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Part 2A of Form ADV: Firm Brochure
November 20, 2024

This brochure provides information about the qualifications and business practices of Benefit Street Partners L.L.C. If you have any questions about the contents of this brochure, please contact us at 212-588-6770. 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.

Additional information about Benefit Street Partners L.L.C. also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

This brochure dated November 20, 2024 serves as an update to the Adviser's (as defined in Item 4) brochure dated March 29, 2024. The Adviser has not made material changes to this brochure since the last annual amendment dated March 29, 2024. The Adviser has made certain non-material changes to the brochure to reflect a change in the Firm's Chief Compliance Officer. The contact information for the Adviser's current Chief Compliance Officer, Rick Gallo, is set forth in Item 11 and Item 17. The Firm has also updated its business address, as reflected on the Cover Page of the brochure.

Item 3. Table of Contents

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Item 4. Advisory Business

For purposes of this brochure, “Adviser” means Benefit Street Partners L.L.C. (“Benefit Street”), a Delaware limited liability company, together (where the context permits) with certain of its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below). These affiliates may or may not be under common control with Benefit Street, but generally possess substantially similar personnel and/or equity owners as Benefit Street. These affiliates are formed for tax, regulatory or other purposes in connection with the organization of the Funds, or serve as general partners of the Funds.

Background

Benefit Street is an investment management platform that focuses on debt-related investments across various market sectors. Benefit Street was formed in 2011.

On February 1, 2019, Franklin Resources, Inc. acquired Benefit Street and became the sole owner of the Adviser.

On November 1, 2022, Franklin Resources Inc. acquired Alcentra NY, LLC (“Alcentra NY”) and Alcentra Limited (“Alcentra Ltd.”). As a result of the acquisition, the Adviser and Alcentra NY integrated certain of their advisory activities, and expect to integrate all of their advisory activities, which include overlapping trading and investment strategies. The Adviser and Alcentra operate under a single compliance program. The Adviser and Alcentra Ltd. remain separate but closely-affiliated advisers (under common control of Franklin Resources, Inc.), with certain combined operations and some overlap in trading and investment strategies, but operate under separate and independent compliance programs. The acquisition and various integrated activities between the Adviser, Alcentra NY and Alcentra Ltd., as well as certain other advisory affiliates of the Adviser, raises conflicts of interest. Please see Item 11 and Item 12 below for information regarding how such conflicts of interest are generally addressed by the Adviser through implementation of related policies and procedures.

Services

The Adviser provides investment advisory services to investment vehicles, including private funds that are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”), to certain collateralized loan obligation vehicles (“CLO Funds”), to a non-publicly traded real estate investment trust (the “REIT”) whose securities are registered under the Securities Act and which has elected to be treated as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”), and to certain separate account clients, single-investor funds and tailored funds. The Adviser also provides sub-advisory services to certain registered investment companies (the “1940 Act Funds”), to certain other collective investment vehicles (collectively with the 1940 Act Funds, the “Sub-Advised Funds”). Collectively, the funds, vehicles and account arrangements discussed in this paragraph may be referred to herein, as the context permits, as the “Main Funds.”

The Adviser may, from time to time, establish Funds on a transaction-by-transaction basis to allow certain persons to invest alongside one or more Main Funds in a particular investment opportunity (each such vehicle, a “Co-Investment Fund”). Co-Investment Funds are typically limited to investing in securities relating to the transaction or transactions with respect to which they were organized. As a general matter, any co-investment by a Co-Investment Fund will be on terms and conditions not more favorable than the terms and conditions of the investment by the applicable Main Fund.

Additionally, the Adviser organizes and serves as the general partner (or in an analogous capacity) of certain other Funds which are “feeder” vehicles (each, a “Feeder Fund”) organized to invest exclusively in another Fund, and/or an alternative investment vehicle (each, an “Alternative Investment Vehicle”) organized to address, for example, specific tax, legal, business, accounting or regulatory-related matters that arise in connection with a transaction or transactions.

The Main Funds, Feeder Funds and Alternative Investment Vehicles are collectively referred to, as the context permits, as the “Funds.”

Certain of the Funds primarily make investments in debt instruments across various market sectors. A number of Funds also invest from time to time in equity securities, certain types of instruments which can be considered to have equity characteristics (such as preferred stock and convertible instruments), and derivative instruments. Certain of the Funds focus on primarily making investments in interests of real estate mortgage trusts and other real-estate-related debt instruments. Subject to the terms of the applicable advisory or sub-advisory agreement, the Adviser’s advisory services include investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser serves as the investment adviser, sub-adviser or general partner to the Funds in order to provide such services.

Except as may be the case for certain separately managed accounts or Sub-Advised Funds, investment advice is generally provided directly to the Funds and not individually to investors. Services are provided to the Funds in accordance with an advisory agreement with each of the Funds, sub-advisory agreements with a Fund’s investment adviser, and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally set forth in the organizational documents and/or prospectus and statement of additional information (“SAI”) of the applicable Fund.

As of December 31, 2023, the Adviser managed \$28,297,736,837 of client assets on a discretionary basis. As of December 31, 2023, Alcentra NY managed \$16,175,681,673 of client assets on a discretionary basis and \$206,185,566 of client assets on a non-discretionary basis.

Item 5. Fees and Compensation

The Adviser or its affiliates generally receive management fees or a sub-advisory fee (collectively “Advisory Fees”) and, in certain cases, an Incentive Allocation (as defined below) or similar performance-based remuneration from each Main Fund. A Main Fund, and/or its portfolio companies may also make other payments to the Adviser or its affiliates for services provided to the portfolio companies which, in certain circumstances, may reduce the Advisory Fees payable

to the Adviser. Additionally, consistent with the organizational documents of a Fund, the Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Fund and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

Management Fees

In respect of each Main Fund, the Adviser is typically paid a quarterly or monthly management fee or sub-advisory fee, which is paid either in advance or in arrears, in accordance with each such Main Fund's organizational documents or the applicable sub-advisory agreement, by such Main Fund. Advisory Fees paid by a Main Fund may also be reduced by other fees or compensation received by the Adviser or its affiliates that relate to such Main Fund's activities and investments, or by certain organization or other expenses borne by such Main Fund, as described in more detail below.

Consistent with the organizational documents or advisory agreements for each of the Main Funds, management fees paid by the Main Funds are either deducted from capital accounts or billed and, in either case, are generally indirectly borne by investors in the Main Funds, including any Feeder Funds that invest in such Main Funds. The Adviser does not receive a separate management fee directly from such Feeder Funds if the fee is borne directly by the corresponding Main Fund. The advisory agreements with the Funds are generally terminable by the Funds, subject, in some cases, to an applicable notice period or the occurrence of certain conditions or events. Sub-advisory agreements are generally terminable by the primary investment adviser, the Adviser and/or the Fund. Upon termination of a relevant advisory agreement, management fees that have been prepaid are returned on a prorated basis.

The precise amount of, and the manner and calculation of, the management fees for each Fund, if any, is disclosed in the organizational and offering documents of such Fund at the time each investor invests in the Fund, or in the relevant advisory or sub-advisory agreements. Such management fees are subject to waiver or reduction by the Adviser for certain investors within a Fund. For example, the Adviser, its affiliates, certain of its principals and employees, and their family members and related vehicles may invest in certain of the Funds, and management fees assessed on such investments are typically substantially reduced or waived entirely. In addition, all or a portion of such persons' capital subscription may be made through reductions in or waiver of the management fee payable to the Adviser by such Fund in lieu of capital contributions. Certain large or strategic investors may also be eligible for a reduction or waiver of their fees.

Except as otherwise set forth in the organizational documents or applicable advisory agreement of a Fund, the management fees paid by a Fund will generally be reduced by a percentage of: (1) the fees incurred by the Adviser in connection with the organization of such Fund that exceeds a limit specified in such Fund's organizational documents and/or (2) certain Other Fees (as defined below) received by the Adviser or its affiliates. The amount and manner of such reduction, if any, is set forth in the advisory agreement and/or organizational documents of the applicable Fund. To the extent that an Other Fee relates to more than one Fund, the Adviser will generally allocate the resulting management fee reduction among the applicable Fund(s) in proportion to their interest (or prospective interest) in the portfolio company. As applicable, Funds that do not pay management fees will not benefit from any such reduction. Generally, the portion of Other Fees allocable to capital invested by a Fund, co-investment vehicle or third-party investor that does not

pay management fees will be retained by the Adviser and such amounts will not offset any management fees.

Other Fees and Expenses

With respect to the non-1940 Act Funds, generally, and except as otherwise set forth in the organizational documents of a Fund, the Adviser, or, in the case of a Sub-Advised Fund, the Sub-Advised Fund's adviser, will ultimately bear all fees and out-of-pocket expenses of any placement agent that solicits investors for the Funds. Such Funds will generally bear all legal and other expenses, including the out-of-pocket expenses of any applicable general partner, incurred in the formation of the Funds up to an amount, if any, specified in the organizational documents of the applicable Fund. Organizational expenses in excess of any such amount specified are typically ultimately borne by the Adviser or, in the case of a Sub-Advised Fund, the Sub-Advised Fund's adviser.

Generally, and except as set forth in the organizational documents and/or advisory or sub-advisory agreements of the applicable Fund, a Fund (other than certain separate account clients, single-investor funds, tailored funds or 1940 Act Funds) will pay:

(i) printing, legal, accounting, marketing, administrative, custodial, recordkeeping and third-party consulting fees and expenses for services (including, but not limited to, fees, costs, and expenses incurred in negotiating and entering into any depository agreement) rendered to or for the benefit of a Fund; fees, costs and expenses incurred in connection with certain regulatory matters including but not limited to fees, costs and expenses incurred in reporting on a Fund and its activities on Form PF, costs and expenses incurred in connection with any legal opinion and in registering the Fund for marketing in any jurisdiction (including ongoing registration fees charged by regulators and any fees, costs and expenses incurred in complying with the disclosure, reporting and other similar obligations in any jurisdiction, including but not limited to those under the Alternative Investment Fund Managers Directive, as implemented in any relevant jurisdiction (and including any secondary legislation, rules and/or associated guidance and any related requirements) or the United Kingdom Alternative Investment Fund Managers Regulations 2013 (as amended including by the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019)); costs relating to maintaining and producing the books and records of the Fund, and any risk management assessment expenses; fees, costs and expenses incurred in respect of, or charged by a Fund's administrator, custodian, prime broker, and/or any depository appointed in relation to the safeguarding, administering and/or holding of the assets of a Fund; and fees, costs and expenses incurred in relation to compliance with applicable laws and regulations and the operation and administration of a Fund generally; dead deal or broken deal expenses or other expenses related to consummated or unconsummated investments (including expenses in relation to any transaction or portion of an investment that would have been borne by co-investors or co-investment vehicles); administrator, accounting, audit and tax preparation; fees and expenses of paying agents, any third-party director, general partner or similar service provider; reporting and other out-of-pocket costs, including travel expenses, relating to a Fund's or general partner's operations, activities, investments or business and filing and similar fees paid on behalf of a Fund or in respect of or on behalf of the general partner, including such expenses with respect to transactions that are not consummated; all investment expenses (including brokerage commissions, custody fees, administrative, servicing and other similar fees, and interest

expenses) and other custody, transfer, registration and similar expenses incurred by a Fund and all brokerage, consultant, expert, and finders' fees and commissions and discounts incurred by a Fund in connection with the Fund's operations, activities, investments or business; all reasonable audit, tax preparation, mailing and postage, facsimile, and printing expenses; the management fee and any other amounts payable with respect to the investment advisory agreement and any administrative services agreement of a Fund.

(ii) third party out-of-pocket expenses incurred directly in connection with Fund investments or proposed investments, whether or not consummated, which are not paid or reimbursed by a third party (including, but not limited to those incurred in relation to compliance with applicable laws and regulations and the operation and administration of the Fund generally; research and due diligence fees and expenses (including news and quotations subscriptions, market or industry research expenses, information technology subscription expenses and fees related to research and due diligence, consultant or expert expenses); consultant or expert fees and expenses for sourcing, researching, conducting due diligence, etc., for investment expenses or opportunities; fees related to research and due diligence; bridge financing expenses and travel expenses in connection with researching, making, monitoring and disposing of investments and for the Adviser's personnel to attend industry conferences (which, in each case, may be first class or chartered aircraft in accordance with the Adviser's policies)).

(iii) other operating and extraordinary expenses of a Fund (including, but not limited to, brokerage fees and commissions; registration, bank, fees and expenses of any paying agent, any third-party director, general partner or similar administrative, service, and other similar fees and interest expenses incurred by a Fund; rating agency expenses; financing, investment banking and valuation expenses (including expenses of engaging valuation agents); and all principal and interest on indebtedness of a Fund. If applicable other fees and expenses associated with any borrowings by a Fund (including but not limited to costs related to the setup of one or more credit facilities and the costs of upsizing such credit facilities, as applicable); If applicable, costs and expenses related to indebtedness as between a Fund and any special purpose vehicle or alternative investment vehicle; filing fees, litigation costs (including potential litigation), indemnification costs and expenses, judgments and settlements (including the expenses of a Fund's "Partnership Representative"); taxes, fees or other governmental charges (if any) required to be paid or withheld by a Fund; indemnity or insurance policies (including directors and officers insurance and errors and omissions insurance for the Adviser and its affiliates or premiums or other reasonable costs relating to indemnities of service providers to a Fund); any expenses of liquidating a Fund; fees and expenses of any Fund advisory committee and certain expenses incurred in connection with transfers of a Fund investors' interest (whether whole or in part; expenses incurred in connection with meetings of the investors in a Fund; and expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund.

A Fund will generally bear the forgoing expenses regardless of whether such expenses are charged or incurred by affiliates of the general partner of a Fund or of the Adviser (but, for the avoidance of doubt, not including the Adviser).

Certain Funds invest in mutual funds, exchange traded funds ("ETFs") or other pooled investment vehicles that include an embedded expense ratio composed of an investment management fee and/or carried interest paid to the investment adviser or general partner, as applicable, of the

mutual fund, ETF or other pooled investment vehicle and other administrative and operating expenses. As such, Funds with investments in mutual funds, ETFs or other pooled investment vehicles will be subject to the fees and expenses of these underlying vehicles as well as the other types of expenses and fees described herein, including the Adviser's management fee.

Consistent with the organizational documents or advisory and/or sub-advisory agreements for the applicable Funds, CLO Funds, separate account clients, single-investor funds, tailored funds, Sub-Advised Funds and 1940 Act Funds generally bear similar expenses and, in the case of the 1940 Act Funds, generally will also bear, among other expenses, transfer agency and distribution-related expenses.

Except as provided above and in the organizational documents of a Fund, the Adviser will typically pay ordinary operating expenses on account of rent and salaries for its personnel, and other routine administrative expenses relating to the services and facilities provided by the Adviser to the Funds. As set forth in their organizational documents, certain Funds also bear an allocable portion of the compensation (including salary, bonus and benefits), expenses and overhead attributable to certain employees of the Adviser and its affiliates, including the originations, underwriting, trading, and securitization teams; in-house accountants, operations personnel, legal, tax and compliance; and other professionals whose functions may also include the preparation of financial statements, investor reports, tax returns, the administration of assets and expenses of the Funds (including co-investment vehicles and feeder funds) and legal and regulatory compliance with applicable laws and regulations.

From time to time, the general partner of a Fund may create certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event the general partner creates an SPV, consistent with the organizational documents of the Fund, the SPV, and indirectly, the investors in such SPV, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV. Expenses of the types borne by a Fund but associated with any Feeder Fund or similar vehicle organized to facilitate the participation of certain investors in the Fund (including without limitation, expenses of accounting and tax services) may be borne in whole or in part by the Fund.

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside a Fund may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making an investment. If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction ("Dead Deal Costs") would therefore be borne by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction. As a general matter, no co-investor will bear Dead Deal Costs or break-up fees until they are contractually committed to invest in the prospective investment.

The Adviser may utilize the services of broker-dealers in connection with investments made by a Fund, and any brokerage or other transaction costs are borne by such Fund. For additional information regarding brokerage practices, please see Item 12 below.

In addition, please see Item 6 below for information regarding certain Incentive Allocations (as defined below) received by affiliates of the Adviser.

Related Service Fees and Related Other Fees

For certain of the Funds, the Adviser or its employees receive other fees in addition to the Management Fee, including commitment fees, break-up fees, directors' fees, consulting fees, incentive fees or discounts from service providers and similar fees relating to the investments made by a Fund and/or to monitoring, management, advisory, transaction-related, financial advisory and other services ("Related Services") provided by the Adviser or its affiliates to an actual or prospective portfolio company, other investment vehicles of the Funds or the Funds themselves, including fees in connection with structuring investments in such portfolio companies, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales or other dispositions and similar transactions with respect to such portfolio companies ("Other Fees"). Such Other Fees will generally, for purposes of calculating any management fee offset, be net of any expenses reasonably incurred by the Adviser or its affiliates in connection with such fees. Although these fees may be substantial and are in addition to management fees paid by the Funds, the Adviser may, in certain circumstances, reduce management fees in connection with the receipt of certain of these Other Fees. The amount and manner of such reduction is set forth in the advisory agreement and/or organizational documents of the applicable Fund. The Adviser and its affiliates may provide loan servicing, administrative and other services with respect to debt issued by portfolio companies of a Fund and receive servicing fees, special servicing fees and other similar fees and payments for such services which are not subject to the management fee reduction arrangement described above.

The payment of Other Fees by portfolio companies creates a conflict of interest between the Adviser and its affiliates and the Funds and their investors because the amounts of these Other Fees and reimbursements are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. The Adviser determines the amount of these fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often will not (except in connection with the reductions described herein) be disclosed to investors in the Funds.

The Adviser and its affiliates may also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of the Adviser and who, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such amounts will not be deemed paid to or received by the Adviser and its affiliates and such amounts will not be subject to the sharing arrangements described above. For a discussion of material conflicts of interest created by the receipt of such fees, please see Item 11 below.

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

Certain of the Funds pay incentive or performance based allocations or fees or carried interest to the Adviser or certain affiliates of the Adviser (each, an “Incentive Allocation”). The Incentive Allocation paid by a Fund is indirectly borne by investors in the Fund, including any Feeder Funds that invest in such Fund. The Incentive Allocations received by such related persons of the Adviser conform with the requirements set forth in Section 205 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Co-Investment Funds and Feeder Funds pay or bear performance-based fees on a case-by-case basis as set forth in the applicable organizational documents.

The precise amount of, and the manner and calculation of, the Incentive Allocation for each Fund, if any, is disclosed in the organizational and offering documents of each Fund, or, in the case of the Sub-Advised Funds, in the applicable sub-advisory agreement or in a side letter thereto. The Incentive Allocation provisions may be subject to waiver or reduction by the general partner or Adviser, as applicable. For example, the Adviser, its affiliates, certain of its principals and employees, and their family members and related vehicles may invest in the Funds, and the Incentive Allocation assessed on such investments will typically be substantially reduced or waived entirely. In addition, all or a portion of such persons’ capital subscription may be made through reductions in or waiver of the Incentive Allocation payable to the general partner by such Fund in lieu of capital contributions. Certain large or strategic investors may also be eligible for a reduction or waiver of their Incentive Allocation.

The payment by some, but not all, Funds of the Incentive Allocation, and the payment of the Incentive Allocation at varying rates by Funds that pay an Incentive Allocation, creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying the Incentive Allocation or Funds paying the Incentive Allocation at a higher rate. Generally, this conflict is mitigated for the Funds by the Adviser’s allocation procedures. Subject to applicable investment objectives, guidelines and other factors, as discussed in more detail in Item 11 “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading,” the Adviser and its affiliates generally allocate investment opportunities on a pro-rata basis among eligible Funds and clients based upon the current available capital of such investment vehicle, or in some other manner that the Adviser determines is fair and equitable. With respect to Co-Investment Funds, this conflict may be mitigated where Co-Investment Funds invest in a portfolio company alongside one or more Main Funds in pre-set amounts. Any Alternative Investment Vehicle will generally contain terms and conditions substantially similar to those of the Main Fund with respect to which it is formed and profits and losses of an Alternative Investment Vehicle generally will be aggregated with those of such Main Fund for purposes of determining distributions by the Main Fund and the Alternative Investment Vehicle (except as may be advisable because of legal, regulatory or tax constraints).

