any securities laws in reliance on an exemption for "transactions by an issuer not involving any public offering." While the Adviser believes reliance upon such exemption is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other companies, the scope of disclosure provided, failures to make notices, filings or changes in applicable laws, regulations or interpretations will not cause a client to fail to qualify for such exemptions under U.S. federal or one or more states' securities laws. Failure to so qualify could result in the rescission of sales of interests at prices higher than the current value of those interests, potentially materially and adversely affecting such client's performance and business. Further, even non-meritorious claims that offers and sales of interests were not made in compliance with applicable securities laws could materially and adversely affect the Adviser ability to conduct the clients' business and thus the return to investors.

Non-U.S. Investments. The Adviser expects, regularly or from time to time, to cause clients to invest in non-U.S. securities or U.S. securities denominated in non-U.S. currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among others, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or non-U.S. governments, United States 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 foreign nations.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States and certain foreign 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 United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign 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 slower and more susceptible to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in particular countries than in the United States. These risks may be greater for companies in emerging markets.

Additional costs could be incurred in connection with clients' international investment activities. Foreign brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when the Adviser changes client investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to foreign 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 foreign jurisdictions.

Foreign Exchange Risk. A portion of clients' assets may be invested in equity securities denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. Clients, however, value their securities and other assets in U.S. dollars. To the extent unhedged, the value of the clients' assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the clients' investments in the various local markets and currencies. The Adviser may utilize options and other instruments to hedge against currency fluctuations but there can be no assurance that such hedging transactions will be effective.

Counterparty Risk. Some of the markets in which the Adviser may effect transactions on behalf of its clients are "over-the-counter" ("OTC") or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. To the extent the Adviser invests in over-the-counter transactions on these markets, the clients may take a credit risk with regard to counterparties and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. Such transactions expose clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem. In such events, the clients may bear a loss in connection with the relevant transaction. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the clients have concentrated their transactions with a single or small group of counterparties. The Adviser generally is not restricted from dealing with any particular counterparty on behalf of a client or from concentrating any or all of their transactions with one counterparty. The ability of the Adviser to cause clients to transact business with any one or number of counterparties, the lack

of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by such clients.

General Economic and Market Conditions. The success of the Adviser's activities on behalf of clients will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of the clients' investments. Volatility or illiquidity could impair the clients' profitability or result in losses. The Adviser may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries, may be vulnerable to changes in trade conditions or may have higher levels of debt or inflation.

On June 23, 2016, the United Kingdom held a remain-or-leave referendum on the United Kingdom's membership of the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On March 29, 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty, which triggered a two-year period, subject to extension (which would need the unanimous approval of the European Union Member States), during which the United Kingdom government is expected to negotiate its withdrawal agreement with the EU. Absent any changes to this time schedule, the United Kingdom is expected to leave the European Union in early 2019. A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union's free trade and similar agreements. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by reduced growth and volatility. The uncertainty during and after the period of negotiation is also expected to have a negative economic impact and increase volatility in the markets, particularly in the United Kingdom and the Eurozone. Such negative economic impact and volatility could, in turn, adversely affect market conditions, prices and yields of securities in the portfolio of the clients. In addition, the political and economic instability in the United Kingdom and other European countries, particularly countries in the Eurozone, could adversely affect the clients' investments.

Futures. The Adviser may cause clients to trade in futures contracts (and options on futures). Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as



“daily price fluctuation limits” or “daily limits”. Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. This could prevent Adviser from promptly liquidating unfavorable positions and subject the clients to substantial losses. In addition, the Adviser may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Leverage and Financing Risk. The Adviser may cause clients to leverage their capital because the Adviser believes that the use of leverage may enable the clients to achieve a higher rate of return. Accordingly, the clients will pledge their securities to the lender in order to borrow additional funds for investment purposes. The Adviser may also leverage client investment returns with options, commodity futures contracts, short sales and swaps. The amount of borrowings which the clients may have outstanding at any time may be substantial in relation to their capital.

While leverage presents opportunities for increasing clients’ total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by clients would be magnified to the extent the clients are leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to clients. For example, should the securities pledged to brokers to secure the clients’ margin accounts decline in value, the clients could be subject to a “margin call”, pursuant to which the clients 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 clients’ assets, the clients might not be able to liquidate assets quickly enough to satisfy margin requirements.

The financing used by clients to leverage their portfolios will be extended by securities brokers and dealers in the markets in which the clients invest. While the clients will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, their ability to do so is limited. Clients are therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer’s willingness to continue to provide any such credit to the clients. If clients do not currently have an alternative credit facility which could be used to finance their portfolios in the absence of financing from broker-dealers, they could be forced to liquidate their portfolios on short notice to meet financing obligations. The forced liquidation of all or a portion of clients’ portfolios at distressed prices could result in significant losses to the clients.

Lastly, the closed-end Funds also may enter (and one currently has entered) into a credit facility, which may be utilized, for among other purposes, to bridge capital calls and/or closings or to defer capital calls. As a result, investors in the closed-end Funds should be aware that while they may not be required to make capital contributions to those Funds for extended periods of

time, they will nonetheless bear Management Fees and be subject to investment risk with respect to those Funds' activities during any such periods.

Derivative Instruments Generally. It is expected that the Adviser could cause clients to invest in derivative instruments, or "derivatives," including, but not limited to, options, total return swaps, interest rate swaps, credit default swaps ("CDS"), forwards, indices and other derivatives thereon, and in other instruments and contracts that are derived from and are valued in relation to one or more underlying securities, commodities, events, financial benchmarks, currencies or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of the underlying asset at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading, including risks relating to interest rates, taxes, changing supply and demand relationships, policies of governments and national and international political and economic events. However, there are a number of additional risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the client to the possibility of a loss exceeding the original amount invested. Derivative instruments may not always be liquid, so that in volatile markets, the client may not be able to close out a position without incurring a loss. Daily limits on price fluctuations and speculative position limits on exchanges on which the client may conduct its transactions in derivative instruments may prevent profitable liquidation of positions, potentially subjecting the client to greater losses. In addition, in swap transactions, because the client would not have a contractual relationship with the issuer of the underlying reference obligation, the client would generally not have the benefit of voting rights or the collateral supporting the reference obligation and the liquidity of the swap may be constrained in certain cases pursuant to contract and the swap counterparty's ability and willingness to novate, close, or otherwise modify the trade. Transactions in certain derivatives are subject to mandatory clearing and exchange trading requirements and to regulatory oversight, while other derivatives are subject to risks of trading in the OTC markets or on non-U.S. exchanges. More derivatives may become subject to these mandatory clearing and exchange trading requirements in the future.

Options. The Adviser may cause clients to buy or sell (write) both call options and put options, and when they write options they may do so on a "covered" or an "uncovered" basis. The clients' options transactions may be part of a hedging tactic (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the clients have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

Swap Agreements. Generally, the Adviser may cause clients to make use of swap agreements, including equity swaps (for certain clients). A swap is a contract under which two parties agree to make periodic payments to each other based on the value of a security, specified interest rates, an index or the value of some other instrument, applied to a stated or "notional" amount. An equity swap is a customized derivative instrument that entitles the counterparty to certain payments on the gain or loss on the value of an underlying equity security. Swaps are

subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

Forward Trading. The Adviser may cause clients to enter into forward contracts or options thereon that are not traded on exchanges and not standardized. Rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Such contracts may be primarily forward interest rate or currency hedging contracts. Forward and “cash” trading is substantially unregulated; there are no limitations on daily price movements and speculative position limits are not applicable. Banks and other dealers with which clients maintain accounts may require the clients to deposit margin with respect to such trading, although margin requirements are often minimal or nonexistent. The clients’ counterparties are not required to continue to make markets in such contracts and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of credit controls by governmental authorities might also limit such forward trading to less than the amount that the Adviser would otherwise recommend, to the possible detriment of clients. Market illiquidity or disruption could result in significant losses to clients.