The payment by the CLO Funds of the Incentive Allocation may create an incentive for the Adviser to seek to maximize the yield on the collateral obligations relative to investments of higher creditworthiness. Managing the CLO Funds with the objective of increasing yield, even though the Adviser is constrained by certain investment restrictions described in the CLO Funds’ organizational documents, could result in an increase in defaults or volatility and could contribute to a decline in the aggregate market value of the CLO Funds’ collateral obligations.

Please see Item 11 below for information regarding the allocation of investment opportunities and how conflicts of interest are generally addressed by the Adviser. Please also see Item 12 below regarding trade aggregation.

Item 7. Types of Clients

The Adviser provides investment advisory services to the Funds, including the Sub-Advised Funds. Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Investors in the Funds may include, among others, individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, sovereign wealth funds, limited partnerships and limited liability companies.

The Funds do not have a minimum size, but minimum investment commitments are generally established for investors in certain of the Funds. The general partner or board of directors of each Fund generally may, in their sole discretion, permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

Methods of Analysis and Investment Strategies

Comprehensive joint industry and sector reviews, primarily focusing on debt opportunities, are completed on an ongoing basis in order to identify potential investment candidates. Moreover, the Adviser's extensive network and relationships with Wall Street and industry professionals are invaluable for sourcing potential opportunities. Generally, once a potential investment is identified, financial modeling is introduced in the early stages of the investment process and a forward-looking financial model with full projections is built. The projections typically incorporate the Adviser's macro views, sector analysis and individual company fundamentals. These projections are a key driver for all subsequent steps in the Adviser's investment process. Historical financials are also reviewed, with a focus on analyzing the company's operating performance and ability to generate free cash flow.

As part of the investment process, the Adviser employs multiple valuation methodologies to generate proprietary valuations and typically receives information directly from the entity (or its agents and/or representatives) it is investigating as a potential investment opportunity for a Fund.

Every position is evaluated with respect to its expected return and the probability of loss and trading liquidity. Typically, each Fund's portfolio is continually rebalanced in order to maintain proper risk weighting. The Adviser also assesses the transaction exits for a particular investment under multiple scenarios and timelines. As various scenarios unfold, the Adviser monitors the relationship between executable exit value (where one exists) and a proprietary assessment of intrinsic value, derived as part of the Adviser's investment process.

The Adviser's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. Where

Funds acquire an influential position, the Adviser may be in a position to exercise influence over and add value to such investments. The Funds make investments in both publicly-listed and privately-held companies. In addition, the Adviser may provide advice concerning the following securities and instruments, among others:

- Bonds, convertible securities and equity securities issued by foreign or domestic issuers and denominated in foreign currencies or U.S. dollars;
- Private placements or other securities that are not registered or are exempt from registration under the Securities Act, such as Rule 144A securities;
- Bank loans, bank participations, loans, and loan originations;
- Domestic and international convertible securities including, but not limited to (a) convertible securities that are convertible or exchangeable into equity securities of publicly traded U.S. companies, and (b) convertible securities that are convertible or exchangeable into equity securities of foreign companies listed on a foreign exchange or represented by American Depositary Receipts listed on the New York Stock Exchange or the NYSE Alternext U.S. (formerly known as the American Stock Exchange);
- Futures contracts, forward contracts, swaps, swaptions, commodities, hybrid securities, other ‘synthetic’ or derivative instruments, short sales, trades executed on margin, credit-linked notes, credit default notes and credit swaps;
- Repurchase agreements;
- Banker’s acceptances;
- Certain real estate related instruments; or
- Interests in collateralized loan obligations.

Except with respect to the 1940 Act Funds, the REIT, and as may be set forth in a Fund’s organizational documents, the Adviser’s investment strategy is generally not subject to specific restrictions regarding the exposure of a Fund’s overall portfolio or investments in a single issuer or a single industry. However, the Adviser, from time to time, adopts internal guidelines regarding its exposure and such investments. The 1940 Act Funds are subject to certain issuer diversification and industry concentration limitations under the Investment Company Act and related SEC guidance. The REIT is subject to certain industry concentration requirements and income tests to qualify for treatment as a REIT under Sections 856 through 860 of the Code.

From time to time, the Adviser may cause the Funds to invest cash held by the Funds in temporary investments on a short-term basis, pending investment, distribution to investors or payments of expenses or other obligations of the Funds. Such temporary investments shall principally take the form of treasuries, agencies, corporate debt securities, commercial paper and certificates of deposit.

Risks

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds in connection with those strategies and methods, include the following:

General Economic and Market Conditions

The success of a Fund's activities is affected by general economic and market conditions, including, among others, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, currency exchange controls, natural disasters, disease outbreaks or pandemics (such as the outbreak of COVID-19), changes in laws (including laws relating to taxation of a Fund's investments) and trade barriers, and national and international political, environmental and socio-economic circumstances (including wars, terrorist acts or security operations). In addition, the current U.S. political environment and the resulting uncertainties regarding actual and potential shifts in U.S. foreign investment, trade, taxation, economic, environmental and other policies under the current Administration, as well as the impact of geopolitical tension, such as a deterioration in the bilateral relationship between the U.S. and China, the conflict between Russia and Ukraine, or the continuation of wars in the Middle-East could lead to disruption, instability and volatility in the global markets. Unfavorable economic conditions also would be expected to increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit.

These factors may affect the level and volatility of prices and the liquidity of a Fund's investments. In addition, a general economic slowdown, or business disruptions, such as due to pandemics or natural disasters, could lead to a delay or slowing of economic activity generally or in specific areas, and could adversely impact a Fund's ability to find attractive opportunities, lead to an increase in refinancings or borrower defaults, or an increase in borrowers seek to negotiate more advantageous terms. In addition, particular borrowers or collateral may be more likely to be adversely impacted by certain types of events. For example, when governments have sought to limit travel or large gatherings, borrowers in the travel, hotel or similar industries have been particularly adversely impacted. Certain other industries, such as certain retailers may also be adversely impacted. Certain events, such as natural disasters may have regional impacts on borrowers located in such areas. Furthermore, while borrower revenue may be adversely impacted, such events could adversely impact borrowers and their ability to repay loans to the Fund in other ways, such as impacting their workforce availability, cause closures, impact supply chains, or increase health care costs or other costs and expenses. Prolonged uncertainty may decrease demand in the longer terms and economic uncertainty or slowing can adversely impact a Fund's returns. Volatility or illiquidity could impair a Fund's profitability or result in losses. These factors also may affect the availability or cost of obtaining leverage, which may result in lower returns. To the extent any of these events occur, a Fund's performance results could be adversely affected.

Additionally, the ongoing market volatility and uncertainty could also adversely affect a Fund's operations. A counterparty to a Fund or to a company in which a Fund has invested may be relieved of its obligations under certain contracts to which it is a party, or, if it is determined not to have occurred, a Fund and its investments may be required to meet their contractual obligations, despite potential constraints on their operations, liquidity and/or financial stability. Market volatility and uncertainty could also increase the risk of investors defaulting on their commitments or increase the number of investors requesting to transfer their interests to third parties. Since COVID-19 continues to be present in jurisdictions in which the Adviser has offices or other operations or investments, it could affect the ability of the Adviser to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the Funds' investment strategy and objectives including, for example, conducting in-person due diligence on potential investments. Further, it remains to be seen the extent to which certain market or societal adjustments associated with COVID-19 (for example, "work-from-home" trends and shifts to online consumer platforms) will continue. Any future public health emergency of international concern or other public health emergency, including any new or variant outbreaks of COVID-19, SARS, H1N1/09 flu, avian flu, respiratory syncytial virus or RSV, other coronaviruses, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact the Funds, their portfolio companies, and could meaningfully affect the Funds' abilities to fulfill their investment objectives.

Market Risk

The value of a Fund's investments could be affected by factors affecting the economy and securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in the general outlook for certain markets or corporate earnings, interest rates, announcements of political information or adverse investor sentiment generally. The market values of a Fund's investments may decline for a number of reasons, including increases in defaults resulting from changes in overall economic conditions and widening of credit spreads. Unfavorable market conditions may also increase funding costs, limit access to the capital markets or result in credit terms changing or credit becoming unavailable. These events could have an adverse effect on a Fund's investments and a Fund's overall performance.

Events such as war, terrorism and related geopolitical risks or political instability have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect individual issuers and securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation, deflation and other factors relating to a Fund's investments.

Continuing market uncertainty may have a significant impact on the business of a Fund. Among other things, the level of investment opportunities may decline from the Adviser's current expectations. One possible consequence is that a Fund may take a longer than anticipated period to invest capital and/or a Fund may be relatively concentrated in a limited number of investments. Consequently, during this period, the returns (if any) realized by investors may be substantially adversely affected by the unfavorable performance of a small number of these investments. Although the Adviser believes that recent market dislocations will result in attractive investment

opportunities, a Fund may not be able to time the acquisition or disposition of its investments correctly, which could result in further depreciation in values.

Confidential Information

The Adviser, as a holder of loans or as a result of its affiliates' management of other clients, may be entitled to receive material, non-public information regarding borrowers that may limit the ability of a Fund, under applicable securities laws or contracts, to trade in the public securities of such borrowers. To avoid some of these restrictions, the Adviser may elect not to receive such non-public information. As a result, a Fund, at times, may receive less information regarding such a borrower than is available to the other investors in such borrower's loan. As a result of existing portfolio investments or activities on behalf of certain clients, such persons affiliated with the Adviser may from time to time acquire confidential information that they will not be able to use for the benefit of a Fund and that may restrict the ability of a Fund to acquire or dispose of investments.

Tax Risks from Investments in Portfolio Companies of Certain Clients

A Fund may be presented with attractive opportunities to acquire debt of a company in which certain clients of the Adviser or its affiliates hold an equity interest. Under certain circumstances, an acquisition of such debt by a Fund may result in adverse U.S. tax consequences to such company and to the Fund. Specifically, if a Fund were treated as being related to such company for U.S. tax purposes, an acquisition by the Fund of such company's debt at a discount to the adjusted issue price of such debt may result in such company recognizing cancellation of indebtedness income and the Fund being required to treat the discount as "original issue discount" (rather than "market discount"), resulting in phantom income to investors in the Fund. It is possible that the Adviser or its affiliates may decide not to acquire such debt to avoid these or other adverse tax consequences.

Non-U.S. Investments Risks

Certain non-U.S. investments involve risks and special considerations not typically associated with U.S. investments, and investing outside the U.S. may involve greater risks than investing in the U.S. These risks include, but are not limited to: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws; (iv) different accounting, auditing and financial reporting standards, practices and requirements compared to those applicable to U.S. companies; (v) fluctuations in currency exchange rates; (vi) the risk of nationalization or expropriation of assets or confiscatory taxation; (vii) social, economic and political uncertainty, including war and revolution; (viii) dependence on exports and the corresponding importance of international trade; (ix) greater price fluctuations and market volatility; (x) less liquidity and smaller capitalization of securities markets; (xi) higher rates of inflation; (xii) controls on, and changes in controls on, non-U.S. investment and limitations on repatriation of invested capital and on the Fund's ability to exchange local currencies for U.S. dollars; (xiii) less extensive regulation of the securities markets; (xiv) longer settlement periods for securities transactions; and (xv) less developed corporate laws regarding fiduciary duties and the protection of investors. Non-U.S. markets may be smaller, less liquid, and

subject to greater influence by adverse events generally affecting the market. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the U.S. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for a Fund to invest in such markets is by entering into swaps or other derivative transactions with its prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by the Adviser.

Non-U.S. Currency and Exchange Risks

Investments or liabilities of a Fund may be denominated in currencies other than the U.S. dollar, and hence the value of such investments, or the amount of such liabilities, will depend in part on the relative strength of the U.S. dollar. A Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of securities. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign exchange markets. These rates are also affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors.

To the extent that a Fund directly or indirectly holds assets in local currencies in countries outside the U.S., the Fund will be exposed to a degree of currency risk that may adversely affect performance. The investments of a Fund that are not denominated in the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of a Fund's assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency.

A Fund is not obligated to engage in any currency hedging operations, and there can be no assurance as to the success of any hedging operations that a Fund may implement. To the extent a Fund enters into currency hedging operations, a Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter contexts, including futures, forwards, swaps, options and other instruments.

Hedging Risk Transactions

A Fund is authorized to use various investment strategies to hedge interest rate, currency exchange or other risks. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur. A Fund may use any or all such types of

interest rate hedging, currency hedging and other types of hedging transactions at any time and no particular strategy will dictate the use of one transaction rather than another. The choice of any particular hedging transactions will be a function of numerous variables including market conditions.

Risks of hedging transactions include: (i) the possibility that the market will move in a manner or direction that would have resulted in gain for a Fund had a particular hedging transaction not been utilized, (ii) the risk of imperfect correlation between the risk sought to be hedged and the hedging transaction utilized, (iii) potential illiquidity for the hedging instrument utilized, which may make it difficult for a Fund to close-out or unwind a hedging transaction and (iv) credit risk with respect to the counterparty to the hedging transaction.

Certain Funds may also enter into certain hedging and short sale transactions for the purpose of protecting the market value of an investment of the Fund for a period of time without having to currently dispose of such investment. Such defensive hedging transactions may expose the Fund to the counterparty's credit risk. There also can be no assurance that a Fund will accurately assess the risk of a market value decline with respect to an investment or enter into an appropriate defensive hedge transaction to protect against such risk. Furthermore, a Fund is in no event obligated to enter into any defensive hedge transaction.

Concentration of Investments; Illiquidity

Although a Fund is limited in the amount of capital that may be committed to any single portfolio company, a Fund is generally not limited in the amount of capital that may be committed to investments in or loans to companies in any particular industry, sector or geography. As such, its assets may not be diversified and, if its assets are concentrated in a particular company, industry, sector, geography, or similar category, a Fund would be subject to an increased risk of loss if there was a decline in the market value of any security in which a Fund had invested a large percentage of its assets or there are adverse consequences to such industry, sector, or geography or other group of companies. If a large portion of the assets of a Fund is held in cash or similarly liquid form for an extended period of time, a Fund's ability to achieve its objective may be impacted.

The lack of an established, liquid secondary market for a Fund's investments may have an adverse effect on the market value of such Fund's investments and on such Fund's ability to dispose of them. Additionally, a Fund's investments may be subject to certain transfer restrictions that would also contribute to illiquidity. Finally, a Fund's assets that are typically traded in a liquid market may become illiquid if the applicable trading market tightens as a result of a significant macro-economic shock or for any other reason. Therefore, no assurance can be given that, if a Fund is determined to dispose of a particular investment, it could dispose of such investment at the prevailing market price or the current valuation of a Fund. A portion of a Fund's investments may consist of securities that are subject to restrictions on resale by a Fund because they were acquired in a "private placement" transaction or because a Fund is deemed to be an affiliate of the issuer of such securities. Generally, a Fund will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, a Fund may be deemed to be an underwriter or possibly a controlling person, with

respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act. In addition, a Fund may, from time to time, possess material, non-public information about a borrower or issuer or a Fund may be an affiliate of a borrower or an issuer. Such information or affiliation may limit the ability of a Fund to buy and sell investments.

Lack of Diversification

A Fund may not be highly diversified. Lack of diversification would expose a Fund to losses disproportionate to market declines in general if there were disproportionately greater adverse price movements in the particular investments held by a Fund. To the extent a Fund invests a relatively high percentage of its assets in bank loans or other debt instruments of a limited number of borrowers, a Fund will be more susceptible than a more widely diversified investment fund to the negative consequences of a single corporate, economic, political or regulatory event.

Valuation of Illiquid Assets

The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets.

Derivatives

Certain Funds may invest in and utilize derivative instruments, such as put and call options, swaps, futures contracts and options on futures contracts, each of which involves certain special risks and may result in losses, and in certain cases, potentially unlimited losses. To the extent a Fund invests in repurchase transactions, non-cleared swaps, over-the-counter options and other over-the-counter "synthetic" or derivative instruments, counterparty exposures can develop and the Fund takes the risk of nonperformance by as well as the insolvency of the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to additional counterparty credits. Current and future regulation of the derivatives markets and its participants may make derivatives more costly, may limit the availability or liquidity of derivatives, or may otherwise adversely affect the value or performance of derivatives. Regulatory requirements and insolvency laws may also limit the ability of the Fund to protect its interests in the event of an insolvency of a derivatives counterparty.

The successful use of futures and options further depends on the Adviser's ability to forecast market or interest rate movements correctly. Other risks arise from a Fund's potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. Certain regulatory requirements may also limit a Fund's ability to engage in swaps, futures and options transactions.

Derivative instruments in general, including swaps, options and other custom instruments, are subject to the risk of non-performance by the counterparty, creditworthiness of the counterparty, market risk, liquidity risk and operations risk.

Derivatives Regulation

Certain of the Funds engage in derivative transactions. A derivative is a financial contract the value of which depends upon, or is derived from, the value of underlying assets, reference rates or indices. Derivatives may relate to securities, interest rates, currencies or currency exchange rates, inflation rates, commodities and related indices, and include foreign currency contracts, swap contracts, options, forward contracts, repurchase or reverse repurchase agreements or other over-the-counter contracts. A Fund may use derivatives for many purposes, including as a substitute for direct investment in securities or other assets, as a means to hedge other investments and to manage liquidity and excess cash. A Fund also may use derivatives as a way to adjust its exposure to various securities, markets and currencies without actually having to sell existing investments and/or make new investments.

The U.S. government, the European Union (“EU”) and various other jurisdictions have enacted legislation that provides for the regulation of the derivatives market, including clearing, margin, reporting, and registration requirements, which may restrict a Fund’s ability to engage in derivatives transactions or increase the cost or uncertainty involved in such transactions.

In some ways, cleared derivative arrangements are less favorable to a Fund than bilateral arrangements, for example, by requiring that such Fund provide more margin for their cleared derivatives positions. Also, as a general matter, in contrast to a bilateral derivatives position, following a period of notice to a Fund, a clearing member at any time can require termination of an existing cleared derivatives position or an increase in margin requirements above those required at the outset of a transaction. Clearing houses also have broad rights to increase margin requirements for existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared derivatives positions by the clearing member or the clearing house could interfere with the ability of a Fund to pursue its investment strategy. Also, a Fund is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that the Adviser expects to be cleared), and no clearing member is willing or able to clear the transaction on the Fund’s behalf. In those cases, the position might have to be terminated, and the Fund could lose some or all of the benefit of the position, including loss of an increase in the value of the position and loss of hedging protection.

Some types of cleared derivatives are required to be executed on an exchange or on swap execution facilities (“SEFs”). A SEF is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Fund. For example, SEFs typically charge fees, and if the Fund executes derivatives on a SEF through a broker intermediary, the intermediary may impose fees as well. Also, a Fund may indemnify a SEF, or a broker intermediary who executes cleared derivatives on a SEF on the Fund’s behalf, against any losses or costs that may be incurred as a result of the Fund’s transactions on the SEF.

The U.S. government and the EU have adopted mandatory minimum margin requirements for bilateral derivatives. As a general matter, under such requirements, a Fund's transactions are subject to variation margin requirements and, depending on the aggregate notional value of bilateral derivatives entered into by the Fund, initial margin requirements may apply. Such requirements may increase the amount of margin a Fund needs to provide in connection with its derivatives transactions and, therefore, make derivatives transactions more expensive.

These and other new rules and regulations in the future may, among other things, further restrict a Fund's ability to engage in, or increase the cost to the Fund of, derivatives transactions, for example, by making some types of derivatives no longer available to the Fund or otherwise limiting liquidity.

Derivative instruments involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with other types of investments. The use of a derivative requires an understanding not only of the underlying instrument, but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to a Fund's portfolio.