Illiquidity and Credit Risk of Derivative Instruments and OTC Trading. The Adviser may cause clients to enter into transactions (including for purposes of hedging) involving privately negotiated OTC derivative instruments, including, among others, interest rate, volatility, foreign currency, equity and equity index swaps, total return swaps, OTC options and forward contracts on securities, security indices and foreign currencies. There can be no assurance that a liquid secondary market will exist for any particular derivative instrument at any particular time. Although OTC derivative instruments are designed 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 closed out only by negotiation with the other party to the instrument. OTC derivative instruments, unlike exchange-traded instruments, are not guaranteed by an exchange or clearinghouse and thus are generally subject to greater credit risks and the possibility of nonperformance by the counterparty. Derivative instruments that may be purchased or sold by clients may include instruments not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater than the risk associated with an exchange-traded instrument. Clients may also not be able to dispose of, or enter into a closing transaction with respect to, such an instrument as easily as in the case of an exchange traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange.

Cryptocurrencies. An increasing number of retail and institutional investors are investing in cryptocurrencies and similar decentralized digital assets (“Cryptocurrencies”) (e.g., bitcoin), including through the use of derivatives and leveraged positions. Accordingly, the market for Cryptocurrencies is becoming increasingly connected to the traditional financial markets,



including the public equities market in which certain clients invest. The increased interconnectedness of these markets, together with the high volatility and illiquidity of many Cryptocurrencies, has led some prominent economists to state publicly that Cryptocurrencies may now, or may in the future, be systemically important, to the point where the volatility and illiquidity of such Cryptocurrencies may pose a systemic risk to the broader financial system, beyond the market for Cryptocurrencies, which may extend to the public equities market in which certain clients invest. Such risks may materialize even if Cryptocurrencies do not reach the point of widespread adoption—for example, as a medium of exchange or for some other functional utility. As a result, even though the Adviser does not expect the clients to invest directly into Cryptocurrencies, clients may be exposed to the performance of Cryptocurrencies, and the clients' performance may be harmed by changes in the Cryptocurrency markets.

Changes to Derivatives Regulation. Through its comprehensive regulatory regime for derivatives, the Dodd-Frank Act has imposed, or will impose, mandatory clearing, exchange-trading and margin requirements on many derivatives transactions (including formerly unregulated OTC derivatives) in which clients may engage. Currently, CFTC rules issued under the Dodd-Frank Act require central clearing and SEF trading of many common types of interest rate and index credit default swaps. In addition, margin rules adopted by the U.S. banking regulators and the CFTC may subject clients to new regulatory margin requirements for uncleared swaps and, in some cases, security-based swaps, with CFTC-registered swap dealers. CFTC-registered swap dealers with which clients may transact in derivatives are subject to significant swap recordkeeping, reporting, disclosure, business conduct, documentation, and other swap regulatory requirements. These requirements may increase the costs to clients for their derivatives transactions with CFTC-registered swap dealers. Exchange-trading and trade reporting requirements may lead to reductions in the liquidity of derivative transactions, cause adverse pricing or reduced availability of certain derivatives, or the reduction of arbitrage opportunities for clients, adversely affecting the performance of certain of the clients' trading strategies.

In parallel with the Dodd-Frank Act and other U.S. initiatives, steps have also been taken to regulate over-the-counter derivatives in the European Union. European Union Regulation No. 648/2012 (also known as the European Market Infrastructure Regulation, or "EMIR") came into force on August 16, 2012, and requires certain "eligible" OTC derivative contracts to be submitted for clearing to regulated central clearing counterparties and mandates the reporting of certain details of derivative contracts which involve an European Union established counterparty to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor, and mitigate risk in respect of OTC derivative contracts not subject to mandatory clearing. These requirements include the posting and segregation of collateral for certain categories of over-the-counter derivatives. These margin requirements are currently being phased in and will apply in full from 1 September 2020. Regulatory changes arising from EMIR may in due course adversely affect the counterparties with which clients transact or the clients' ability to achieve their investment objectives.

Investments in Convertible Securities. The Adviser may cause clients to invest a portion of their capital in convertible securities. Convertible securities are bonds, debentures, notes, preferred stock and other securities that may be converted into or exchanged for a specified

amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics, in that they generally: (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

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

Highly Volatile Markets. The prices of securities or financial instruments in which clients may invest can be highly volatile. Price movements of futures and other derivative contracts in which the clients' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchanges control programs and policies of governments, and national and international political and economic events and policies. Clients also are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses.

Short Selling. The Adviser may engage in short selling on behalf of certain clients, depending upon that client's investment strategy and opportunities. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which clients engage in short sales will depend upon the clients' investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the clients of buying those securities to cover the short position. There can be no assurance that the clients will be able to maintain the ability to borrow securities sold short. In such cases, clients can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Loans of Portfolio Securities. The Adviser is able to cause certain clients to lend their portfolio securities. In the event of the bankruptcy of the other party to a securities loan, clients could experience delays in recovering the loaned securities. To the extent that the value of the securities the Adviser has lent on behalf of a client has increased, such client could experience a loss if such securities are not recovered.

Exposure to Material Non-Public Information. Each of the Adviser, the clients, their affiliates and their respective members, officers, directors, employees or principals may come into possession of material nonpublic information. The possession of such information may limit the ability of clients to buy or sell a security or otherwise to participate in an investment opportunity or restrict the ability of clients to receive information with respect to certain opportunities. Further, in the current environment, there is an increased risk of insider trading enforcement actions in a variety of jurisdictions and by a number of regulators. Even in the absence of wrongdoing, any such enforcement activity, or regulatory investigations in connection with a potential enforcement action, can have a material adverse effect on the Adviser, the clients or their respective affiliates. The boundaries of the laws applicable to insider trading and practices relating to insider trading enforcement are continuing to evolve, which may impact clients' trading activities in ways that are unexpected.

Accuracy of Public Information. The Adviser selects investments for clients, in part, on the basis of information and data filed by issuers of securities with various government regulators or made directly available to the Adviser by such issuers or through sources other than such issuers. Although the Adviser will generally evaluate all such information and data and, when the Adviser considers it appropriate and when it is reasonably available, seek independent corroboration, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

Special Situations. The Adviser may cause clients to invest in companies involved in (or that are the target of) acquisition attempts or tender offers or in companies involved in workouts, liquidations, spin-offs, reorganizations, bankruptcies and other similar circumstances. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction will be unsuccessful, take considerable time or result in a distribution of cash or a new security, the value of which is less than the purchase price of the original security or other financial instrument. Similarly, if an anticipated transaction or reorganization does not in fact occur, the clients may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving companies in which clients may invest, such clients face the possibility of substantial losses.

Control Person Liability. In certain circumstances, the Adviser may cause clients (or a group of investors to which the clients may be treated as belonging) to hold controlling interests in or the ability to significantly influence a portfolio company. The exercise of control of, or significant influence over, such a portfolio company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the clients might suffer a significant loss.

Investments in Non-Exchange Traded Equity Securities. The Adviser may cause clients to invest in non-exchange traded equity securities (e.g., private investments in public equity ("PIPEs") or the Jumpstart Our Business Startups Act ("JOBS Act") offerings of private companies). In any investment opportunity involving non-exchange traded equity securities,

there exists the risk of less liquidity, less regulation and less available information than in other types of transactions. Because there is greater uncertainty concerning such transactions, the clients face a possibility of substantial losses as a result of such risks. For example, if other investors find such investment opportunities less attractive because of reduced disclosure requirements, there may be a less active trading market and the securities of such company may be more volatile and less liquid.

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

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

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration Status.

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

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

The Adviser and its management persons are not registered as, and do not have any application pending to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants.

The Adviser does not, but may in the future, recommend from time to time for clients to make investments in the Funds or in any additional funds or products.

Mudrick GP, LLC, Verto Direct Opportunity GP, LLC, Mudrick Distressed Energy Co-Invest GP, LLC, Mudrick Distressed Opportunity Drawdown Fund GP, LLC, Mudrick Distressed Opportunity Drawdown Fund II GP, LLC and Mudrick Senior Secured Fund GP, LLC, the general partners of various Funds and affiliates of the Adviser, are each responsible for the business and affairs of certain Funds.