Many derivative instruments also have documentation risk. Because the contract for each over-the-counter derivative transaction is individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently when a Fund seeks to enforce its contractual rights. If that occurs, the cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead the Fund to decide not to pursue its claims against the counterparty. A Fund, therefore, assumes the risk that it may be unable to obtain payments the Adviser believes are owed to it under derivatives instruments or those payments may be delayed or made only after the Fund has incurred the costs of litigation. Also, payment amounts calculated in connection with standard industry conventions for resolving contractual issues (e.g., ISDA protocols and auction processes) may be different than would be realized if a counterparty were required to comply with the literal terms of the derivatives contract (e.g., physical delivery). There is little case law interpreting the terms of most derivatives or characterizing their tax treatment. In addition, the literal terms of an over-the-counter contract may be applied in ways that are at odds with the investment thesis behind the decision to enter into the contract.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular over-the-counter derivatives, are complex and their valuation often requires modeling and judgment, which increases the risk of mispricing or improper valuation, and there can be no assurance that the pricing models employed by the Adviser will produce valuations that are consistent with the values realized when over-the-counter derivatives are actually closed out or sold. This valuation risk is more pronounced when a Fund enters into over-the-counter derivatives with specialized terms because the value of those derivatives in some cases is determined in part by reference to similar derivatives with more standardized terms. Improper valuations may result in increased cash payment requirements to counterparties, under collateralization and/or errors in calculation of a Fund's net asset value.

Furthermore, derivatives also involve the risk that changes in their value may not correlate perfectly with the assets, rates or indices they reference and are designed to track. The risk may be more pronounced when outstanding notional amounts in the market exceed the amounts of the referenced assets. Suitable derivatives are not available in all circumstances. For example, the economic costs of taking some derivatives positions may be prohibitive. Consequently, a Fund's use of derivatives may not always be an effective means of furthering the Fund's investment objective. In addition to the risks referenced above, derivatives are subject to market risk, counterparty risk, illiquidity risks, leverage risk, and non-U.S. currency risks, which are discussed elsewhere in this section.

Options

Certain of the Funds invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows a Fund greater flexibility to tailor an option to its needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

Swap Contracts

Certain of the Funds enter into swap contracts, including but not limited to, total return, interest rate, basis, currency, credit default, and inflation. A Fund may enter into swaps for speculative or hedging purposes and therefore may increase or decrease a Fund's exposure to the underlying instrument, rate, asset or index; certain Funds utilize swaps where the Adviser believes such investments will further the objectives of the Fund. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Fund to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent a Fund invests in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, a Fund would be subject to counterparty risk.

In addition, a Fund may enter into swaps on securities, baskets of securities or securities indices and a Fund may use such swaps to gain investment exposure to the underlying security or securities where direct ownership is either not legally possible or is economically unattractive. A Fund also may enter into swaps to modify its exposure to particular currencies using currency swaps.

Credit Default Swaps

A Fund may directly or indirectly use credit default swaps to take an active long or short position with respect to the likelihood of default by a corporate or sovereign issuer of fixed income securities (including asset-backed securities). In a credit default swap, one party pays, in effect, an insurance premium through a stream of payments to another party in exchange for the right to put the referenced obligation (e.g., bond or loan) of the issuer to the other party, or receive a specified return, in the event of default (or similar events) by one or more third parties on their obligations. For example, in purchasing a credit default swap, a Fund may pay a premium in return for the right to put specified bonds or loans to the counterparty, such as a U.S. or non-U.S. issuer or basket of such issuers, upon a default (or similar events) of the issuer of such bonds or loans at their par (or other agreed-upon) value. Rather than exchange the bonds for the par value, a single cash payment may be due from the protection seller representing the difference between the par value of the bonds and the current market value of the bonds (which may be determined through an auction). A Fund, as the purchaser in a credit default swap, bears the risk that the investment might expire worthless. It also would be subject to the risk that the counterparty may fail to satisfy its payment obligations to such Fund in the event of a default (or similar event) of the third-party issuer. In addition, as a purchaser in a credit default swap, a Fund's investment would only generate income in the event of an actual default (or similar event) by the issuer of the underlying reference obligation. A Fund also may invest in credit default indices, which are indices that reflect the performance of a basket of credit default swaps.

A Fund also may use credit default swaps for investment purposes by selling a credit default swap, in which case such Fund will receive a premium from its counterparty in return for the Fund's taking on the obligation to pay the par (or other agreed-upon) value to the counterparty upon issuer default (or similar events). As the seller in a credit default swap, the Fund effectively adds economic leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. If no event of default (or similar event) occurs, the Fund, as the seller of the credit default swap would keep the premium received from the counterparty and generally would have no payment obligations, with the exception of an initial payment made on the credit default swap or any margin requirements with the credit default swap counterparty during the term of the swap. For credit default swap agreements, trigger events for payment under the agreement vary by the type of underlying investment (e.g., corporate and sovereign debt, asset-backed securities, and credit default swap indices) and by jurisdiction (e.g., United States, Europe and Asia).

The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions that are dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. The Adviser may also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

Futures and Related Options

The Adviser buys and sells futures contracts and related options on behalf of a Fund. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. A Fund may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income.

The use of futures and related options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in a Fund's portfolio which are the subject of the hedge (to the extent a Fund uses futures and options for hedging purposes). The successful use of futures and options further depends on the Adviser's ability to forecast market or interest rate movements correctly.

Other risks arise from a Fund's potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit a Fund's ability to engage in futures and options transactions.

Short Sales

The Adviser makes short sales of investment securities on behalf of a Fund. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on Fund's portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover short positions will be available for purchase. Additionally, purchasing securities to close out the short position can itself cause the price of the securities to rise further if the demand to buy such securities outpaces the available supply, thereby exacerbating the loss.

For instance, a so-called "short squeeze" can occur when the price of securities in which a Fund has an open short position rises sharply in a short time frame. The rapid rise may be a result of (i) multiple short sellers seeking to cover their short positions in the same time frame by purchasing the security, resulting in a rapid price increase; (ii) market participants collectively purchasing a significant number of shares, thereby causing a substantial increase in the price of such securities; and/or (iii) one or more lenders of a security that was used to facilitate a short position suddenly demanding the return of the security that has been loaned. A "short squeeze" may result in a Fund having to prematurely close out a short position at unattractively high prices, resulting in a substantial loss. Further, the risk of a "short squeeze" likely will increase if other short sellers, market participants, and/or lenders become aware of our short positions, including, without

limitation, as a result of legally-required reporting with respect to the ownership of options to purchase the underlying security being shorted.

In addition to the risks of securities loan recalls or “short squeezes,” the Funds may be required to provide additional margin to its counterparties, including its prime brokers, on short notice if the price of a security underlying a short position suddenly rises. If a Fund is unable to deliver the additional margin required, the Adviser may need to prematurely close out the short position at unattractive prices, thereby resulting in a substantial loss. In addition, depending on the timing and magnitude of a price increase in respect of an open short position, the Adviser may be required to liquidate long positions in order to meet margin requirements, thereby further increasing the losses (or decreasing the gains) of a Fund.

The SEC has in the past adopted temporary rules requiring reporting of all short positions above a certain de minimis threshold and recently adopted rules requiring monthly confidential disclosure of short positions by investment advisers that exceed certain thresholds, which data will be publicly disseminated by the SEC on an aggregated (by security) and delayed basis. In addition, other non-U.S. jurisdictions where a Fund may trade have adopted reporting requirements. If a Fund’s short positions or its strategy become generally known, it could have a significant effect on the Adviser’s ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a “short squeeze” in the securities held short by a Fund forcing a Fund to cover its positions at a loss. Such reporting requirements may also limit the Adviser’s ability to access management and other personnel at certain companies where the Adviser seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as a Fund, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to a Fund could decrease drastically. Such events could make a Fund unable to execute this investment strategy. The SEC has adopted restrictions on the short sale of securities that fall more than 10 percent in a given day (referred to as the “circuit breaker” or “modified uptick rule”). If the SEC were to adopt additional restrictions on short sales, such restrictions could restrict a Fund’s ability to engage in short sales in certain circumstances, and a Fund may be unable to execute this investment strategy as a result. The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases have adopted) bans on short sales of certain securities. Bans on short selling may make it impossible for a Fund to execute certain investment strategies and may have a material adverse effect on a Fund’s ability to achieve its investment objective and generate returns. In addition, engaging in short selling may increase the risk of a Fund becoming subject to government investigation.

Leveraged Entities

Certain Funds make investments whose capital structures have significant leverage. Such investments are inherently more sensitive to declines in revenues and asset values and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the investments to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment, its underlying assets or its industry. Additionally, depending on the level in the capital structure in which a Fund acquires investments, a Fund may be subject to a greater risk of loss than if it acquires securities higher in a capital structure.

Certain Funds invest in and utilize derivative instruments, such as put and call options, swaps, futures contracts and options on futures contracts, each of which involves certain special risks and may result in losses, and in certain cases, potentially unlimited losses. To the extent a Fund invests in repurchase transactions, swaps, forwards, futures, options and other “synthetic” or derivative instruments, counterparty exposures can develop, and a Fund takes the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions, which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. Certain regulatory requirements may also limit a Fund’s ability to engage in derivatives transactions.

In addition, the use of futures and related options involves certain additional risks. The successful use of futures and options further depends on the Adviser’s ability to forecast market or interest rate movements correctly. Other risks arise from a Fund’s potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. Certain regulatory requirements may also limit a Fund’s ability to engage in swaps, futures and options transactions.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

Counterparty Risk

A Fund is exposed to counterparty risk to the extent it uses certain derivatives, enters into repurchase agreements, or lends its portfolio securities or posts margin due to changes in the market value of a derivative contract. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, a Fund could miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses for the Fund.

Certain markets in which a Fund may effect transactions are “over-the-counter” and may include unregulated private markets. This exposes the Fund 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, thus causing a Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. A Fund may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods.

There can be no assurance that a counterparty will be able or willing to make timely settlement payments or otherwise meet its obligations, especially during unusually adverse market conditions. A Fund typically may only close out over-the-counter transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. A Fund may invest in derivatives (i) as to which the counterparty’s obligations are not secured by collateral, (ii) that require collateral but in which a Fund’s security interest is not perfected, (iii) that require significant upfront deposits unrelated to the derivatives’ intrinsic value, or (iv) that do not require the collateral to be regularly marked-to-market. When a counterparty’s obligations are not fully secured by

collateral, a Fund expects to be considered an unsecured creditor of the counterparty and is exposed to the risk of having limited recourse if the counterparty defaults. If the counterparty defaults, a Fund will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, a Fund will succeed in enforcing contractual remedies. These risks may be particularly acute in environments in which financial services firms are exposed to systemic risks. During periods of market disruptions, a Fund may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivatives used by a Fund.

Transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared (“cleared derivatives”). In such cases, a Fund’s counterparty is a clearing house, rather than a bank or broker. Since a Fund is not a member of a clearing house and only members of a clearing house (“clearing members”) can participate directly in the clearing house, a Fund will hold cleared derivatives through accounts at a clearing member. In cleared derivatives transactions, a Fund will make payments (including margin payments) to and receive payments from a clearing house through its accounts at a clearing member. A Fund may be treated as an unsecured creditor of such clearing member in the event of insolvency. Clearing houses also have broad rights to increase margin requirements for existing transactions or to terminate those transactions at any time. Such increase or termination could interfere with the ability of a Fund to pursue its investment strategy. Also, a Fund is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that the Adviser expects to be cleared), and no clearing member is willing or able to clear the transaction on the Fund’s behalf. Such transactions might have to be terminated, and the Fund could lose some or all of the benefit of the transaction, including loss of an increase in the value of the transaction and/or loss of hedging protection.

Credit risk of market participants, with respect to derivatives that are centrally cleared, is concentrated in a few clearing houses, and it is not clear how an insolvency proceeding of a clearing house would be conducted and what impact any such insolvency of a clearing house would have on the financial system. In the event of the insolvency of a clearing house, a Fund might experience a loss of funds deposited through its clearing member as margin with the clearing house, a loss of unrealized profits on its open positions, and the loss of funds owed to it as realized profits on closed positions. Such an insolvency might also cause a substantial delay before the Fund could obtain the return of funds owed to it by a clearing member who was a member of such clearing house.

Counterparty risk also may be more pronounced if (i) a counterparty’s obligations exceed the amount of collateral held by a Fund (if any), (ii) a Fund is unable to exercise its interest in collateral upon default by the counterparty, or (iii) the termination value of the instrument varies significantly from mark-to-market value of the instrument.

A Fund will be exposed to the credit risk of its counterparties and may also bear the risk of settlement default. For example, although the seller under a repurchase agreement will be required to maintain the value of the securities subject to the agreement in an amount exceeding the repurchase price, default by the seller would expose a Fund, as buyer, to possible loss due to adverse market action or delay in connection with the disposal of the underlying obligations. Conversely, where a Fund acts as seller under a repurchase agreement it is exposed to the risk of the buyer defaulting in its obligation to return the securities when it is required to do so, and a

Fund could realize a loss on the purchase of the underlying security to the extent that the purchase price of the underlying security is greater than the cash collateral posted by the buyer.

In addition, if the seller becomes involved in bankruptcy or litigation proceedings, the Fund may incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if a Fund is treated as an unsecured creditor and is required to return the underlying collateral to the seller's estate.

In the case of over-the-counter derivatives, the bankruptcy or insolvency of the counterparty may allow a Fund to elect to terminate early with respect to some or all the transactions under the agreement with such counterparty, and any relevant agreement may permit the non-defaulting party to calculate a single net payment to close out applicable transactions. However, there is no guarantee that the terms of any such agreement will be enforceable, including, for example, when bankruptcy or insolvency laws impose restrictions on or prohibitions against rights to terminate, offset obligations or apply collateral to the counterparty's obligations.

Additionally, in the event of a counterparty's (or its affiliate's) insolvency, the possibility exists that a Fund's ability to exercise remedies, such as the termination of transactions, netting of obligations or realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the EU and various other jurisdictions. Such regimes provide governmental authorities broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, in the EU, governmental authorities could reduce, eliminate, or convert to equity the liabilities of a counterparty experiencing financial difficulties (sometimes referred to as a "bail in").

Assets held outside the United States may be subject to different and/or diminished protection in the event of the failure of a counterparty located in such jurisdiction.

Securities purchased or sold on a "when-issued" or "delayed delivery" basis involve a risk of loss if the value of the securities to be purchased declines prior to the settlement date or if the value of the securities to be sold increases prior to a settlement date. Loans of securities also involve risks of delay in receiving additional collateral or in recovering the securities loaned, or possibly loss of rights in the collateral, should the borrower of the securities become insolvent.

Due to the nature of a Fund's investments, a Fund may invest in derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on a Fund. In addition, the creditworthiness of a counterparty may be adversely affected by larger than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital. A Fund is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of a Fund to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund. A Fund may sustain a loss as a result of the failure of the other party to a derivative to comply with the terms of the derivative contract.

Custodial Risk

One or more banks or broker-dealers may act as custodians for certain assets of a Fund. Custodians could provide certain clearing, including prime brokerage, margin financing or other financing facilities in addition to custodial functions. If a custodian were to become insolvent, a Fund would, in respect of financial assets credited to securities accounts and held in street name, have only rights in common with other customers of the custodian and would not have ownership of, or rights with respect to, any specific financial assets maintained by the custodian. If any custodian has insufficient financial assets to satisfy all of its customers and its secured creditors, a Fund could suffer losses. Furthermore, if a Fund uses a broker-dealer as custodian (or prime broker), the bankruptcy of such custodian might have a greater adverse effect on a Fund than would be the case if the Fund used a bank as custodian. This is because, subject to certain limitations, a broker generally has the ability to loan, pledge, and rehypothecate the securities in its customers' accounts, as is typical market practice, and therefore may have insufficient assets to meet all of its obligations to "customers" in the event of insolvency of the broker-dealer. Even if a custodian has sufficient assets to meet all "customer" claims, there may be a substantial delay in proceedings against a custodian and the assets of a Fund could become substantially impaired during such proceedings. With respect to assets held with custodians outside of the U.S., a Fund's assets could be subject to laws and regulations that are less favorable to a Fund than those of the U.S. (including with respect to the priority of any claims that a Fund may have upon a bankruptcy, insolvency or liquidation of any custodian, which may result in a Fund being an unsecured creditor of such custodian rather than having a priority "customer" claim). Placement of a custodian in bankruptcy or similar proceeding outside of the U.S. could result in a great deal of uncertainty as to the status of assets or the ultimate recovery, if any, of such assets held by such custodian.

SEC rules require the prime brokers to maintain physical possession and control of fully paid securities held in a Fund's account and to establish certain reserves for the benefit of customers.

In order to manage the risks associated with prime broker insolvency, a Fund may establish relationships with multiple prime brokers. However, a Fund may not be able to identify potential solvency concerns with respect to a Fund's prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner.

A Fund may change the brokerage arrangements described above at any time without notice. There are likely to be operational and other delays associated with changes in prime brokerage arrangements.

Credit Risk

A Fund's investments will generally be subject to credit risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument, in which case a Fund may lose some or all of its investment in that instrument, subject a Fund to loss. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. A significant downturn in the economy or a particular economic sector could have a significant impact on the

business prospects of the companies to which a Fund is invested and their ability to comply with their loan repayment obligations, or their ability to refinance such obligations.

Credit Market Risks

A Fund's investments will entail normal credit risks and market risks (e.g., the risk that certain market factors will cause the value of the instrument to decline).

To the extent that a Fund invests in bank loans and other debt instruments, the value of a Fund may fluctuate less significantly as a result of interest rate changes than would a portfolio of fixed-rate obligations. A Fund that invests in bank loans may still be subject to fluctuations due to changes in an issuer's credit quality. In addition, because interest rates on bank loans only reset periodically and may not perfectly correlate with prevailing interest rates, during such time as the interest rate of a loan is fixed, such loan may be subject to the same fluctuations due to interest rate changes as fixed-rate obligations of similar duration. Also, a default on a loan that is held by a Fund or a sudden and extreme increase in prevailing interest rates may cause a decline in the value of a Fund's assets.

Conditions in the credit markets may have a significant impact on the business of the Funds. The credit markets in the U.S. have experienced a variety of difficulties and changed economic conditions in recent years that have adversely affected the performance and market value of many securities and financial instruments. There can be no assurance that a Fund will not suffer material adverse effects from broad and rapid changes in market conditions in the future. Among other things, the level of investment opportunities may decline from current expectations. As a result, fewer investment opportunities may be available to a Fund, although if credit markets remain constrained, a Fund may have the opportunity to take larger positions in potential transactions. One possible consequence is that a Fund may take a larger than anticipated period to invest capital, as a result of which, at least for some period of time, the Fund may be relatively concentrated in a limited number of investments. Consequently, during this period, the returns realized may be substantially adversely affected by the unfavorable performance of a small number of these investments.

Furthermore, market conditions may unfavorably impact a Fund's ability to secure leverage on terms as favorable as more established borrowers in the market, or to obtain any leverage on commercially feasible terms. To the extent a Fund is able to secure financing for investments, increases in interest rates or in the risk spread demanded by financing sources would make the partial financing of investments with indebtedness more expensive and could limit the Fund's ability to structure and consummate its investments. Although the Adviser believes that the continued unfolding of the credit cycle will result in attractive investment opportunities, it may not be able to manage the timing of a Fund's investments in the most advantageous manner, which could result in further depreciation in values. Furthermore, market conditions could deteriorate further and a Fund may be limited in its ability to realize investments it has already made due to difficulties in buyers' ability to obtain financing on favorable terms, or to secure financing at all.

Collateral Obligation Performance Risk

Negative economic trends either globally, nationally as well as in specific geographic areas of the United States could result in an increase in loan and bond defaults and delinquencies. There is a material possibility that economic activity in the future will be volatile or will slow, and some obligors may be significantly and negatively impacted by negative economic trends. Such effects may include an inability for obligors to obtain refinancing of their debt obligations. A decreased ability of obligors to obtain refinancing (particularly as high levels of required refinancing approach) may result in economic decline or otherwise increase market volatility that could delay future economic recoveries and cause deterioration in loan performance generally.

To the extent that certain enumerated events occur under a Fund's organizational and issuing documents, the Fund's investments may be liquidated more rapidly than would otherwise be desirable. This may cause the Fund to incur losses that might not otherwise have occurred but for the timing and nature of such liquidation.

Public Debt

In the event that a Fund acquires fixed income securities and/or other instruments that are publicly traded, the Fund will be subject to certain inherent risks. In some circumstances, a Fund may be unable to obtain financial covenants or other contractual rights, including management rights, that it might otherwise be able to obtain in making privately-negotiated debt investments. Moreover, a Fund may not have the same access to information in connection with investments in public instruments, either when investigating a potential investment or after making an investment, as compared to a privately-negotiated debt investment.