As described above in Item 4.2.B, Mudrick Capital Acquisition Holdings, LLC, which is 100% owned by certain clients, is the sponsor of the Mudrick Capital Acquisition Corporation, a publicly traded special purpose acquisition company (a blank check company) formed to pursue an initial business combination with a post-bankruptcy or post-restructured target company (though such vehicle may target a company in any stage of its corporate evolution) (the “SPAC”). The President of the SPAC is Jason Mudrick and all other executive officers of the SPAC are senior employees of the Adviser. Two of the five directors of the SPAC are Jason Mudrick and another senior investment professional of the Adviser.

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

The Adviser does not recommend or select other investment advisers for its clients.



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

A. Code of Ethics.

The Adviser has adopted a code of ethics (“Code of Ethics”), which is designed to (i) foster compliance with applicable federal statutes and regulatory requirements, (ii) minimize circumstances that may lead to or give the appearance of conflicts of interest with clients, insider trading, or unethical business conduct as well as (iii) promote a culture of high ethical standards. Among other things, the Code of Ethics governs personal securities trading by the Adviser’s personnel. Employees of the Adviser generally may not purchase any single-name corporate equity or debt security, though employees are permitted to trade securities such as exchange-traded funds (ETFs), open-ended mutual funds, money market instruments, and U.S. Treasury securities. If any employee has any direct or indirect beneficial ownership in any non-excepted security as of the date he or she joined the Adviser, any sale of that security thereafter must be cleared, in advance and in writing, by the Adviser’s Chief Compliance Officer. Spouses of Employees are permitted to purchase or sell single-name corporate equity or debt securities with preclearance, in advance and in writing, by the Adviser’s Chief Compliance Officer. Employees must also pre-clear transactions in various types of limited offerings. In addition, the Code of Ethics requires employees to disclose their personal securities holdings and transactions to the Adviser on a regular basis.

The Adviser also maintains insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information.

The Adviser’s personnel are required to certify their compliance with the Code of Ethics, and the Insider Trading Policies, on a regular basis.

The Adviser’s Insider Trading Policies prohibit the Adviser and its personnel from trading for clients or themselves, or recommending trading, in securities of a company while in possession of restricted material, non-public information about the relevant issuer in violation of the law (“Inside Information”). By reason of its various activities, the Adviser may become privy to Inside Information or be restricted from effecting transactions in investments that might otherwise have been initiated. The Adviser has designed and implemented policies in order to comply with the requirements of the federal securities laws relating to insider trading. Among other things, those policies and procedures seek to control and monitor the flow of Inside Information (if any) to and within the Adviser, as well as prevent trading on the basis of Inside Information in violation of the law.

Clients and prospective clients may request a copy of the Code of Ethics by contacting the Adviser at the address or telephone number listed on the first page of this document.

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

1. **Cross Trades**

On occasion and to the extent permitted by law and as deemed advisable by the Adviser, the Adviser may effect rebalancing or internal “cross” transactions between clients. In such cases, one client will purchase securities or other financial instruments held by one or more of the other clients or will sell securities or other financial instruments to one or more of the other clients. The Adviser may enter into such cross transactions on behalf of the clients for liquidity, portfolio rebalancing or other reasons. Any such transactions will be conducted in accordance with, and subject to, the Adviser and/or its affiliates’ fiduciary obligations to each client, as applicable. The terms of any such cross transactions will be commercially reasonable and will be based on the then current market price and consistent with valuation procedures established by the Adviser. Neither the Adviser nor any of its affiliates receive special fees or other compensation in connection with “cross” transactions. While these transactions are reviewed for their arm’s length nature, they may ultimately be materially more beneficial to one of the parties to such cross trade or transaction than to the other.

These cross transactions generally will be effected using third-party brokers. Expenses incurred in connection with such cross transactions will be allocated equitably in the sole discretion of the Adviser between the clients that are parties to the cross transaction. In connection with such cross transactions, the Adviser may seek to negotiate certain discounts (in the form of reduced bid/ask spreads, commissions or otherwise) with the third-party brokers executing such trades. In such cases, the benefits from such negotiation will be shared among participating accounts in a manner that the Adviser deems equitable to all participating accounts.

2. **Principal Transactions**

To the extent that cross transactions may be viewed as principal transactions due to the ownership interest in a fund by the Adviser and its personnel, the Adviser will either not effect that transaction or will comply with the requirements of Section 206(3) of the Advisers Act, including that the Adviser will notify the relevant Fund (or an independent representative of that Fund) in writing of the transaction and obtain the consent of that Fund (or an independent representative of that Fund).

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

See Item 11(A) for a description of the Adviser’s personal trading policy.

D. Conflicts of Interest Created by Contemporaneous Trading.

1. **Allocations of Trades and Investment Opportunities**

It is the policy of the Adviser to allocate investment opportunities fairly and equitably over time. This means that these opportunities will be allocated among those clients for which

participation in the respective opportunity is considered appropriate, taking into account, among other considerations (a) whether the risk-return profile of the proposed investment is consistent with the account's investment objectives, whether these objectives are considered (i) solely in light of the specific investment under consideration or (ii) in the context of that account's overall holdings; (b) the potential for the proposed investment to create an imbalance in the account's portfolio; (c) liquidity requirements of the account or anticipated cash flows into the account; (d) tax considerations; (e) regulatory restrictions that would or could limit an account's ability to participate in a proposed investment; and (f) the need to re-size risk in the account's portfolio. These considerations may result in allocations among the clients on other than a *pari passu* basis or, with respect to *pari passu* allocations, on a basis other than *pro rata* based on assets under management of the participating clients.

## **2. Order Aggregation and Average Pricing**

The Adviser may, but is not obligated to, bunch orders for the purchase or sale of the same securities for the clients, where the Adviser deems this to be appropriate, in the best interests of client accounts and consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account, including a Fund, participates at the average price for the bunched order on the same business day, and transaction costs are shared *pro rata* based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased are allocated on a *pro rata* basis to each client participating in the bunched order based upon the initial amount requested for the client, subject to certain exceptions, and each participating client participates at the average share price for the bunched order on the same business day.

## ITEM 12

### BROKERAGE PRACTICES

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

As noted previously, the Adviser has full discretionary authority to manage the investments of the client accounts, including the authority to make decisions with respect to which securities are bought and sold (subject to any investment restrictions or objectives applicable to that client account), the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or mark-ups or mark-downs paid.

It is the Adviser's policy to place trades for execution for the clients with broker-dealers on the basis of seeking best execution and in consideration of relevant factors, including, but not limited to: price quotes; commission rates and overall cost of execution; the size of the transaction and ability to find liquidity; the broker-dealer's promptness of execution; confidentiality considerations; the nature of the market for the financial instrument; the timing of the transaction; the difficulty of execution; the broker-dealer's expertise in the specific financial instrument or sector in which the clients seek to trade; the extent to which the broker-dealer makes a market in the financial instrument involved or has access to those markets; the broker-dealer's skill in positioning the financial instruments involved; the broker-dealer's financial stability; the broker-dealer's reputation for diligence, fairness and integrity; the quality of service rendered by the broker-dealer in other transactions for the Adviser; the quality and usefulness of brokerage and research services and investment ideas presented by the broker-dealer or third parties; the broker-dealer's willingness to correct errors; the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors deemed appropriate by the Adviser. In addition, the Adviser may place brokerage orders with certain brokers or dealers that act as placement agent for a client or otherwise refer investors to a Fund, but will only do so if such brokers or dealers are deemed qualified to provide best execution.

The Adviser will select and approve broker-dealers to execute client transactions based on a totality of circumstances, including any or all of the factors outlined above or other factors. This means that a broker-dealer offering the most favorable commission or spread may not always be selected to execute a particular transaction. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

The securities transactions of the Adviser's clients are expected to generate a substantial amount of brokerage commissions, mark-ups and mark-downs, all of which will be obligations of the clients and not the Adviser. In addition to using brokers as "agents" and paying commissions, the Adviser may direct a client to buy or sell securities directly from or to dealers acting as principal at prices that include mark-ups or mark-downs, and may buy securities from underwriters or dealers in public offering that include compensation to the underwriters and dealers.