Bank Loans

Certain Funds may invest a portion of its investments in loans originated by banks and other financial institutions. The loans in which a Fund invests may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan trading which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that current levels of liquidity will persist and that the market will not experience periods of significant illiquidity in the future. In addition, a Fund may make investments in stressed or distressed bank loans which are often less liquid than performing bank loans.

A Fund may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and

the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, a Fund will assume the credit risk of both the borrower and the institution selling the participation. The settlement process for the purchase of bank loans can take several days and, in certain instances, several weeks longer than a bond trade. The longer a trade is outstanding between the counterparties, the higher the possible risk of additional operational and settlement issues and the potential for a Fund's counterparty to fail to perform.

Bank Loans and Participations

Certain Funds will seek to invest in bank loans, assignments and participations. These obligations are subject to certain special risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of a Fund to enforce its rights directly with respect to participations. Successful claims by third parties arising from these and other risks, absent certain conduct by the Adviser and certain other individuals, will be borne by the Fund.

Refinancing Risk

A Fund's assets may include loans for which most or all of the principal is due at maturity. The ability of the obligor(s) under such a loan to make such a large payment upon maturity could depend upon its ability to refinance the loan prior to maturity. The ability of an obligor to consummate a refinancing will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such loan, the operating history of the obligor and related businesses, tax laws and prevailing general economic conditions. Additionally, middle-market or smaller obligors generally have more limited access to capital and higher funding costs, may be in a weaker financial position, may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from more traditional sources, such as commercial banks. Consequently, such obligor may not have the ability to repay the loan at maturity and, unless it is able to refinance such loan, it could default in payment at maturity, which could result in losses to a Fund and, indirectly, to the investors.

Significant numbers of obligors are expected to need to refinance their debt over the next few years, and significant numbers of collateralized loan obligation transactions (historically an important source of funding for loans) have reached or are close to reaching the end of their reinvestment periods or the final maturities of their own debt. As a result, there could be significant pressure on the ability of obligors to refinance their debt over the next few years unless a significant volume of new collateralized loan obligation transactions or other sources of funding develop. If such sources of funding do not develop, significant defaults in a Fund's assets could occur, and there could be downward pressure on the prices and markets for debt instruments, including assets held by a Fund. In certain circumstances, it may be in a Fund's interests to participate in a refinance, including later in the life of a Fund; however, the ability of a Fund to so participate depends on availability of Fund capital. In addition, another Fund may participate in a refinancing, which may cause conflicts of interest, and there is no guarantee that such conflicts would be resolved in the interests of a Fund. A Fund may determine to restructure investments in a manner that would extend the maturity of such investments, including after the investment

period. A Fund may refinance, restructure or otherwise enter into transactions with portfolio companies, whereby proceeds by such portfolio companies are used to refinance, restructure, pay off or otherwise enter into transactions with other persons, including other Funds or affiliates, and due to structuring considerations in certain circumstances such refinancings may be effected through assignment agreements or similar agreements between a Fund and other Funds. Such transactions may be permitted by the Fund's offering documents and shall not be considered purchases or sales between a Fund and another Fund or cross-transactions.

Credit Ratings

The ratings that may be assigned by various credit rating agencies to loans or other debt instruments that may be acquired by a Fund reflect only the views of those agencies. Explanations of the significance of ratings should be obtained from such credit rating agencies. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of such credit rating agency, circumstances so warrant. Ratings may be wrong or ratings agencies may not adjust their ratings in real time.

Leverage

The Adviser intends to use leverage to achieve a higher rate of return, subject to certain limitations. In addition, each Fund may use subscription facilities to borrow on behalf of such Fund. While leverage presents opportunities for increasing a Fund's total return, it may increase losses as well. Accordingly, any event that adversely affects the value of an investment by a Fund would be magnified to the extent leverage is used. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to the Fund's investments could result in a loss to the Fund that would be greater than if the Fund was not leveraged. A Fund is not limited in the type of financings or borrowings that it may enter into, which could include bank credit facilities, term facilities, revolving facilities, securitization vehicles, or other methods of borrowing or financing. In connection with borrowings by a Fund, the Fund may pledge or otherwise collateralize its assets and each such Fund may enter into borrowings on a joint, several or joint and several basis or cross-collateralized or cross-defaulted basis with third parties and provide guarantees or credit support in respect of such third parties. If a Fund or any such other person were to default under a credit facility, the lenders under such credit facility could foreclose on the collateral and take ownership of or sell assets pledged by such Fund or such other parties. As a result of any cross-collateralization, cross-default, or other credit support arrangement a Fund (and its investors) may be adversely affected by the default of another obligor (or its limited partners or other beneficial owners). As a result of any such default, assets may be sold for less value than could be realized in an orderly, court supervised sale process and, as a result, lenders under the credit facility may hold substantial deficiency claims after collateral is sold. When a loan investment is securitized, it is no longer a direct investment of a Fund and the risk return profile is altered. These securitizations or CLOs have leverage embedded in their structure and a Fund's use of securitization financings would result in the Fund holding interests in the first loss or equity portion of such a securitization.

There can be no guarantee that a Fund will be able to obtain appropriate amounts of leverage, or that leverage may be obtained on terms and pricing that the Adviser finds attractive. As a result, a Fund may not achieve the optimal amount of leverage or may not be leveraged at an amount that

would be most appropriate for the Fund. A Fund's target leverage may change, and the actual leverage may be more or less than such target leverage, based on market conditions and other relevant factors, but subject to limitations on leverage set forth in the Fund's organizational documents. Should the appropriate amount of leverage not be obtained or used by a Fund, the total returns for the Fund may be lower than they would have been had such amount of leverage been used.

Certain Funds may use leverage for investment purposes, payment of expenses or liabilities, distributions, bridging defaults related to investor interests pursuant to the applicable Fund organizational documents or any other purpose determined appropriate by the Adviser or its affiliates. The extent to which a Fund uses leverage (directly or indirectly) may have important consequences to the investors in the Fund, including, but not limited to, the following: (i) greater fluctuations in the net assets of the Fund; (ii) use of cash flow for debt service, rather than for additional investments, distributions or other purposes; (iii) to the extent that Fund revenues are required to meet principal payments, the investors may be allocated income (and therefore have tax liability) in excess of cash available for distribution; and (iv) in certain circumstances the Fund may be required to sell instruments prematurely to service its debt obligations. To the extent that borrowings increase management fees payable, the Adviser has an incentive to increase borrowings. There can also be no assurance that a Fund will have sufficient cash flow to meet its debt service obligations. As a result, a Fund's exposure to losses may be increased due to illiquidity of its investments generally. In addition, over time the performance of such Fund is expected to vary.

With respect to a subscription facility, a Fund may pledge its right to receive undrawn capital commitments with respect to each relevant investor or other beneficial owner. Investors may be required to confirm the terms of their capital commitments to the lender, to honor capital calls made by the lender, to provide financial information to the lender and to execute other documents in connection with obtaining such facility.

Highly Leveraged Borrowers

Certain Funds invest in securities of highly leveraged borrowers. A borrower's leverage may adversely impact a Fund in a number of ways, such as creating a greater possibility of default or bankruptcy of the borrower. It is also possible that the pledging of collateral (if any) to secure the securities could be found to constitute a fraudulent conveyance or preferential transfer, which would be nullified or subordinated to the rights of other creditors of the borrower under applicable law. Additionally, depending on the level of the capital structure in which a Fund acquires investments, the Fund may be subject to a greater risk of loss than if it acquires securities higher in the capital structure.

Prepayment Risk

The terms of loans in which a Fund invests may permit the borrowers to voluntarily prepay loans at any time, either with no or a nominal prepayment premium. This prepayment right could result in the borrower repaying the principal on an obligation held by a Fund earlier than expected. This could happen when there is a decline in interest rates, when the borrower's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost

debt. The yield of a Fund's investment assets may be affected by the rate of prepayments differing from the Adviser's expectations. Assuming an improvement in the credit market conditions, early repayments of the debt held by a Fund could increase. To the extent early prepayments increase, they may have a material adverse effect on a Fund's investment objectives and profits. In addition, if a Fund is unable to reinvest the proceeds of such prepayments received in investments expected to be as profitable, the proceeds generated by the Fund will decline as compared to the Adviser's expectations.

Unsecured Loans or Debt

A Fund may invest in unsecured loans which are not secured by collateral. In the event of default on an unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for an unsecured holder and therefore result in a loss of investment to the Fund. Because unsecured loans are lower in priority of payment to secured loans, they are subject to the additional risk that the cash flow of the borrower may be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower. Unsecured loans generally have greater price volatility than secured loans and may be less liquid.

Second Lien, or Other Subordinated Loans or Debt

A Fund may invest in second lien or other subordinated loans. In the event of a loss of value of the underlying assets that collateralize the loans, the subordinate portions of the loans may suffer a loss prior to the more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy a Fund's loan, the Fund may suffer a loss of principal or interest. If a borrower declares bankruptcy, a Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. Issuers of subordinated debt obligations may be highly leveraged and may not have available to them more traditional sources of financing. During an economic downturn or a sustained period of rising interest rates, such issuers may be more likely to experience financial stress and may be unable to meet their obligations. In addition, certain of a Fund's loans may be subordinate to other debt of the borrower. As a result, if a borrower defaults on a Fund's loan or on debt senior to a Fund's loan, or in the event of the bankruptcy of a borrower, a Fund's loan will be satisfied only after all senior debt is paid in full. The Adviser's ability to amend the terms of a Fund's loans, assign the Fund's loans, accept prepayments, exercise the Fund's remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers may be limited by intercreditor arrangements if debt senior to that Fund's loans exists.

Senior Secured Loans

When a Fund makes a senior secured loan to a portfolio company, it generally takes a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which should help mitigate the risk that the Fund will not be repaid. However, there is a risk that the collateral securing a Fund's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, a Fund's lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and

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

Term Loans, Delayed Draw Term Loans, or Revolvers

A Fund may invest in a variety of different types of debt, including but not limited to term loans, delayed draw term loans, bridge loans, and revolving loans. A term loan is a loan that has a specified repayment schedule. A delayed draw term loan is a loan that typically permits the borrower to withdraw predetermined portions of the total amount borrowed at certain times. A revolving credit facility differs from a delayed draw loan in that as the borrower repays the loan, an amount equal to the repayment may be borrowed again during the term of the revolving credit facility. Delayed draw term loans and revolving credit facilities usually provide for floating or variable rates of interest. If a Fund enters into or acquires a commitment with a borrower regarding a delayed draw term loan or a revolver, such Fund will be obligated on one or more dates in the future to lend the borrower monies (up to an aggregate stated amount) if called upon to do so by the borrower. These commitments may have the effect of requiring such Fund to increase its investment in a borrower at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). Delayed draw term loans and revolvers may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, a Fund may be unable to sell such investments at an opportune time or may have to resell them at less than fair market value. In the event that a contractual obligation extends beyond a Fund's investment period, such Fund would be required to meet such contractual obligations and, if it were unable to do so, would be subject to contractual penalties under such loans. A Fund's obligation to meet such contractual obligations, which may be met through drawdowns of capital commitments, may extend beyond such Fund's investment period.

Lower-Rated Bank Loans and Debt Instruments

Certain of the Funds invest in loans and other debt instruments that are rated below investment grade by the various credit rating agencies, or trade at a yield similar to non-investment grade debt (and in comparable non-rated loans).

Certain of the Funds invest a portion of its investments in loans originated by banks and other financial institutions. The loans in which a Fund invests may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, funds and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan trading which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that current levels of liquidity will persist and that the market will not experience periods of significant illiquidity in the future. In addition, a Fund may make investments in stressed or distressed bank loans which are often less liquid than performing bank loans.

Certain of the Funds may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically

succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, a Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and a Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. In addition, in the event of the insolvency of any institution selling loans to a Fund, under the laws of certain jurisdictions, a Fund may be treated as a general unsecured creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. As a result, a Fund will assume the credit risk of both the borrower and the institution selling the participation. The settlement process for the purchase of bank loans can take several days and, in certain instances, several weeks longer than a bond trade. The longer a trade is outstanding between the counterparties, the higher the possible risk of additional operational and settlement issues and the potential for a Fund's counterparty to fail to perform. Certain of the secured loans or loan participations may be governed by the law of a foreign jurisdiction which may present additional risks as regards the characterization of such transaction as a participation under such laws governing such participation in the event of the insolvency of the selling institution or the borrower.

Loans and debt instruments rated in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated loans and debt instruments and are generally considered to be predominantly speculative with respect to the borrower's capacity to pay interest and repay principal. They are also considered to be subject to greater risk than investment grade rated debt instruments in the case of deterioration of general economic conditions. Because investors perceive that there are greater risks associated with such loans and debt instruments, the yields and prices of such loans and debt instruments may be more volatile than those for higher-rated loans and debt instruments. The market for lower-rated loans and debt instruments is thinner, often less liquid and less active than that for higher-rated loans and debt instruments, which may adversely affect the prices at which such loans and debt instruments may be sold and may make it impractical to sell such loans or debt instruments. It should be recognized that an economic downturn is likely to have a negative effect on the debt market as well as on the ability of the borrowers of such debt, especially highly leveraged borrowers, to service principal and interest payment obligations to meet their projected business goals or to obtain additional financing. If a borrower of a loan owned by a Fund defaults on such loan, the Fund may incur additional expenses to seek recovery, and the possibility of any recovery may be subject to the expense and uncertainty of insolvency proceedings.

Risks Associated with Non-Performing Loans

The loans purchased by the Funds may be or may become non-performing and may be in default. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments with respect to the loans. By their nature, these investments will involve a high degree of risk. Such non-performing loans ("NPLs") may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or

restructuring modes and the bankruptcy or insolvency laws of non-U.S. jurisdictions are subject to additional potential liabilities, which may exceed the value of a Fund's original investment. For example, borrowers often resist foreclosure on collateral by asserting numerous claims, counterclaims and defenses against the holder of loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure. Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with the liquidation of NPLs. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. In addition, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Under certain circumstances, payments to a Fund and distributions by a Fund to participating investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Bad Banks

Certain Funds may purchase certain assets from "bad banks," structures created to purchase illiquid, non-performing or otherwise distressed assets at a discount from banks. The bad bank then sells the assets over time. The structure of bad bank-driven loan portfolio sales are unlike those one would typically expect in the market. The loan sale documents under which assets would be acquired generally contain several unique features. For example, the bad bank generally provides extremely limited representations and warranties and typically does not provide any representation as to the title/ownership of the assets being sold. Rather, prospective buyers are expected to rely on their own due diligence and certain statutory provisions may apply, allowing the bad bank to sell the assets notwithstanding any restrictions that would otherwise apply at law or equity and notwithstanding any contractual provisions that would restrict such a sale. Complete due diligence materials may not always be available with respect to each asset, and engaging in such due diligence may be expensive and time-consuming. There is no guarantee that a Fund will be able to recover any amounts due on loan portfolios purchased from bad banks.

Financially Troubled Companies

A Fund may invest in the obligations of companies that are in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, or facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Investments in such financially troubled companies involve significantly greater risk than investments in non-troubled companies, and the repayment of obligations of financially troubled companies is subject to significant uncertainties. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Loans issued by companies in bankruptcy are also highly risky, as there are a number of significant rights throughout the bankruptcy process, which may result in losses to a Fund. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the

ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. Additionally, a Fund may invest in the securities of financially troubled companies that are non-U.S. issuers. Such non-U.S. issuers may be subject to bankruptcy and reorganization processes and proceedings that are not comparable to those in the United States and that may be less favorable to the rights of lenders. There is no assurance that the Adviser or their affiliates will correctly evaluate the value of the assets underlying the securities or obligations purchased by a Fund or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, such Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated may not compensate investors adequately for the risks assumed.

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

In certain transactions, a Fund may not be “hedged” against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

High Yield Debt

A Fund may invest in high yield debt, a substantial portion of which may be rated below investment-grade by one or more nationally recognized statistical rating organizations or may be unrated but of comparable credit quality to obligations rated below investment-grade, and have greater credit and liquidity risk than more highly rated debt obligations. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Many issuers of high yield debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of high yield debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Certain of these securities may not be publicly traded, and, therefore, it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. High yield debt is often less liquid than higher rated securities.

High yield debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they

had previously operated. High yield debt has historically experienced greater default rates than has been the case for investment-grade securities. A Fund may also invest in equity securities issued by entities with unrated or below investment-grade debt.

High yield debt may also be in the form of zero-coupon or deferred interest bonds, which are bonds which are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest.

Levered Entities

Certain Funds may make investments whose capital structures have significant leverage. Such investments are inherently more sensitive to declines in revenues and asset values and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the investments to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment, its underlying assets or its industry. Additionally, depending on the level in the capital structure in which a Fund acquires investments, the Fund may be subject to a greater risk of loss than if it acquires securities higher in a capital structure.

Participation on Creditors' Committees

Certain Funds may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or a Fund may seek to negotiate directly with the debtors with respect to restructuring issues. If a Fund does join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Fund in such proceedings. By participating on such committees, a Fund may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Fund to liability to such other creditors who disagree with the Fund's actions.

A Fund may also be provided with material non-public information that may restrict its ability to trade in the company's securities or be subject to other limitations on trading. While a Fund intends to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Fund may trade in the company's securities while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the Fund to incur significant legal fees and potential losses. As the Fund will indemnify any person serving on a committee on its behalf for claims arising from the breaches of those obligations, indemnification payments could adversely affect the return on the Fund's investment in a portfolio company.

Covenant-Lite Loans

Certain of the Funds invest in covenant-lite loans, which contain limited, if any, financial covenants. Generally, such loans either do not require the obligor to maintain debt service or other financial ratios or do not contain common restrictions on the ability of the obligor to change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans. As a result, a Fund's exposure to different risks may be increased, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have such requirements and restrictions.

Convertible Securities

Certain of the Funds invest in convertible securities, which are bonds, debentures, notes, preferred stocks or 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.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

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 a Fund is called for redemption, a Fund 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 a Fund's ability to achieve its investment objective.

Nature of Bankruptcy Proceedings

A Fund may invest in companies that are at or near bankruptcy. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization, and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal.

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. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Fund. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Furthermore, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted 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, a Fund may seek representation on creditors' committees and as a member of a creditors' committee it may owe certain obligations generally to all creditors similarly situated that the committee represents and it may be subject to various trading or confidentiality restrictions. If the Adviser concludes that a Fund's membership on a creditors' committee entails obligations or restrictions that conflict with the duties it or one of its affiliates owes to the investors in the Fund or any clients of the Adviser or its affiliates, or that otherwise outweigh the advantages of such membership, the Fund may not seek membership in, or may resign from, that committee. Because a Fund will indemnify the Adviser and its affiliates or any other person serving on a committee on behalf of the Fund for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Fund's investment in a reorganization company.

Further, a Fund may invest in distressed companies based in Organisation for Economic Co-operation and Development (OECD) countries and other non-U.S. countries. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Unadjudicated Bankruptcy Claims

A Fund may also purchase creditor claims subsequent to the commencement of a bankruptcy case. With respect to buyers' risks related to the purchase of unadjudicated bankruptcy claims, buyers generally assume recovery risk. For example, prior to confirmation of a plan, buyers may assume risks related to claim treatment under the plan, delayed recovery, or even claim dilution in the event of substantive consolidation of the debtors' estates. In addition to recovery risk generally, there are potential claim-specific risks inherent in the purchase of unadjudicated bankruptcy claims, depending on the terms of the transaction documents. For example, if claims are not scheduled or otherwise undisputed, then claims are likely to become subject to objections by the debtor's estate based on technical or substantive defects or other legal or equitable defenses. A debtor will seek to challenge the validity of claims and reduce or potentially disallow a claim depending on the circumstances. Depending on the complexity of the claim and the information available, the defense of such claims can become burdensome and costly for the party responsible for defending the claim, which depends on how the defense responsibility is allocated in the claim purchase agreement. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Lender Liability Considerations and Equitable Subordination

In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Funds' investments, a Fund could be subject to allegations of lender liability.

In addition, under common law principles that, in some cases, form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of a Fund's and its affiliates' investments, a Fund could be subject to claims from creditors of an obligor that a Fund's investments issued by such obligor should be equitably subordinated. Certain Funds may make investments in which a Fund would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting such Fund's investment could arise without the direct involvement of such Fund.

Widening of Credit Spreads Risk

For reasons not necessarily attributable to any of the risks set forth herein, the prices of the securities and other financial assets in which a Fund invests may decline substantially. In particular,

purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale.