#### 1. Research and Other Soft Dollar Benefits.

The Adviser has not in the past, but may in the future cause its clients to pay a broker or dealer, which provides eligible brokerage and research services that benefit the Adviser, commission rates that are more costly than “execution only” rates; but only if (i) the Adviser determines in good faith that the amount is reasonable in relation to the services in terms of the particular transaction or in terms of the Adviser’s overall responsibilities with respect to the accounts as to which it exercises investment discretion, (ii) payment is made in compliance with the provisions of Section 28(e) of the Exchange Act, other applicable state and federal laws and each client’s respective governing documents (or investment management agreement) and (iii) in the opinion of the Adviser, the total commissions paid by each client will be reasonable in relation to the benefits to that client over the long term. The performance allocation and the management fee will not be reduced as a result of the receipt by the Adviser of such research services, if applicable. The brokerage and research services provided may not be used solely for the clients and accounts which generated the brokerage commissions, but may be used to service all of the Adviser’s clients. The Adviser is not required to allocate the benefits provided with a particular soft dollar expenditure to a particular client and may not do so. Although the Adviser seeks best execution of all transactions, obtaining research and services by means of soft dollars represents a conflict of interest since it enables the Adviser to receive research and services that it might otherwise have had to purchase or produce with its own assets. Nonetheless, the Adviser believes that such investment information would provide each client with benefits by supplementing the research otherwise available to such client.

Generally, research services provided by brokers may include written information and analyses concerning specific securities, companies, industries or sectors; news, quotation, statistics and pricing services; discussions with research personnel; invitations to attend conferences or meetings or discussions with research analysts, management teams or industry consultants; reports on particular industries and companies; macroeconomic or industry periodical subscriptions; analysis on accounting and tax interpretations, political developments and legal developments affecting portfolio securities; market reports; pricing and appraisal services; credit, risk measurement and performance analysis; and analysis of corporate responsibility issues. Research services may be received in the form of written reports, telephone contacts, and meetings with security analysts. In addition, these research services may be provided in the form of access to various computer-generated data and computer software. In some cases, research services are generated by third parties. In these circumstances, research prepared by a third party other than the broker who executed the transaction must be “provided by” a broker-dealer that is involved in “effecting” the trade for an account managed by the Adviser. For purposes of the Section 28(e) safe harbor, a broker-dealer is involved in “effecting” a trade where (i) it executes, clears or settles the trade, or (ii) performs at least one of the following four functions: (a) assumes financial responsibility for all customer trades until the clearing broker-dealer has received payment (or securities) (i.e., is at risk for the customer’s failure to pay); (b) makes and/or maintains records relating to customer trades required by the SEC and self-regulatory organizations; (c) monitors and responds to customer comments concerning the trading process; or (d) generally monitors trades and settlements. For purposes of the Section 28(e) safe harbor, a broker-dealer “provides” research where it either: (i) is legally obligated to pay for the research or (ii) where a broker-dealer is not legally obligated to pay for the research, it (a) pays the research preparer directly, (b) reviews the description of the product or service for red flags that indicate the services are not within the safe harbor and agrees with

the Adviser to use commissions only to pay for those items that reasonably fall within the safe harbor; and (c) implements procedures to ensure that research payments are documented and paid for promptly.

If less than 100% of a product or service is used for assistance in the Adviser's decision-making process, the Adviser will consider the product as a "mixed-use" product. With mixed-use products, the Adviser will make a good faith allocation between the research and non-research benefits and will use commissions to pay for only that portion of the product used by the Adviser to formulate investment decisions and will use its own funds to pay for the portion of the product that is used for non-research purposes. With respect to "mixed-use" products, in making good faith allocations of costs between research and non-research benefits, a conflict of interest may exist by reason of the Adviser's allocation of the costs of these benefits and services between those that primarily benefit the Adviser and those that primarily benefit its clients. The Adviser may share research with its affiliates, including the General Partners. The Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution.

## **2. Brokerage for Client Referrals.**

The Adviser does not consider, in selecting or recommending broker-dealers, whether the Adviser or a related person receives client referrals from a broker-dealer or third party. However, as discussed above, subject to best execution, the Adviser may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

## **3. Directed Brokerage.**

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

In accordance with SEC guidance relating to Section 28(e), where a broker-dealer involved in "effecting" trades performs only one of the four minimum related functions specified by the SEC, it must take steps to see that the other functions have been reasonably allocated to another broker-dealer in the arrangement in a manner consistent with its obligations under SEC or SRO rules.

## **B. Order Aggregation.**

Please see Item 11(D) for a description of the Adviser's order aggregation procedures.



**ITEM 13**  
**REVIEW OF ACCOUNTS**

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

The Adviser performs various daily, weekly, monthly, quarterly and other periodic reviews of each client's portfolio. These reviews are conducted by the Adviser's Chief Investment Officer and certain other members of the investment and trading teams. The Chief Investment Officer, with the aid of the Adviser's Investment Committee, monitors client accounts and focuses on, among other things, market exposure, market risks and position concentration by company, industry and countries.

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

Client accounts are reviewed on a periodic basis, but a review of client accounts on other than a periodic basis may be triggered by any unusual activity or special circumstances. No formalized stop loss mechanism is used but if a position moves significantly against the portfolio it is re-evaluated. If the thesis has changed such position may be trimmed or exited completely.

C. Content and Frequency of Account Reports to Clients.

The Adviser generally provides annual written reports containing audited financial statements within 120 days following the end of the Funds' fiscal year to each such client. In addition, the Adviser provides investors in each such Fund with estimates of the Fund's performance and written capital account statements on a monthly basis, and other information as the Adviser may, from time to time, deem advisable and desirable. The Adviser provides various account reports to the separately managed accounts on a periodic basis as applicable based on the investment management agreement with each such account.

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

A. Economic Benefits for Providing Services to Clients.

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services to the Adviser's clients.

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

Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. The Adviser has retained non-exclusive placement agents to introduce potential investors to the Funds. The agents receive a portion of the management fees otherwise paid to the Adviser in connection with investors introduced to the Funds by such agent.

## **ITEM 15**

### **CUSTODY**

The Adviser is deemed to have custody of certain client funds and securities because it has the authority to obtain possession of client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Where the Adviser is deemed to have custody, account statements related to the clients are sent by qualified custodians to the Adviser. The Adviser does not have custody with respect to the separately managed accounts.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with some requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to 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 requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

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

The Adviser entered into an investment management agreement, or similar agreement, with each Fund or separately managed account, pursuant to which the Adviser was granted discretionary trading authority.

The Adviser's investment decisions and advice with respect to each Fund and the separately managed accounts are subject to each client's investment objectives and guidelines, with respect to each Fund, as set forth in their respective offering documents, and with respect to each separately managed account, as set forth in their respective investment management agreement.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In accordance with SEC requirements, the Adviser has adopted Proxy Voting Policies and Procedures (the “Policies”) to address how the Adviser shall vote proxies for the Funds’ or separately managed accounts’ portfolio investments. The Policies seek to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the clients, including when there may be conflicts of interest in voting proxies. The Adviser does not anticipate any conflicts of interest between the Adviser and the clients in terms of proxy voting. If the Adviser, however, encounters an identifiable conflict of interest with respect to a particular vote, within a sufficient time period before a vote, the Adviser will not put its own interests ahead of those of any client and will resolve any possible conflicts between its interests and those of the client in favor of the client. In the event that a potential conflict of interest arises, the Adviser will determine on a case-by-case basis how to vote the proxy consistent with the best interests of the clients and in a manner consistent with the Policies. If a conflict of interest is considered material (i.e., if it is determined that the conflict has the potential to influence the Adviser’s decision in voting the proxy), the Adviser will generally refrain from exercising its discretion to vote the proxy and instead refer the vote to an independent party for consideration. If it is determined that such conflict or potential conflict is not material, the Adviser may vote the proxy. Clients may obtain a copy of the Policies and/or information regarding how the Adviser voted proxies for particular portfolio companies by contacting the Adviser.

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

The Adviser 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.



**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.