Borrower Fraud

There is a risk of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Fund to perfect or effectuate a lien on any collateral securing the loan. A Fund cannot guarantee the accuracy or completeness of representations made by and information provided by borrowers.

Fraudulent Conveyance

Various U.S. federal and state and applicable foreign laws enacted for the protection of creditors may apply to the purchase of a Fund’s investments, which constitute the primary assets of a Fund, by virtue of a Fund’s role as a creditor with respect to the borrowers under such investments. In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as a Fund) or from subsequent transferees of such payments, including investors.

Third-Party Litigation

A Fund’s investment activities subject it to the normal risks of becoming involved in litigation by third parties. This risk is somewhat greater where a Fund exercises control or significant influence over a company’s direction. A Fund may also be subject to certain litigation and related risks associated with origination and servicing. Loan origination and servicing companies are routinely involved in legal proceedings concerning matters that arise in the ordinary course of their business. These legal proceedings range from actions involving a single plaintiff to class action lawsuits with potentially tens of thousands of class members. In addition, a number of participants in the loan origination and servicing industry (including control persons of industry participants) have been the subject of regulatory actions by state regulators, including state attorneys general, and by the federal government. Governmental investigations, examinations or regulatory actions, or private lawsuits, including purported class action lawsuits, may adversely affect such companies’ financial results. To the extent a Fund seeks to engage in origination and/or servicing directly, or has a financial interest in, or is otherwise affiliated with, an origination or servicing company, a Fund will be subject to enhanced risks of litigation, regulatory actions and other proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by a Fund and would reduce net assets.

Third-Party Involvement

A Fund may co-invest with third-parties through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals which are inconsistent with those of a Fund, or may be in a position to take action contrary to the investment objective of a Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Equity Securities

Certain of the Funds may hold investments in equity securities. Equity securities may include common and preferred stocks and warrants, rights and equivalents. As with other investments that a Fund may make, the value of equity securities held by a Fund may be adversely affected by actual or perceived negative events relating to the issuer of such securities, the industry or geographic areas in which such issuer operates or the financial markets generally. However, equity securities may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity securities generally have greater price volatility than fixed income securities or debt instruments. Preferred securities are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments and, therefore, will be subject to greater credit risk than those debt securities. Depending on the features of the particular security, holders of preferred stock may bear certain risks regarding equity or fixed income securities. Dividends paid to equity holders may be suspended or canceled at any time, and minority owners may have limited protections. In addition, if an issuer of equity securities in which a Fund has invested sells additional shares of its equity securities, a Fund's interest in the issuer will be diluted and the value of a Fund's investment may decrease.

Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

Warrants

Certain of the Funds may hold warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a stated price. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of options. Unlike most options, however, warrants and rights are issued in specific amounts, and warrants generally have longer terms than options. Warrants and rights are not likely to be as liquid as exchange-traded options backed by a recognized clearing agency. In addition, the terms of warrants or rights may limit a Fund's ability to exercise the warrants or rights at such time, or in such quantities, as the Fund would otherwise wish.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the investments held by a Fund. Instability in the securities markets will also likely increase the risks inherent in a Fund's investments. There is no guarantee that ordinary and prudent precautions for natural and other disasters will provide an effective connection between the Adviser and markets in the event of large-scale disruptions in the United States or, alternatively, in the countries where the Adviser executes trades.

Lack of Liquidity in Markets

The markets for many securities and other investments in which a Fund is invested may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage a Fund, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, domestic and international securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

The lack of an established, liquid secondary market for certain investments made by a Fund may have an adverse effect on the market value of a Fund's investments and on a Fund's ability to dispose of them. Additionally, a Fund's investments may be subject to certain transfer restrictions that would also contribute to illiquidity. Finally, Fund assets that are typically traded in a liquid market may become illiquid if the applicable trading market tightens as a result of a significant macro-economic shock or for any other reason. Therefore, no assurance can be given that, if a Fund is determined to dispose of a particular investment held by the Fund, it could dispose of such investment at the prevailing market price or the current valuation. A portion of a Fund's investments may consist of securities that are subject to restrictions on resale by the Fund because they were acquired in a "private placement" transaction or because the Fund is deemed to be an affiliate of the issuer of such securities. Generally, a Fund will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, a Fund may be deemed to be an underwriter or possibly a controlling person with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act. In addition, a Fund may, from time to time, possess material, non-public information about a borrower or issuer or the Fund may be an affiliate of a borrower or an issuer. Such information or affiliation may limit the ability of the Fund to buy and sell investments.

Potential for Insufficient Investment Opportunities; Competition

The success of certain Funds will depend, in part, on such Fund's ability to make investments on advantageous terms. The business of investing in debt investments is highly competitive. Market competition for investment opportunities includes traditional lending institutions, including commercial and investment banks, as well as a growing number of non-traditional participants, such as hedge funds, private equity funds, mezzanine funds, and other private investors, as well as business development companies ("BDCs"), and debt-focused competitors, such as issuers of CLOs and other structured loan funds. Some of these competitors may have access to greater amounts of capital and to capital that may be committed for longer periods of time, access to larger research staff or other resources, or may have different return thresholds than a Fund, and thus these competitors may have advantages not shared by such Fund. In addition, competitors may have incurred, or may in the future incur, leverage to finance their debt investments at levels or on terms more favorable than those available to a Fund. Although the Adviser has been successful in locating investments in the past, a Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or deploying all of its available capital. Increased competition for, or a diminishment in the available supply of, qualifying investments could result in lower returns on such investments.

Investment in Small Companies

There is typically no limitation on the size or operating experience of the companies in which a Fund may invest. Some small companies in which a Fund may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Smaller and Middle Market Companies

Certain of the Funds invest in the debt obligations or securities of small, middle market and/or less well-established companies. While small and middle market companies may have potential for rapid growth, they often involve higher risks. Small and middle market companies have more limited financial resources than larger companies and may be unable to meet their obligations under their debt securities that a Fund holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of a Fund realizing any guarantees it may have obtained in connection with its investment. Small and middle market companies also typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Less publicly available information may be available about these companies and they may not be subject to the financial and other reporting requirements applicable to public companies. They are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the company and, in turn, on a Fund. Small and middle market companies may also have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. They may also have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity. Small and middle market loans may also be subject to greater illiquidity if they are privately negotiated or syndicated in comparison to publicly traded instruments or, if such instruments are publicly traded, there may be smaller relative trading volumes.

Investments in Privately Held Companies

Certain of the Funds may acquire controlling or minority equity stakes in privately held companies, which may occur, among other ways, by reason of converting debt into equity. The success of a Fund's investments in privately held companies that it controls will depend in part on the Adviser's ability to develop plans and strategies to exploit new business opportunities for such companies as well as the Adviser's ability to restructure and effect improvements in the operations of such companies. The activity of developing such plans and strategies and of identifying and implementing operational improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such plans, strategies or improvements. To the extent that a Fund owns a controlling stake in, or is deemed an affiliate of, a particular company, it may also be subject to

certain additional bankruptcy or securities laws restrictions that could affect both the liquidity of the Fund's interest and the Fund's ability to liquidate its interest without adversely impacting the price thereof, including insider trading restrictions, the affiliate sale restrictions of Rule 144 of the Securities Act and the disclosure requirements of Sections 13 and 16 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The exercise of control over a company, depending upon the amount and type of securities owned by a Fund, contractual arrangements between the company and a Fund, and other relevant factual circumstances, could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the Fund. The exercise of control over a company may also provide grounds for challenges to the priority and enforceability of investments or other claims a Fund may have against the company if it is subject to a bankruptcy case or other insolvency proceeding.

The success of a Fund's investments in minority equity stakes of privately held companies will depend in part on the performance and abilities of such companies' controlling shareholders. Because the Fund will not control such companies, the Fund's ability to exit from such investments may be limited. Additionally, a Fund is likely to have a reduced ability to influence management of such companies. The Adviser may also have disagreements with controlling shareholders over the strategy and operations of such companies. As a result of the foregoing, a Fund's equity investments in such companies may perform poorly.

Market Disruption and Geopolitical Risk

A Fund is subject to the risk that war, terrorism, pandemics and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Fund's investments. These events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Fund's investments.

Cash and Other Investments

A Fund may invest all or a portion of their assets in cash or cash items for investment purposes, pending other investments or as provision of margin for derivatives contracts. These cash items must be of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Adviser. A Fund may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by a Fund at the time of investment.

Special Purpose Acquisition Companies

A Fund may invest in special purpose acquisition companies (each, a “SPAC”), which are publicly traded companies formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more operating businesses that are typically not publicly-listed. Investments in SPACs are speculative and involve a high degree of risk. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire a target company by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in “blank check” companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC will likely only complete one business combination, which will cause its returns and future prospects to be solely dependent on the performance of a single acquired business, (v) the value of any target company, including its stock price as a public company, may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made.

Other Instruments and Future Developments

A Fund may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized “synthetic” or derivative investments in the future. In addition, a Fund may take advantage of opportunities with respect to certain other “synthetic” or derivative instruments which are not presently contemplated for use by a Fund or which are currently not available, but which may be developed to the extent such opportunities are both consistent with a Fund’s investment objective and legally permissible for the Fund. Special risks may apply to a Fund’s investments in synthetic and derivative instruments in the future.

Portfolio Turnover

The investment strategy of a Fund may require the Adviser or its affiliates to actively trade a Fund’s portfolio, and as a result, turnover and brokerage commission expenses of a Fund may significantly exceed those of other investment entities of comparable size.

Basis Risk

Certain of the Funds invest in both bonds and credit default swaps across different capital structures or within the same capital structure. While the Adviser believes bonds and credit default swaps typically move in a correlated fashion, there is no guarantee that this relationship will hold at all times. Should a Fund’s bond and credit default swap positions diverge or fail to converge toward the Adviser’s expectations, the Fund may incur a loss.

Convergence Risk

A Fund may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying a Fund's trading positions were to fail to converge toward, or were to diverge further from, the Adviser's expectations, a Fund may incur a loss.

Interest Rate Risk

"Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

This risk will be greater for long-term securities than for short-term securities. The Adviser may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Adviser will be successful in fully mitigating the impact of interest rate changes. Furthermore, when interest rates rise, repayments of fixed income securities may occur more slowly than anticipated, extending the effective duration of these fixed income securities at below market interest rates and causing their market prices to decline. This may cause the values of securities held by a Fund to be more volatile.

Certain of the securities in which the Funds invest are fixed-rate debt or similar securities or instruments, and therefore will decline in value when interest rates rise. Investors should consider this in light of recently rising inflation as the U.S. Federal Reserve has recently raised interest rates and many economists expect that it will raise interest rates even further. Also, because the value of real estate and certain other assets often declines when interest rates rise, the value of some of the collateral underlying the securities in which a Fund invests may decline at the same time as the securities themselves. Therefore, rising interest rates could substantially reduce the value of a Fund's investments and the price the Fund would receive if it tried to dispose of such investments. The Funds may enter into interest rate transactions, including but not limited to interest rate swaps and caps. Depending on the state of interest rates in general, a Fund's use of interest rate transactions could enhance or harm the overall performance of the Fund.

Inflation

The U.S. and other developed economies have recently begun to experience higher than normal inflation rates. It remains unclear whether substantial inflation in the U.S. and other developed economies will be sustained over an extended period of time or have a significant effect on the U.S. or other economies. Inflation and rapid fluctuations in inflation rates have in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging

economies. For example, if a portfolio company is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Portfolio companies may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangements. As inflation rises, a portfolio company may earn more revenue but incur higher expenses. As inflation declines, a portfolio company may not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. In an attempt to stabilize inflation, countries may impose wage and price controls or otherwise intervene in the economy. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Some countries have historically experienced substantial rates of inflation. Past governmental efforts to curb inflation have also involved more drastic economic measures that have had a materially adverse effect on the level of economic activity in the countries where such measures were employed. Certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on a Fund's returns.

LIBOR and Other "IBOR" Rates

The London Interbank Offered Rate ("LIBOR") and other inter-bank lending rates and indices (together with LIBOR, the "IBORs") are the subject of ongoing national and international regulatory reform. Most but not all LIBOR settings are now transitioned to alternative near risk-free rates ("RFRs"). This followed an announcement in 2017 by the UK Financial Conduct Authority that the sustaining of LIBOR by the expert judgement of panel banks could not continue indefinitely, initiating the process to transition LIBOR to the RFRs.

From January 1, 2022, most LIBOR settings ceased to be published. The remaining, most liquid U.S. dollar LIBOR settings ceased to be published after June 30, 2023 (though use of U.S. dollar LIBOR in most contracts entered into after December 31, 2021 is also restricted). On November 16, 2021, the Financial Conduct Authority ("FCA") confirmed it will allow the temporary use of 'synthetic' sterling and yen LIBOR rates in all legacy LIBOR contracts (other than cleared derivatives) denominated in the relevant currencies until the end of 2022. This followed the announcement by the FCA on September 29, 2021 of its decision relating to a fair, transparent and appropriate way of calculating synthetic LIBOR, for the purposes of approximating what LIBOR might have been had it not been subject to permanent cessation and therefore remained available for use by market participants in their contracts.

For the most part therefore, it is expected that many new financing arrangements entered into by the Funds, their affiliates or their Portfolio Companies will therefore likely reference an RFR as the applicable interest rate. The RFRs are conceptually and operationally different from LIBOR: for example, overnight rate RFRs may only be determinable on a 'backward' looking basis and therefore are only known at the end of an interest period, whereas LIBOR is a 'forward' looking rate. Moreover, certain RFRs (such as SOFR for U.S. dollar debt) are not well established in the market, and all RFRs remain novel in comparison to LIBOR, which has only recently been discontinued as described above. There consequently remains some uncertainty as to what the economic, accounting, commercial, tax and legal implications of the use of RFRs will be and how they will perform over significant time periods, particularly as market participants are still becoming accustomed to the use of such benchmarks. As a result, it is still possible that the use of

RFRs may have an adverse effect on the Funds and therefore investors. For example, the efficacy of new financing arrangements entered into by the Funds or a portfolio company may be less than expected or desired, which could reduce the returns available to investors.

Investors should be aware that there may be difficulties with transitioning an existing financing arrangement from LIBOR to the applicable RFR. Such difficulties could adversely impact the Funds and therefore investors. For example, there may be delays or failures in meeting the conditions to amend such a financing arrangement and there may be mismatches if the reference rate cannot be remediated or if a hedge related to such financing arrangement and the financing arrangement itself cannot be transitioned to the same RFR at the same time. The potential impact of wider conceptual and operational differences between LIBOR and RFRs, as described above, would also likely apply to remediation of these contracts in due course. In addition, higher borrowing costs may apply to the Funds' and/or its portfolio company's (as applicable) financing arrangements following the transition to RFRs.

Therefore, prospective investors should be aware that Fund is likely to bear (directly and, through the exposures of its Portfolio Companies, indirectly) additional costs and expenses in relation to LIBOR discontinuation and the use of RFRs. Given the relative novelty of the use of RFRs in financial markets (as discussed in further detail above), the exact impact of the use of the RFRs remains to be seen. Further, to the extent that a Fund, an affiliate or a portfolio company does enter into a LIBOR-linked financing arrangement, there may be further costs or other adverse effects incurred by the Partnership in relation to remediation of these to RFRs in due course.

Non-Disclosure of Positions

In an effort to protect the confidentiality of its positions, certain Funds generally will not disclose all of their positions to their investors on an ongoing basis, although the Adviser, in its sole discretion, may permit such disclosure on a select basis to certain investors, if it determines that there are sufficient confidentiality agreements and procedures in place.

Risk of Energy Investments

Certain Funds invest in companies in the energy industry. The following paragraphs in this subsection apply to those Funds. These risks may be more pronounced for those Funds that concentrate their investments in the energy industry.

Energy Investments - Regulatory Risks

Certain Funds invest in companies in the energy industry. Companies in the energy industry are subject to federal, state and local laws and regulations regarding issues of health, safety, climate change and protection of the environment. Under these laws and regulations, the companies in which a Fund may invest and/or provide financing, and indirectly a Fund, may become liable for penalties, damages or costs of remediation or other corrective measures. Any changes in laws or government regulations could increase the costs of doing business for the companies in which a Fund invests and/or provides financing, which may be subject to stringent federal, state and local laws and regulations relating to, among other things, protection of natural resources, wetlands, endangered species, the environment, health and safety, waste management, waste disposal and transportation of waste and other materials. Such operations pose risks of environmental liability,

including leakage from operations to surface or subsurface soils, surface water or groundwater. Some environmental laws and regulations may impose strict liability, joint and several liability, or both. Therefore, in some situations, the companies in which a Fund invests and/or provides financing could be exposed to liability as a result of their conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, third parties without regard to whether such companies caused or contributed to the conditions. Actions arising under these laws and regulations could result in the shutdown of such companies' operations, fines and penalties, expenditures for remediation or other corrective measures, and claims for liability for property damage, exposure to hazardous materials, exposure to hazardous waste or personal injuries. Sanctions for noncompliance with applicable environmental laws and regulations also may include the assessment of administrative, civil or criminal penalties, revocation of permits, temporary or permanent cessation of operations in a particular location and issuance of corrective action orders. Such claims or sanctions and related costs could cause the companies in which a Fund invests and/or provides financing to incur substantial costs or losses and could have a material adverse effect on their business, financial condition, results of operations and cash flows. Additionally, an increase in regulatory requirements on oil and gas exploration and completion activities could significantly delay or interrupt such companies' operations. In particular, companies in which a Fund invests and/or provides financing could become subject to legislative and regulatory initiatives relating to hydraulic fracturing, which could result in increased costs and additional operating restrictions, delays or prohibitions on production of natural gas using hydraulic fracturing. Additionally, various state governments and regional organizations are considering enacting new legislation and promulgating new regulations governing or restricting hydraulic fracturing or the emission of greenhouse gases from stationary sources such as equipment and operations.

Energy Investments - Development Risks

A Fund may invest in and/or provide financing to projects and facilities at an early stage of development, involving risks of failure to obtain or substantial delays in obtaining: (i) regulatory, environmental or other approvals or permits; (ii) financing; and (iii) suitable equipment supply, operating and offtake contracts. These projects involve additional uncertainties, including the possibility that the projects may not be completed, operating licenses may not be obtained, and permanent financing may be unavailable. Further, there is no assurance that these projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

Energy Investments - Operating Risk

A Fund may invest in and/or provide financing to operating facilities. Operation of such facilities involves certain operational risks, which include: the possibility of performing below expected levels of output, availability or efficiency; interruptions in fuel or other necessary supplies; increases in the cost of fuel or other necessary supplies; pipeline disruptions; power shutdowns; breakdown or failure of equipment or processes; accidental discharges of hazardous materials; labor disputes; changes in law; failure to obtain or maintain necessary governmental permits; or catastrophic events such as fires, earthquakes, lightning, explosions, hurricanes, tornados, floods or similar occurrences affecting a facility in which a Fund has invested and/or provided financing or its purchasers, suppliers or transporters. In addition, investments in energy companies or facilities may involve, among other risks, (i) the risk that such company or facility is unable to obtain desirable amounts of insurance at economic rates; (ii) the risk that the technology

employed in an energy project will not be effective or efficient; and (iii) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels. Significant oil and gas deposits are located in emerging markets countries where corruption and security may raise significant risks, in addition to the other risks of investing in emerging markets.

Energy Investments - Volatility of Prices

The success of a Fund's investments in the energy sector, and specifically investments in oil and gas companies, will be substantially dependent upon the market prices for oil and natural gas, both worldwide and in North America. Historically, the markets have been volatile and such volatility may continue to recur in the future. Various factors beyond the control of market participants will affect prices of oil and natural gas, including: the worldwide and North American supplies of oil and natural gas; the ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree to and maintain oil prices and production controls; political instability, terrorist acts or armed conflict in oil or natural gas producing regions or involving transportation facilities; the price and level of oil and natural gas imported from non-North American countries; the level of consumer demand generally, and the rate of growth of demand for oil in China, India and other developing economies; the price, availability and acceptance of alternative fuels; the availability of pipeline capacity; weather conditions; governmental regulations, price controls and taxes; and the overall economic environment.

Energy Investments - Exploration and Production Risks

Certain companies in which a Fund invests engage in the exploration and production ("E&P") of oil and natural gas. E&P companies are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. Reductions in prices for crude oil and natural gas can cause continued production from a given reservoir to cease being economical earlier than it would if prices were higher, resulting in the plugging and abandonment of, and cessation of production from, that reservoir. In addition, lower commodity prices not only reduce revenues but also can result in substantial downward adjustments in reserve estimates. The accuracy of any reserve estimate is a function of the quality of available data, the accuracy of assumptions regarding future commodity prices and future exploration and development costs and engineering and geological interpretations and judgments. Different reserve engineers may make different estimates of reserve quantities and related revenue based on the same data. Actual oil and gas prices, development expenditures and operating expenses will vary from those assumed in reserve estimates, and these variances may be significant. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. In addition, results from drilling, testing and production and changes in prices after the date of reserve estimates may result in downward revisions to such reserve estimates. Substantial downward adjustments in reserve estimates could have a material adverse effect on a given E&P company's financial position and results of operations and could result in acceleration of result-based loans or defaults thereunder. Actual amounts produced from such reserves may similarly vary. In addition, due to natural declines in reserves and production, E&P companies must economically find or acquire and develop additional reserves in order to maintain and grow their revenues and distributions.

Energy Investments - Drilling, Exploration, Development and Mining Risks

A Fund may invest in companies that engage in oil and gas exploration and development, a speculative business involving a high degree of risk. Oil and gas drilling may involve unprofitable and unsuccessful efforts. Companies engaged in oil and gas exploration and development may expend significant amount of capital drilling in wells that do not produce oil or gas, or in wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Additionally, if multiple rounds of drilling are undertaken before oil or gas is located or produced, the investment may be carried at little or no value, may face increased borrowing costs or trigger lending covenants, and may produce lower returns on an aggregate or an IRR basis. Acquiring, developing and exploring for oil and natural gas involve many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failure and other accidents in completing wells and otherwise, cratering, sour gas releases, pipeline failures, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, release of toxic or otherwise hazardous substances, fires, explosions, spills and other environmental, health and safety risks. Additionally, mining of coal or metals is subject to inherent risks including unexpected equipment or maintenance problems, variations in geological conditions, natural disasters, underground mine floodings, environmental, health and safety hazards, industrial accidents, explosions caused by the ignition of coal dust or other explosive materials at mine sites and fires caused by the spontaneous combustion of coal and, in certain cases, periodic labor unrest.

The risks and hazards inherent in the oil and gas industries, some of which are enumerated above, have the potential of causing widespread and catastrophic environmental disasters. Such disasters could materially and adversely harm the companies in which a Fund invests that are directly or indirectly responsible for causing or exacerbating such disasters or the industry as a whole. In addition to the economic costs resulting from such disasters that the energy companies may have to bear through liability for third-party losses or the cessation or suspension of operations (which amounts could be greater than aggregate commitments, with respect to a Fund), such disasters could cause severe reputational damage to such companies or the industry as a whole.

Energy Investments - Midstream Energy Investment Risks

Investments in companies owning, controlling or investing in midstream energy assets, including oil and gas pipelines and terminals, are subject to a variety of risks not necessarily associated with other types of energy investments. Such risks may include: (i) the risk that the market for the refined products gathered by, transported on and stored in the midstream assets held by companies in which a Fund invests may decline due to a reduction in downstream customer base or end-user demand; (ii) the risk that the land on which midstream assets held by companies in which a Fund invests are located will not be owned by such portfolio company or its affiliates, and therefore will be subject to risks associated with obtaining and maintaining necessary land use rights, contracts and permits from unrelated third parties; (iii) the risk that the Federal Energy Regulatory Commission ("FERC") may regulate tariff rates for interstate movements of oil and gas on the pipeline systems held by companies in which a Fund invests in a manner that adversely affects the profitability of a Fund's investments in such companies; (iv) the risk that, even if FERC permits an increase in tariff rates charged on the pipeline systems held by companies in which a Fund invests, competition from other pipeline systems may prevent such companies from doing so; (v) the risk that any reduction in the capacity of interconnecting third-

party pipelines due to testing, line repair, reduced operating pressures or other causes may result in a reduction of oil and gas volumes transported on pipelines or stored in terminals held by portfolio companies in which a Fund invests, thereby potentially adversely affecting the profitability of a Fund's investments in such companies; (vi) the risk that refined oil and gas products and other hydrocarbons transported on and stored in the midstream assets held by companies in which a Fund invests may be released into the environment, which could cause such companies to be required to make substantial expenditures for responsive action or government-imposed penalties, to be liable to government agencies or private parties for natural resources damages, personal injury or property damages, and to be subjected to significant business interruption; and (vii) the risk that, as a result of their ownership or control of or investment in regulated assets such as pipelines, companies in which a Fund invests may be subject to unfavorable rulings imposed by regulatory authorities.

Energy Investments - Natural Resources; Minerals; Commodity Risk

A Fund may make investments in natural resource companies, including mining companies, the business activities of which involve significant risk. Natural resource companies usually have limited production, marketing, and financial resources and are, therefore, more vulnerable to the adverse impact of competition and changes in market conditions. Other risk factors to be considered in resource exploration, extraction and distribution include price fluctuations in the minerals and metals markets, political events, fluctuations in exchange rates, extraction rates and costs, possible claims of indigenous peoples, natural disasters, protests by environmental groups, mine reclamation requirements, eco-terrorism, continuity of mineable reserves, changes in market demand and supply for commodities, changes in technology reducing competitiveness, environmental liability, availability of essential infrastructure, labor relations, industrial accidents and reclamation obligations.

Exploration programs for natural resources may not result in exploration success. Mineral exploration by its nature is a high-risk endeavor, and consequently, there can be no assurance that exploration by companies, or any other projects that may be acquired in the future, will result in discovery of an economic mineral deposit. Should a discovery be made, there is no guarantee that it will be commercially viable.

Additionally, minerals and mining industries have become subject to increasing environmental responsibility, liability and regulation. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. Such risks may result in liability to the companies in which a Fund invests, which may adversely affect a Fund's performance.

The companies in which a Fund may invest may be subject to commodity price risk, including, without limitation, the price of oil and the price of gas. The operation and cash flows of the companies in which a Fund invests will depend, in substantial part, upon prevailing market prices for power, oil, gas and other natural resources. These market prices may fluctuate materially depending upon a wide variety of factors, including, without limitation, weather conditions, market supply and demand, force majeure events, changes in law and a variety of additional factors that are beyond the control of a Fund.

Energy Investments - Renewable Energy Risks

A Fund may invest in companies that participate in renewable energy projects. The market for renewable energy is rapidly evolving, and its future success is uncertain. If the demand or political support for renewable energy products fails to develop sufficiently (including as a result of changes in market conditions, such as a decrease in the price of fossil fuels), or changes in state or federal subsidies, companies' investments in renewable energy projects may be adversely affected. While renewable energy projects currently enjoy, in general, widespread support from many federal, state and local governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support will have an adverse effect on the development and progress of the renewable energy market. Many renewable energy projects rely heavily on incentives that support the sale of energy generated from renewable sources, including state-adopted "Renewable Portfolio Standard" programs in the United States and similar programs in other countries, which vary among states and such other jurisdictions, but generally require utilities to provide a minimum percentage or base amount of electricity from specified renewable energy sources for a given period of time. There can be no assurance that such incentive programs will continue. In addition, certain investments may be dependent on weather and other climate conditions. For example, solar power generators rely on the frequency and intensity of sunlight, wind turbines upon the frequency and intensity of the wind, and companies focused on biomass rely on the production of crops, which can be adversely affected by droughts and other weather conditions.

Oil and Gas Risks

Investments in the oil and gas industry are subject to certain risks, including, without limitation, (i) environmental risks, (ii) risks associated with increased or new legislation, particularly with respect to (a) hydraulic fracturing, (b) the risk of substantial loss of capital due to cost overruns, (c) delays, (d) dry holes, (e) fires, (f) explosions and (g) other disasters associated with oil and gas production (including production through hydraulic fracturing), (iii) risks associated with relying on third parties to develop and operate the projects in which certain Funds invest, (iv) the risk of substantial fluctuations in commodity prices, (v) the risk of decreased supply of oil or natural gas reserves, and (vi) the risk of reduced demand for oil and gas (whether due to conservation measures, advances in fuel economy, consumer demand for alternatives to oil and gas, or other causes).

Real Estate Investments

Certain of the Funds invest in real estate, either directly or indirectly through real estate related securities. The following paragraphs in this sub-section apply to those Funds. These risks may be more pronounced for those Funds that concentrate their investments in the real estate industry.

Risks of Investing in Real Estate and Real Estate Securities

Certain of the Funds invest in real estate, either directly or indirectly through real estate related securities. Those Funds will usually invest in a real estate asset on a passive basis, giving a third-party operating partner and/or property manager a large degree of authority and responsibility for daily management of the assets. A Fund may also invest a portion of their assets in a concentrated portfolio of real estate securities. A Fund may, in large part, be dependent on the ability of third parties to successfully operate the underlying real estate assets. In the event that a Fund invest in

real estate with a joint venturer or partner, the Fund may be unable to exercise sole decision-making authority (including determining when to liquidate such assets) and will be subject to the risk that a joint venturer or partner will act negligently or in a manner contrary to the Fund's best interest. Movements in the overall real estate market due, for example, to changes in property values, cyclical changes in the economy, vacancies of rental properties, overbuilding, environmental liabilities, changes in local laws, changes in property taxes, changes in the Code, or changes in interest rates could adversely impact a Fund. In addition, the real estate securities in which a Fund may invest are potentially subject to the impact of leverage at both the property and entity levels. For example, a Fund may invest in real estate operating properties which are highly leveraged (through both on and off balance sheet financing). There is no assurance that there will be a ready market for resale of investments because investments in real-estate-related assets generally are not liquid. Illiquidity may result from the absence of an established market for the investments, as well as from legal or contractual restrictions on their resale by a Fund.

Non-U.S. Real Estate Securities

Certain of the Funds invest in the securities of real estate companies domiciled outside the United States, some of which may have substantial holdings of U.S. real estate assets. To the extent they do so, a Fund will be subject to numerous factors related to conducting business in foreign countries, any of which could have a significant impact on a Fund's operations. Laws (particularly real estate and securities laws) and regulations, accounting and financial reporting standards, and general investor access to information in such countries may be different than in the United States and provide less protection to investors.

Risks of Investments in Hard Assets

Certain of the Funds invest in hard assets such as aircraft, rail cars, ships, power plants, distribution networks, toll roads, other infrastructure assets and various types of machinery and equipment. These investments are subject to risks – destruction, loss, terrorist attacks, industry-specific regulation (e.g., pollution control regulation), operating failures, labor relations, etc. – that typically may not be present with respect to other investments a Fund may make. In addition, the regulation of such assets is extensive and variable, and a Fund's commitment to certain of such assets (e.g., if such Fund were to invest in a power plant) could be wholly illiquid for long periods of time.

Mortgage Trust Risk

An investment in certain of the Funds will involve exposure to real estate assets, including without limitation multi-family mortgage loans presently owned by Freddie Mac and targeted for securitization ("Mortgage Assets"), as well as the risks associated with investments in the Mortgage Assets and serving as Directing Certificateholder with respect to certain trusts issuing the Mortgage Assets (each a "Trust"). Purchasers of interests in such Funds will not hold interests in a Trust and will have no direct interest in a Trust, will have no voting or consent rights in the Trust and will have no standing or recourse against the Trust or its sponsors or their respective affiliates or any of their respective general partners, investment advisors, officers, directors, employees, partners or members. There can be no assurance that the Trust will achieve its investment objective. Investors in such Funds are subject to the risk of each Trust.

Mortgage-Backed Securities Generally

Certain of the Funds invest in mortgage-backed securities (“MBS”), which are securitized debt obligations, typically issued in senior and subordinated classes and structured with various forms of credit enhancements. The yield and payment characteristics of MBS differ from traditional debt securities. Interest and principal prepayments are made more frequently, usually monthly, over the life of the mortgage loans and principal generally may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time. MBS are therefore subject to prepayment risk. In particular, faster or slower prepayments than expected on underlying mortgage loans can increase volatility and dramatically alter the yield to maturity of an MBS, and early repayment of principal on some MBS may expose a Fund to a lower rate of return upon reinvestment of principal. It is also possible that the marketability of interest-only tranches of MBS will be affected by interest rate fluctuations.

The value of most MBS, like traditional debt securities, tends to vary inversely with changes in interest rates. When interest rates rise, the value of MBS generally will decline; however, when interest rates decline, the value of MBS with prepayment features may not increase as much as other fixed income securities because prepayment of mortgage loans tends to accelerate during periods of declining interest rates. Alternatively, during periods of rising interest rates, the average life of certain types of MBS may be extended because of slower than expected principal payments. This could, in effect, result in locking in a below-market interest rate, increasing the security’s duration and reducing the value of the security. Extension risk may be heightened during periods of adverse economic conditions generally, as payment rates decline due to higher unemployment levels and other factors.

A Fund may invest in MBS that are subordinate in right of payment and rank junior to other securities. Investments in subordinated MBS involve greater credit risk of default than is applicable to the senior classes. Many of the default-related risks of mortgages will be magnified in subordinated securities. Default risks may also be further pronounced in the case of MBS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans.

In the past, developments in the market for many types of mortgage products (including MBS) have resulted in substantially reduced liquidity for these assets. Although this reduction in liquidity has typically been most acute with regard to sub-prime assets, in the past there has been an overall reduction in liquidity across the credit spectrum of mortgage products, and similar developments in the future could have an adverse impact on certain of the Funds’ MBS investments.

In addition, MBS are subject to risks relating to mortgage loans and real estate assets, which are described elsewhere in these Risk Factors. In particular, the value of MBS may be substantially dependent on the servicing of the underlying asset pools and are therefore subject to risks associated with the fraud or negligence by, or defalcation of, their servicers. In certain circumstances, the mishandling of related documentation may also affect the rights of certificateholders in and to the underlying collateral.

Repackaged Securities

A Fund may repackage certain of the securities constituting the real estate assets. Repackaged securities are typically structured using an entity that acquires securities of one or more issuers (the “underlying MBS”) through the secondary market and/or in private transactions and then sells certificates representing interests in the underlying MBS. Investments in repackaged securities are subject to many of the same risks applicable to investments in the Trust as described herein, as well as risks associated with the underlying mortgage loans, issuer, and their underlying securities.

Real Estate Loans

The value of the real estate underlying the mortgage loans in which a Fund may invest is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in real estate values increase the probability of default on the mortgage loans, as the incentive of the borrower to retain equity in the property declines. Loans may become nonperforming for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt service payments), the property is poorly managed, or because the mortgaged property has a high vacancy rate, has not been fully completed or is in need of rehabilitation. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments, and a substantial write-down of the principal of the loan.

Of paramount concern in the purchase of certificates representing interests in loans secured by real estate is the possibility of material misrepresentation or omission on the part of the borrower or seller. Such inaccuracy or incompleteness may adversely affect the valuation of the real estate underlying the loans or may adversely affect the ability of the lender to perfect or effectuate a lien on the real estate or other collateral securing the loan. Under certain circumstances, payments to a Fund may be reclaimed if such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Under environmental laws, owners of property may be liable for the clean-up and removal of hazardous substances even where the owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. The kinds of hazardous substances for which liability may be incurred include, inter alia, chemicals and other materials commonly used by small businesses and manufacturing operations. The costs of removal and clean-up of hazardous substances and wastes can be extremely expensive and, in some cases, can exceed the value of a property. In addition, the presence of hazardous substances may adversely affect an owner’s ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of an underlying property becomes liable for removal costs, the ability of the owner to make debt payments may be reduced, which in turn may materially adversely affect the value of the relevant instruments held by a Fund. Similarly, real estate is subject to loss due to special hazards such as floods, earthquakes and hurricanes. It may be impractical or impossible to fully insure against such hazards.

Commercial Mortgage-Backed Securities (“CMBS”)

Certain of the Funds invest in a variety of CMBS, which may include subordinate securities that are subject to the first risk of loss if any losses are realized on the underlying mortgage loans. CMBS entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of commercial or multifamily mortgage loans. Consequently, CMBS will be adversely affected by payment defaults, delinquencies and losses on the underlying commercial real estate loans. Furthermore, if the rental and leasing markets deteriorate, it could reduce cash flow from the loan pools underlying our CMBS investments. The CMBS market is dependent upon liquidity for refinancing and will be negatively impacted by a slowdown in the new issue CMBS market.

Additionally, CMBS is subject to particular risks, including lack of standardized terms and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. Additional risks may be presented by the type and use of a particular commercial property. The exercise of remedies and successful realization of liquidation proceeds relating to CMBS may be highly dependent upon the performance of the servicer or special servicer. Expenses of enforcing the underlying commercial real estate loans (including litigation expenses) and expenses of protecting the properties securing the commercial real estate loans may be substantial. Consequently, in the event of a default or loss on one or more commercial real estate loans contained in a securitization, we may not recover a portion or all of our investment.

B-Notes and Mezzanine Loans

Certain Funds originate or invest in B-Notes and mezzanine loans, which may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to such Funds.

A Fund may sell or retain the B-Notes from whole loans it originates. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-Note owners after payment to the A-Note owners. However, since each transaction is privately negotiated, B-Notes can vary in their structural characteristics and risks. For example, the rights of holders of B-Notes to control the process following a borrower default may be limited in certain investments. A Fund cannot predict the terms of each B-Note investment. Further, B-Notes often are secured by a single property, and so reflect the increased risks associated with a single property compared to a diversified pool of loans and properties securing a B-Piece investment. B-Notes also are less liquid than CMBS; thus, a Fund may be unable to dispose of under-performing or non-performing investments.

Certain Funds originate mezzanine and other subordinate loans, which take the form of subordinate loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than a long-term senior mortgage loan secured by income-producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, a Fund may not have full recourse to the assets of the property

owning entity, or the assets of the entity may not be sufficient to satisfy such Fund's loan. If a borrower defaults on a Fund's mezzanine or subordinate loan, or in the event of a borrower bankruptcy, that Fund's loan will be satisfied only after the senior debt is paid in full. As a result, such Fund may not recover some or all of its initial expenditure. In addition, mezzanine loans may have higher loan-to-value ratios than first mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to a Fund's mezzanine loans may adversely affect such Fund's performance and may limit such Fund's ability to pay distributions.

Payment-In-Kind ("PIK") Interest Risk

Certain of the Funds may hold investments that result in PIK interest. PIK interest creates the risk that incentive fees will be paid to the Adviser based on non-cash accruals that ultimately may not be realized, while the Adviser will be under no obligation to reimburse the Funds for these fees. PIK interest has the effect of generating investment income at a compounding rate, thereby further increasing the incentive fees payable to the Adviser. Similarly, all things being equal, the deferral associated with PIK interest also increases the loan-to-value ratio at a compounding rate. The market prices of PIK securities generally are more volatile than the market prices of interest-bearing securities and are likely to respond to a greater degree to changes in interest rates than interest-bearing securities having similar maturities and credit quality. Because PIK interest results in an increase in the size of the PIK securities held, a Fund's exposure to potential losses increases when a security pays PIK interest.

More generally, investing in private companies involves a number of significant risks, including that they: may have limited financial resources and may be unable to meet their obligations under their debt securities that the Funds hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Adviser realizing any guarantees the Adviser may have obtained in connection with an investment; have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns; are more likely to depend on the management talents and efforts of a small group of persons, and therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company; generally have less predictable operating results; may from time to time be parties to litigation; may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, the Adviser and its employees may, in the ordinary course of business, be named as defendants in litigation arising from the Adviser's investments in the portfolio companies; may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

Commercial Real Estate Debt Investments

Certain of the Funds hold (or through investments in CMBS are exposed to) commercial real estate debt or commercial real estate securities. Commercial real estate debt investments are generally secured by a lien on multi-family or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss can be greater than similar risks associated with

residential mortgage loans that are secured by single-family residential property. Special risks are presented by hospitals, nursing homes, hospitality properties and certain other property types. The ability of a borrower to repay a loan secured by an income-producing property is dependent primarily upon the successful operation of such property, rather than upon the liquidation value of the underlying real estate. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Furthermore, the net operating income from and value of any commercial property are subject to various risks. Net operating income of an income-producing multi-family property can be affected by, among other things: property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances. A multi-family property may not readily be converted to an alternative use in the event that the operation of such property for its original purpose becomes unprofitable. In such cases, the conversion of the property to an alternative use would generally require substantial capital expenditures and may not be possible due to zoning covenants, restrictions or agreements. The liquidation value of any such multi-family property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such multi-family property were readily adaptable to other uses.

A Fund's commercial real estate debt portfolio may include loans made to developers to construct prospective projects. The primary risks to such Fund of construction loans are the potential for cost overruns, the developer's failing to meet a project delivery schedule and the inability of a developer to sell or refinance the project at completion in accordance with its business plan and repay the commercial real estate loan due to declining real estate values. These risks could cause such Fund to have to fund more money than originally anticipated in order to complete the project. Such Fund may also suffer losses on its commercial real estate debt if the developer is unable to sell the project or refinance the commercial real estate debt investment.

Real Estate Debt Restructurings

A Fund may need to restructure its commercial real estate debt investments if the borrowers are unable to meet their obligations and the Adviser believes restructuring is the best way to maximize value. In order to preserve long-term value, a Fund may lower the interest rate on commercial real estate debt investments in connection with a restructuring, which will have an adverse impact on the Fund's net interest income. Such Fund may also determine to extend the time to maturity and make other concessions with the goal of increasing overall value but there is no assurance that the results of its restructurings will be favorable to it. It may lose some or all of its investment even if it restructures in an effort to increase value.

A Fund may be unable to restructure loans in a manner that maximizes value, particularly if such Fund is one of multiple creditors in a large capital structure. In the current environment, in order to maximize value a Fund may be more likely to extend and work out a loan, rather than pursue foreclosure. However, in situations where there are multiple creditors in large capital structures, it

can be particularly difficult to assess the most likely course of action that a lender group or the borrower may take and it may also be difficult to achieve consensus among the lender group as to major decisions. Consequently, there could be a wide range of potential principal recovery outcomes, the timing of which can be unpredictable, based on the strategy pursued by a lender group and/or by a borrower. These multiple creditor situations tend to be associated with larger loans. If a Fund is one of a group of lenders, such Fund may be a lender on a subordinated basis, and may not independently control the decision making. Consequently, such Fund may be unable to restructure a loan in a manner that would maximize value.

Defaults and Foreclosures on Mortgage Loans; Eminent Domain

Certain of the Funds originate or make investments in loans, or securities backed by loans, that may be at the time of their acquisition, or may become after acquisition, non-performing loans. In the event of any default under a loan directly held by a Fund or a loan underlying a security held by a Fund, the Fund will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and any unpaid principal and accrued interest of the loan, which could have a material adverse effect on the Fund's cash flow from operations. Other non-performing loans may require workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the original principal amount of such loans. Further, even if a restructuring were successfully accomplished, unless the restructuring provided for full amortization on or prior to maturity and the borrower strictly complied with that restructuring, a risk exists that upon maturity of such loans, replacement financing will not be available and such loans may not be repaid. In the event of the bankruptcy of a borrower, the loan to that borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), the lien securing the loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law, and realizing any value under such circumstances can be an expensive and lengthy process that could have a substantial negative effect on the anticipated return on the loan and on the security backed by such loan.

If defaulted loans are purchased by a Fund, it is possible that the Adviser may find it necessary or desirable to foreclose on collateral securing one or more investments in loans purchased by the Fund. The foreclosure process can be expensive and lengthy (which could have a substantial negative effect on a Fund's anticipated return on the foreclosed mortgage loan), and may be adversely affected by the operation of state law governing the foreclosure process as well as other creditor's rights provided in the governing loan instruments. Inadequate documentation of loans or assignments of loans and erroneous or incomplete record keeping with respect to loans that were formerly securitized in loan pools may impair the Adviser's ability to foreclose on collateral securing loans. Borrowers often resist foreclosure actions by asserting numerous claims, including lender liability claims, and may also file for bankruptcy at any time during the foreclosure process. The foreclosure process also tends to create a negative public image of the collateral property and may result in the disruption of ongoing leasing and management of the property. A Fund's involvement in the foreclosure process may also expose the Fund and/or its affiliates to negative publicity, adverse public sentiment, regulatory scrutiny or legal disputes, which may adversely impact the Fund and its anticipated investment program.

Certain states in which the collateral securing a Fund's commercial real estate debt and securities is located may have laws that prohibit more than one judicial action to enforce a mortgage obligation, requiring the lender to exhaust the real property security for such obligation first or limiting the ability of the lender to recover a deficiency judgment from the obligor following the lender's realization upon the collateral, in particular if a non-judicial foreclosure is pursued. These statutes may limit the right to foreclose on the property or to realize the obligation secured by the property.

Also, in the past, mortgage loan originators have experienced serious financial difficulties or bankruptcy. The foregoing, as well as simultaneous reduced investor demand for mortgage loans and mortgage-related securities and increased investor yield requirements, have, in the past, caused limited liquidity in the secondary market for mortgage-related securities, which has adversely affected the market value of mortgage-related securities. Should similar developments occur in the future, a Fund's mortgage loans and other investments backed by mortgage loans could be correspondingly adversely affected.

A number of local governments are considering or may consider using eminent domain to seize property underlying a Fund's commercial real estate debt investments and forgive principal on the loans. Such seizures, if they are successful, could result in losses and write-downs relating to a Fund's real estate investments and other investments backed by mortgage loans (i.e., MBS), and could increase a Fund's credit losses. These actions and others that state and local governments may pursue in the future could have an adverse effect on a Fund's business, results of operations, financial condition and net worth.

Future Advance Obligations

Certain Funds may be subject to risks associated with future advance obligations, such as declining real estate values and operating performance. A Fund's commercial real estate debt portfolio may include loans that require the Fund to advance future funds. Future funding obligations subject such Fund to significant risks that the property may have declined in value, projects to be completed with the additional funds may have cost overruns and the borrower may be unable to generate enough cash flow, or sell or refinance the property, in order to repay the commercial real estate loan due. The Adviser could determine that a Fund needs to fund more money than originally anticipated in order to maximize the value of its investment even though there is no assurance that additional funding would be the best course of action.

Risks Associated with Servicers

In addition to risks associated with attempting to predict default and recovery rates on mortgages that a Fund may acquire or to which it otherwise has exposure, the creditworthiness, servicing practices and viability of the servicers of such mortgages are also significant risks. The servicer may be required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the

delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee.

Illiquidity and unpredictability in these markets make it difficult to determine whether such servicers have sufficient capital and adequate staffing levels to fulfill their servicing obligations and the extent to which such servicers are subject to regulatory risks and risk of error. A number of originators and servicers of mortgage loans have in the past experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings. Such financial difficulties may have a negative effect on the ability of servicers to pursue collection on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on sale of underlying properties following foreclosure.

A Fund may also be exposed to these and other risks to the extent it has a financial interest in a servicer or otherwise engages in servicing activities. While a Fund may utilize (or replace existing servicers with) affiliated servicers, there can be no assurance that any such affiliated servicer will be successful or will have a positive impact on the Fund's performance.

Violations of Various Federal, State and Local Laws May Result in Losses on Mortgage Loans

Violation of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may limit the ability of a Fund, servicers and/or their affiliates to collect all or part of the principal of, or interest on, commercial mortgage loans and, in addition, could subject a Fund, servicers and/or their affiliates to damages and administrative enforcement.

Pools of Loans

In connection with the acquisition of whole or other loans, a Fund may be required to purchase other types of mortgage assets as part of an available pool of mortgage assets in order to acquire the desired loans. These other mortgage assets may include mortgage assets that subject a Fund to additional risks. Acquisition of less desirable mortgage assets may impair the performance of a Fund and reduce returns (if any) to investors.

Ownership of Real Estate

A Fund may come to hold indirect interests in real estate that are substantially illiquid or that are declining in value, or both. The ownership of such real estate interests may have adverse tax consequences for certain investors in a Fund and the holding and disposition of such interests may involve additional costs to a Fund. Any real estate indirectly owned by a Fund will be subject to various risks, including: adverse changes in national and local economic and market conditions; changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances; costs of remediation and liabilities associated with environmental conditions; costs or losses associated with personal injury or other civil liability associated with the property; and the potential for uninsured or under-insured property losses. If any of these or similar events occur, it could significantly reduce a Fund's return from affected properties or investments.

Changes in Prepayment Rates

Changes in prepayment rates could reduce the value of mortgage loans directly held by a Fund or underlying a security held by a Fund.

Syndication of Co-Investments

From time to time, a Fund may make an investment with the expectation of offering a portion of its interests therein as a co-investment opportunity to investors and/or other third-party investors. There can be no assurance (i) that a Fund will be successful in syndicating such co-investment, in whole or in part, (ii) that the closing of such co-investment will be consummated in a timely manner, (iii) that the syndication will take place on terms and conditions that will be preferable for a Fund or (iv) that expenses incurred by a Fund with respect to such syndication will not be substantial. If a Fund is not successful in syndicating such co-investment, in whole or in part, a Fund may consequently hold a greater concentration and have more exposure in the related investment than initially was intended (and/or the expenses associated therewith (such as expenses incurred in connection with the proposed transfer and offering of co-investment), including if the portfolio investment and/or co-investment does not close), which could make a Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Conversely, syndications of investments to co-investors and/or other third-party investors may result in a Fund investing less than it otherwise would have in the related investments. In addition, the Fund will generally remain liable for all of the obligations and/or liabilities (including, but not limited to, customary indemnity obligations and undertakings pursuant to purchase and sale agreements or similar agreements) incurred in connection with the acquisition of a portfolio investment, notwithstanding the fact that a portion of such portfolio investment has been syndicated to co-investors. Moreover, an investment by a Fund which is not syndicated to co-investors as originally anticipated could significantly reduce a Fund's overall investment returns.

In addition, a Fund may exceed certain investment and diversification threshold limits if it reasonably expects to reduce syndicate and reduce any portfolio investment per the above to lower such limits within a certain period of time. However, if this expectation is not realized, for example, because it cannot sell, assign or successfully close a participation in the investment, or market changes make it imprudent to sell, assign or offer participations, a Fund may retain such investments at the higher limit for an indeterminate period of time.

Originated Investments

Certain Funds intend to seek to originate certain investments. Loan origination involves a number of particular risks that may not exist in the case of secondary debt purchases, including that when originating loans, the the Adviser will generally have to rely more on its own resources and assessments to conduct due diligence of the borrower, which may be different or more limited than the diligence conducted for a broadly syndicated transaction involving an underwriter. Originators of loans may be entitled to certain rights and fees not available to secondary purchasers of loans. Loan origination may involve additional regulatory risks and expenses, given the requirement to hold a license for certain types of lending in some jurisdictions, which may be applicable to the Funds, the Adviser or their affiliates. Loan origination may involve additional regulatory risks given the requirement to hold a license for certain types of lending in some jurisdictions or additional

disclosure requirements. In certain circumstances, originators of a loan may be subject to risks as an originator if a Fund has sold a participation to other persons.

Certain Funds intend to originate certain investments and later syndicate a portion of one or more investments to other Funds or third parties, with similar strategies, or other co-investment or similar vehicles. Furthermore, as part of its investment strategy, certain Funds intend to seek to acquire loans originated by third parties, which are expected to include other Funds. A Fund's ability to acquire loans originated by others will depend both on the ability of such third parties to originate loans and the Fund's ability to acquire access to evaluate and determine whether to purchase such loans and the value at which to acquire such loans, including from other Funds. The investment periods, mandates and investment restrictions of such other Funds, may limit the ability of certain Funds to acquire loans from other Funds. In addition, in originating and purchasing loans, a Fund may compete with a broad spectrum of lenders, some of which may have greater financial resources than do the Fund. Increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors. Such competition may therefore reduce the number of investments that a Fund can originate or that third parties, which may include one or more other Funds, have available for syndication to others. Not having this potential source of investments could adversely affect a Fund.

Prior to any syndication of such loans by a Fund, or if such syndication is not successful, a Fund's exposure to the originated investment may exceed the exposure that the Fund intends to have over the long-term or would have had if it had purchased such investment in the secondary market rather than originating it. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies, particularly companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing a Fund's loans or the prospects for successful repayment or a successful reorganization or similar action and there is also no guarantee that the value at which such a loan is syndicated by a Fund or acquired by a Fund (in accordance with the Adviser's valuation policies and procedures) will ultimately be the value that could have been achieved if such loan was sold to a third party or that it would be sold at greater than its cost basis.

Risk of Investments in Litigation-Related Funding

Selecting investments in litigation-related funding involves an assessment of the ability of the defendant to pay a judgment or award if the case is successful. If the defendant is unable to pay or the plaintiff or defendant seeks to challenge the validity of the investment on legal or professional ethics grounds, the Funds and, in the case of loans to law firms, law firms (as the case may be) may encounter difficulties collecting their contractually agreed share of litigation recoveries from plaintiffs selling such interests or lawyers with which such law firms has a co-counsel relationship. There can be no guarantee that cases in which the Fund invest, either directly or through loans to law firms, will be successful. In addition, the cases in which the Funds directly invests or finances through loans may take considerable time (whether because of appeals or otherwise) or result in a distribution of cash, new security or other assets, the value of which may be less than the investment made by the Funds.

Contingent Liabilities

A Fund may, from time to time, incur contingent liabilities in connection with an investment. For example, a Fund may acquire a revolving credit or delayed draw term facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Fund will be obligated to fund the amounts due. There can be no assurance that a Fund will adequately reserve for such contingent liabilities and that such liabilities will not have an adverse effect on a Fund.

In connection with the disposition of a Fund's investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. A Fund also may be required to indemnify the purchasers of the Fund's investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in the incurrence of contingent liabilities for which the general partners may establish reserves or escrows. In that regard, investors may be required to return amounts distributed to them to fund a Fund's obligations, including indemnity obligations, subject to certain limitations set forth in the Fund's organizational documents.

CLOs, Other Related Investments and Risk Retention

Certain Funds invest in interests in collateralized loan obligations ("CLOs"). A Fund may invest in a significant portion of the subordinated debt or preferred equity tranche, commonly known as the "equity," of a CLO whose investment portfolio is managed by the Adviser or its affiliates. A Fund may also invest in various tranches of more senior debt securities issued by CLOs managed by the Adviser or its affiliates, as well as in various tranches of securities issued by CLOs managed by third parties. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts of interest.

The subordination of the more junior tranches of CLO securities makes such CLO securities a leveraged investment in the assets of the relevant CLO. Use of leverage is a speculative investment technique and involves certain risks to investors. Although the use of leverage generally magnifies CLO equity's (and, indirectly, a Fund's) opportunities for gain, it also magnifies risk of loss as well as financing expenses. Returns to a Fund on any holding of a CLO security will depend on the amount of such leverage and on changes in interest rates, delinquencies and losses on the underlying assets. As a result, a Fund may receive payments in respect of any investment in a CLO security that are, in the aggregate, less than the original amount of its investment in such CLO security. A Fund will depend on payments and distributions from CLOs out of cash flows to enable a Fund to make distributions to investors. The ability of such CLOs to make payments and distributions will depend on the extent to which payments are made on their portfolio assets and, among other things, on the terms and conditions of the indentures governing the relevant CLO securities. For example, tests (based on overcollateralization, interest coverage or other financial ratios) may restrict a Fund's ability, as holder of such a CLO's securities, to receive cash flow from these investments. There is no assurance any such performance tests will be satisfied. Also, such vehicles may take actions that delay distributions in order to preserve ratings. Consequently, there may be a lag, which could be significant, between the repayment or other realization on a loan or other assets in such a vehicle and the distribution of cash out of a CLO, or cash flow may be completely restricted for the life of the CLO. Holders of the more senior debt tranches of such a vehicle will often receive current payments of principal and interest at times when the factors

enumerated above preclude payments and distributions to a Fund to the extent that it holds some or all of the more junior debt and equity tranches of such CLO. In addition, a decline in the credit quality of a portfolio investment due to poor operating results of the relevant borrower or issuer, declines in the value of the collateral supporting such portfolio investment and increases in defaults, among other things, may force such vehicles to sell certain assets at a loss, reducing their earnings and, in turn, cash potentially available for payment or distribution to a Fund for distribution to the investors.

The CLO securities held by certain Funds may be subordinate to other CLO securities issued by such CLO and to other creditors of such CLO. To the extent that any losses are incurred by the CLO in respect of any collateral, such losses will be borne first by the holders of the CLO equity, and next by the most junior tranches of CLO debt. The CLO equity interests that a Fund may hold would not be secured by the CLO's assets and no person or entity other than the CLO is required to make any distributions on the equity interests. To the extent that the CLO incurs any losses in respect of any collateral, such losses will be borne first by a Fund as a holder of common or preferred shares or other equity interests. The assets held by private CLOs are often less liquid than the assets held by other types of CLOs. This characteristic may increase the risk that the proceeds of a private CLO's assets will be insufficient to fund a return of a Fund's investment when the private CLO is liquidated.

In some cases, a vehicle may use a relatively short-term credit facility or a derivative transaction (often known as a "warehouse") to finance the acquisition of loans and other assets until a sufficient quantity of assets is accumulated to permit the issuance of securities by a CLO. Certain Funds may provide debt or equity financing in connection with such warehouses. Warehouse investments may decline in value prior to the closing of the applicable CLO, and, in the event that a CLO for which a Fund provides warehouse financing is unsuccessful at raising permanent capital, there can be no assurance that the value of the warehouse investments upon liquidation will meet or exceed the amount that such Fund and any senior lenders are providing in warehouse financing. The short term focus of warehouse investments increases the risk to a Fund that an adverse change in prevailing interest rates or interest rate spreads could prevent a CLO from raising capital and could adversely affect the value of the warehouse assets at the time that they are liquidated. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts of interest.

In addition to investing in CLO securities, a Fund may invest in entities that qualify as eligible risk retainers ("Risk Retention Vehicles") with respect to third-party CLO issuers. Risk retention requirements are relatively new regulatory developments and still uncertain in certain cases but will likely require a Risk Retention Vehicle to hold certain credit risk for all or most of the life of the CLO issuer, such that a Fund's investments may be highly illiquid, redemption and re-sale rights are expected to be very limited and there is no guarantee a Fund will receive a return of its capital or the net asset value of its investment. A Fund's investment is expected to be a minority investment with little or no ability to influence the activities of such Risk Retention Vehicle. There is no guarantee that any Risk Retention Vehicles in which a Fund will invest will satisfy the applicable risk retention requirements or that such requirements or regulatory interpretations thereof may not change over time or would not require actions on the part of the Risk Retention Vehicle that are ultimately adverse to the value of such Fund's investment. By investing in any entity that provides management services and serves as a risk retainer to CLO issuers, a Fund would be indirectly

exposed to the contractual and other expenses, liabilities and obligations, including with respect to regulatory actions, that such entity has assumed in providing such services to the applicable CLO issuers.

EU and UK Risk Retention Requirements

In Europe, the United Kingdom and elsewhere there is increased political and regulatory scrutiny of the securitisation market. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold such positions.

In particular, investors should be aware of the requirements imposed in the European Economic Area under Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation. Similar requirements apply in the UK as the UK on-shored the European Union's regime by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020). References below to the "Securitisation Regulation" should be understood as referring to both the EU and the UK regime as applicable.

The Securitisation Regulation imposes, amongst other things, "risk retention rules" that restrict a relevant investor from investing in a securitisation unless: (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including the position of its notes in the relevant priorities of payment, the underlying assets and (in certain circumstances) the relevant sponsor or originator; and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures (the "Risk Retention Requirement"). Failure to comply with one or more of the requirements may result in various penalties including, in certain circumstances, the imposition of a penal capital charge on the notes acquired by the relevant investor.

Investments by certain Funds which involve the tranching of credit risk associated with an exposure or pool of exposures are likely to be treated as "securitisations" under the Securitisation Regulation. If such investments are "securitisations" for the purposes of the Securitisation Regulation, the sponsor or originator of the transaction may be required to satisfy the Risk Retention Requirement. The requirements of the Securitisation Regulation could increase the costs of such investments for the Fund. Further, the range of investment strategies and investments that the Fund is able to pursue may be limited by the Securitisation Regulation because such investments are not compliant with the Securitisation Regulation.

The Securitisation Regulation may be subject to change, or its application or interpretation may change. Such changes may adversely affect certain of the Funds, including that certain of the Funds may dispose of such investments when it would not otherwise have determined to do so or at a price that is not as advantageous as it would have otherwise have been. To the extent that there is any lack of clarity regarding the application of such regulations to investments made by a Fund, there may be risks to a Fund of non-compliance, including because the Adviser's interpretation of the regulations is ultimately not the same as a regulatory authority's interpretation of the regulations. Prospective

investors should consult with their own legal, accounting, regulatory advisors and/or their own regulators to determine whether, and to what extent, the information set out in this Memorandum and in any investor report provided in relation to this offering is sufficient for the purpose of satisfying any of their obligations under the applicable Securitisation Regulation, and such investors are required to independently assess and determine the sufficiency of the information for such purpose. Prospective investors are themselves also responsible for monitoring and assessing changes to the Securitisation Regulation, and any regulatory capital requirements applicable to the investor, including any such changes introduced through the Securitisation Regulation. In addition, prospective investors should be aware that whilst there are currently no material deviations between the EU and the UK respective regimes for the Securitisation Regulation, deviations may evolve in the future and this may impose additional compliance costs on the Funds.

Business Development Companies

Certain Funds invest in BDCs. BDCs generally invest in less mature U.S. private companies or thinly traded U.S. public companies which involve greater risk than well-established publicly-traded companies. Some BDCs expect to generate income in the form of dividends and other BDCs, during certain periods of time, may not generate such income. A Fund will indirectly bear its proportionate share of any management fees and other operating expenses incurred by any BDC in which it invests and of any performance-based or incentive fees payable by the BDCs in which it invests, in addition to the expenses of the BDC. These fees and expenses would be in addition to the Advisory Fees, Incentive Allocation and expenses of a Fund. A BDC's incentive fee may vary from year to year and be payable even if the value of the BDC's portfolio declines in a given time period. Incentive fees may create an incentive for a BDC's manager to make investments that are risky or more speculative than would be the case in the absence of such compensation arrangements, and may also encourage the BDC's manager to use leverage to increase the return on the BDC's investments. These limitations on asset mix and leverage may affect the way that the BDC raises capital. The use of leverage by BDCs magnifies gains and losses on amounts invested and increases the risks associated with investing in BDCs. A BDC may make investments with greater risk of volatility and loss of principal than other investment options and may also be highly speculative.

A Fund and the Adviser may be restricted or may determine it is not in the interests of such Fund, the Adviser or its affiliates to acquire over certain threshold amounts of a single BDC or related BDCs due to certain provisions and requirements of the 1940 Act applicable to affiliates of a BDC.

Certain BDCs may be difficult to value since many of the assets of BDCs do not have readily ascertainable market values. Therefore, such assets are most often recorded at fair value, in good faith, in accordance with valuation procedures adopted by such companies, which may potentially result in material differences between a BDC's net asset value ("NAV") per share and its market value. In addition, historically, many BDCs have traded at a discount to their NAV. To qualify and remain eligible for the special tax treatment accorded to regulated investment companies ("RICs") and their shareholders under the Internal Revenue Code of 1986, as amended (the "Code"), BDCs must meet certain source-of-income, asset diversification and annual distribution requirements. If a BDC in which a Fund invests fails to qualify as a RIC, such BDC would be liable for federal, and possibly state, corporate taxes on its taxable income and gains. Such failure by a BDC could substantially reduce the BDC's net assets and the amount of income available for distribution to a Fund, which would in turn decrease the total return of a Fund. Furthermore, to the extent the BDC invests in portfolio companies and instruments, or industries, sectors or geographies in which a

Fund is also invested directly or indirectly through other means, such Fund's concentration in such portfolio companies, instruments, industries, sectors or geographies may be greater than the Adviser anticipates. A Fund's investment restrictions will apply on direct purchases by such Fund, but not with respect to indirect purchases made by any BDC.

Business and Regulatory Risks of Private Investment Funds

Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect such Fund. The regulatory environment for private investment funds and their investment advisers is evolving, and changes in the regulation of private investment funds or their investment advisers may adversely affect the value of investments held by a Fund and the ability of a Fund to obtain the leverage it might otherwise obtain or to pursue its trading strategies. Additionally, changes in regulation may make it prudent to restructure one or more Funds and the Funds will bear the cost of any such restructuring. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are 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 modification by government and judicial action. In addition, regulators are increasingly considering the role of non-bank lenders. There is no guarantee that laws and regulations applicable to non-bank lenders will not change in a manner that adversely affects a Fund, including the ability of a Fund to originate loans or otherwise restrict a Fund's activities in this regard, or otherwise restrict or materially increase the cost of business to a Fund of pursuing all potential investment strategies and options.

Cybersecurity Risks

The Adviser, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, systems used by the Adviser or a Fund's service providers may be vulnerable to damage or interruption from malware, network failures, computer or telecommunication failures, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Additionally, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Adviser, the Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Adviser's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause a Fund, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance and

remediation costs or financial loss. In addition, the Adviser or a Fund may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation.

Similar types of operational and technology risks are also present for the companies in which the Funds invests, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

Environmental, Social and Governance Factors

The Adviser generally considers Environmental, Social and Governance ("ESG") factors when making investments and managing Fund investments, consistent with and subject to any applicable legal, regulatory, fiduciary or contractual duties. ESG factors, issues and considerations vary greatly based on numerous criteria, including, but not limited to, country, industry, investment strategy, and issuer-specific/investment-specific characteristics. Consideration of ESG factors may cause a Fund not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of such ESG factors. Additionally, ESG factors are only some of the many factors the Adviser may consider in making an investment, and there is no guarantee that the Adviser will make investments that directly or indirectly create positive ESG impact or that consideration of ESG factors will enhance long-term value and financial returns for investors. Similarly, in evaluating an investment, the Adviser often depends upon information and data provided by the issuer or company or obtained via third-party reporting or advisors, which may be incomplete or inaccurate and could cause the Adviser to incorrectly assess the company's ESG practices and/or related risks and opportunities.

ESG considerations and responsible investing practices as a whole are evolving rapidly and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers. Therefore, the Adviser's approach to ESG considerations may not align with the approach used by other asset managers or preferred by prospective investors or with future market trends. The Adviser does not intend to independently verify certain of the ESG information reported by the portfolio companies. Further, the Adviser may determine in their discretion that it is not feasible or practical to implement or complete certain of its ESG initiatives based on cost, timing or other considerations. To the extent the Adviser engages with portfolio companies on ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the financial or ESG performance of the investment.

There is also growing regulatory interest, particularly in the United States, United Kingdom ("UK") and European Economic Area ("EEA"), in improving transparency around how asset managers, among others, define, measure and disclose impact of ESG factors on the performance of any Fund, account or client. The Adviser's ESG considerations could become subject to additional regulation in the future, and the Adviser cannot guarantee that its current approach will meet future regulatory requirements. Lastly, the Adviser's ESG programs, policies and procedures may change over time.

On the other hand, anti-ESG sentiment has also gained momentum across the United States, with several states having enacted or proposed "anti-ESG" policies, legislation or issued related legal opinions. For example, (i) boycott bills in certain states target financial institutions that are

perceived as “boycotting” or “discriminating against” companies in certain industries (e.g., energy and mining) and prohibit state entities from doing business with such institutions and/or investing the state’s assets (including pension plan assets) through such institutions, and (ii) ESG investment prohibitions in certain states require that relevant state entities or managers/administrators of state investments make investments based solely on “pecuniary factors” without considering ESG factors. If investors subject to such legislation viewed the Funds’ or the Adviser’s ESG considerations as being in contradiction of such “anti-ESG” policies, legislation or legal opinions, such investors may not invest in the Funds and the Adviser’s ability to maintain the size of the Funds could be impaired. Alternatively, such investors may seek confirmation that the Adviser’s ESG practices are consistent with such state requirements as a condition to their investment in the Funds. The Adviser expects to consider ESG as applicable and appropriate in furtherance of maximizing financial returns and the investment objectives of the Funds, and may rely on the diligence and other information prepared by the Adviser internally as well as by potential counterparties and other third parties generally and without regard to whether particular ESG factors may have been considered in such material’s preparation.

Accordingly, the Adviser and its Affiliates are expected to be subject to competing demands from different investors and other stakeholder groups with divergent views on ESG matters, including the role of ESG in the investment process. This divergence increases the risk that any action or lack thereof with respect to ESG matters will be perceived negatively by at least some potential stakeholders and could adversely impact the Adviser’s reputation. If the Adviser and its Affiliates do not successfully manage ESG-related expectations across the varied interests of its stakeholders, including existing or potential investors, the Fund’s ability to access and deploy capital may be adversely impacted. In addition, a failure to successfully manage ESG-related expectations may negatively impact the Adviser’s business, erode stakeholder trust and constrain investment opportunities.

The Alternative Investment Fund Managers Directive and the Alternative Investment Fund Managers Regulations

The Alternative Investment Fund Managers Directive (2011/61/EU) (the “Directive”) imposes requirements on alternative investment fund managers, such as the Adviser, which market alternative investment funds (including certain of the Funds) to professional investors who are domiciled or have a registered office in the European Economic Area (“EEA”). Following its departure from the EU, the UK has retained the Directive by virtue of the European Union (Withdrawal) Act 2018 and the Alternative Investment Fund Managers (Amendment) (EU Exit) Regulations 2018 (“UK AIFM Law”). The UK AIFM Law regulates AIFMs established in the UK that manage or market AIFs, and non-UK AIFMs that market AIFs within the UK.

The Directive and the UK AIFM Law impose additional disclosure and reporting requirements in relation to certain of the Funds and their portfolio investments, compliance with which may involve additional costs, as well as restrictions on early distributions or reductions in capital in respect of EEA and UK portfolio companies which may result in additional costs and may limit the use of certain investment and realization strategies (such as dividend recapitalization and reorganizations).

It should be noted that certain requirements common to both the Directive and the UK AIFM Law, and the interpretation thereof, remain uncertain, and may be subject to change as a result of the issuance of any further national and/or EEA or UK guidelines with respect to the Directive and the

interpretation thereof and national implementing legislation in relevant EU member states or the UK.

The Sustainable Finance Disclosure Regulation

The EU's Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (as amended from time to time, the "SFDR") sets out certain ESG and sustainability disclosure requirements for alternative investment fund managers undertaking fund management activities or marketing fund interests to investors within the EEA.

The SFDR, along with other sustainability and ESG requirements that may, in the future, be imposed by other jurisdictions in which the Adviser does business and/or in which a Fund is marketed, may result in additional compliance costs, disclosure obligations or other implications or restrictions on the Adviser, its affiliates or the Fund, including the requirement to capture information or data about the Fund or its investments and undertake a periodic assessment of the principal adverse impacts of the Fund impact on sustainability factors. Additionally, the Adviser or its affiliates may be required to classify itself or a Fund against certain ESG criteria, some of which can be open to subjective interpretation. The Adviser's view on the appropriate classification may develop over time, including in response to statutory or regulatory guidance or changes in industry approach to classification. A change to the relevant classification may require further actions to be taken, for example it may require further disclosures by the Adviser or a Fund or it may require new processes to be set up to capture data about a Fund or its investments, which may lead to additional cost to be borne by a Fund. Additionally, the classification of a Fund into a certain ESG category may make it more difficult for a Fund to raise its targeted amount of capital commitments as such classification may not reflect the beliefs or values of a particular investor in the manner of which another classification otherwise would.

Risks Resulting from the United Kingdom's Exit from European Union

In late December 2020, the EU and the UK reached agreement on an EU-UK Trade and Cooperation Agreement ("FTA"). The FTA governs the trading relationship between the UK and the EU from and after January 1, 2021. Broadly, the FTA provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, but is subject to both parties maintaining a level playing field in areas such as environmental protection, social and labor rights, investment, competition, state aid and tax transparency. Notwithstanding zero tariffs and zero quotas, market access for those firms that trade in goods will fall below what the single market previously allowed. Non-tariff barriers, customs declarations, customs checks, restrictions on movements of employees, withdrawal of recognition of previously recognized professional qualifications, changes in the status of the UK for tax purposes, etc., and other sources of friction have the potential to impair the profitability of a business, require it to adapt or even relocate.

It will take some time to observe the many and varied effects on businesses of the consequences of the UK leaving the single market and customs union (taking into account the flow of goods and services in both directions). Given the size and global significance of the UK's economy, uncertainty, at least in the near term, about the effect of the FTA on the day-to-day operations of those businesses that either engage in the trade of goods or provision of services within the EU may be a continued source of currency fluctuations or have other adverse effects on international markets, international trade and other cross-border cooperation arrangements. Any prolonged

uncertainty could adversely affect the Fund, the performance of a Fund's investments and its ability to fulfill its investment objectives (especially if its investments include, or expose it to, UK businesses that have historically relied on access to the single market or have historically relied on sourcing goods, materials or labor from the single market, or to EU businesses that have historically relied on exports to the UK). EU and UK Risk Retention Requirements

Risk retention and due diligence requirements (the "EU and UK Risk Retention Rules") apply to various types of investor regulated in the EU and UK, including credit institutions and investment firms (and certain consolidated affiliates of such credit institutions and investment firms), alternative investment fund managers that manage or market alternative investment funds in the EU or the UK, insurance and reinsurance undertakings, undertakings for collective investment in transferable securities (UCITS) and, where relevant, their management companies and certain occupational pension schemes or their authorized fund managers (together, "Affected Investors"). The EU and UK Risk Retention Rules are contained in Regulation (EU) 2017/2402 (the "EU Securitisation Regulation") and the EU Securitisation Regulation, as it forms part of UK domestic law by virtue of the EU (Withdrawal) Act 2018 (as amended), subject to amendments made by the Securitisation (Amendment) (EU Exit) Regulations 2019 (SI 2019/660), (the "UK Securitisation Regulation", and, together with the EU Securitisation Regulation, the "Securitisation Regulations").

Amongst other things, such requirements restrict an investor who is subject to the EU and UK Risk Retention Rules from investing in securitizations, unless the investor has verified: (i) in the case of certain originators and original lenders, the credit-granting criteria of the originator or original lender in respect of the relevant securitization; (ii) that the originator, sponsor or original lender in respect of the relevant securitization (the "Risk Retention Holder") retains, on an ongoing basis, a material net economic interest of not less than 5% in respect of certain specified credit risk tranches or securitized exposures and has disclosed such risk retention to investors; and (iii) generally speaking, that the originator, sponsor or securitization special purpose entity (or issuer) has made available certain information to investors. The investor must also be able to demonstrate that it has undertaken certain due diligence in respect of various matters including but not limited to (a) its note position, (b) the underlying assets, and (c) the structural features of the securitization that can materially impact the performance of the note position. Risk Retention Holders must hold the retained material net economic interest throughout the life of the securitization, and may not enter into any arrangement designed to mitigate the credit risk in relation thereto.

Investments by a Fund which involve the tranching of credit risk associated with an exposure or pool of exposures are likely to be treated as "securitizations" under the EU and UK Risk Retention Rules. The originator, sponsor or original lender of the transaction (which could be a Fund or the Advisor), if such investments involve Affected Investors or where the originator, sponsor or original lender is established in the EU or UK, may be required to act as the Risk Retention Holder. This could increase the costs of such investments for a Fund and, where it acts as the Risk Retention Holder, reduce the Fund's liquidity and prevent the Fund from entering into any credit risk mitigation in respect of such investments.

The Securitisation Regulations impose a direct retention obligation on originators, sponsors and original lenders of securitizations. Failure by the originator, sponsor or original lender to comply with this retention obligation under the EU Securitisation Regulation could result in criminal

sanctions and fines of up to 10% of total annual turnover (calculated on a consolidated basis). Any contravention of an applicable requirement of the UK Securitisation Regulation may be addressed by the relevant regulator exercising its general enforcement powers, which are wide-ranging and may include public censure and/or the imposition of financial penalties. The Securitisation Regulations do not explicitly provide for sanctions for failure by an Affected Investor to comply with the due diligence requirements, although sanctions or other adverse implications, including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge, may apply under the relevant sectoral EU and UK legislation governing the Affected Investor. Prospective investors should be aware that the range of investment strategies and investments that a Fund is able to pursue may be limited by the Securitisation Regulations, and that there may be other adverse consequences for investors and their capital investments in a Fund as a result of the EU and UK Risk Retention Rules, which apply under the Securitisation Regulations.

Private Funds Rules and Other Recent SEC Rulemaking

In August 2023, the SEC voted to adopt previously proposed new rules and amendments to existing rules under the Advisers Act (collectively, the “Private Funds Rules”) specifically related to investment advisers and their activities with respect to private funds they advise. In particular, the Private Funds Rules will, among other changes, impose required quarterly reporting by private funds to investors concerning detailed information on performance, investments, adviser-compensation, fees and expenses, capital inflows and capital outflows; require registered investment advisers to obtain an annual audit for all private funds that meets the requirements of the existing Advisers Act custody rule; require registered investment advisers to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); restrict advisers from engaging in certain practices unless they satisfy certain disclosure requirements and, in some cases, consent requirements, which practices include, without limitation, charging regulatory or compliance fees or expenses, or fees or expenses associated with an examination, of the Adviser or its related persons to private fund clients, seeking reimbursement for certain investigation-related expenses, reducing the amount of a general partner’s clawback by actual, potential or hypothetical taxes applicable to a general partner, borrowing from a private fund, making a non-pro rata fee or expense allocations; restrict advisers from engaging in certain forms of preferential treatment to private fund investors related to liquidity and information rights if they would be reasonably expected to have a material negative effect on other investors and otherwise require advisers to make certain disclosures regarding preferential treatment of investors; and prohibit an adviser from having a private fund bear the costs of any fees or expenses related to an investigation resulting in a court or governmental authority imposing a sanction for violating the Advisers Act. The Private Funds Rules also impose additional requirements on advisers to document their annual compliance reviews in writing and retain additional required books and records relating to private funds they advise. Although the legality of the Private Funds Rules is currently being challenged in federal court, it is uncertain whether this challenge will succeed.

While the full impact of the Private Funds Rules cannot yet be determined, it is generally anticipated that these rules will have a significant effect on private fund advisers and their operations, including by increasing regulatory and compliance costs and burdens and heightening the risk of regulatory inquiries and action (including public regulatory sanctions). The Funds are expected to bear, directly or indirectly, certain regulatory and compliance costs relating to the

Private Funds Rules, which could include, without limitation, fees, costs and expenses incurred in connection with preparing and distributing to investors the quarterly statements required by the rules, soliciting and obtaining from investors any consents required by the rules, providing investors with any notices or disclosures required by the rules and obtaining and distributing to investors fairness or valuation opinions in connection with adviser-led secondary transactions (including fees paid to third parties engaged by the Adviser or a Fund to perform or assist with such actions or processes), which fees, costs and expenses could be expected to be material.

In May 2022, the SEC proposed amendments to rules and reporting forms to promote consistent, comparable, and reliable information for investors concerning investment advisers' incorporation of ESG factors (the "ESG Proposed Rule"). The ESG Proposed Rule seeks to categorize certain types of ESG strategies broadly and requires advisers to both provide census data in Form ADV Part 1A and provide more specific disclosures in adviser brochures based on the ESG strategies they pursue. In addition, the SEC has also recently proposed other new rules and rule amendments under the Advisers Act in respect of ESG categorization, reporting and transparency for private investment funds, the safeguarding of client assets, cybersecurity risk governance, the outsourcing of certain functions to service providers, changes to Regulation S-P and the use of predictive data and associated conflicts of interest. The SEC has also proposed numerous, and adopted certain, new and amended rules that would apply to market participants that the Adviser and its Affiliates regularly interact with, including broker dealers.

The Private Funds Rules, and the ESG Proposed Rule and other proposed rules, to the extent adopted, are expected to result in material alterations to how the Adviser operates its business and/or the Funds, as well as the Adviser's implementation of the Funds' investment strategy, to significantly increase compliance burdens and associated costs (which, to the extent permitted under the Partnership Agreement and consistent with applicable law, including the Private Funds Rules (once they become effective), will be treated as fund expenses) and complexity and to possibly restrict the ability to receive certain expense reimbursements in certain circumstances. This, in turn, may increase the need for broader insurance coverage by fund managers and increase such costs and expenses charged to the Funds and their investors, if permitted. In addition, these amendments could increase the risk of exposure of the Funds, their general partners, and the Adviser to additional regulatory scrutiny, litigation, censure and penalties for noncompliance or perceived noncompliance, which in turn would be expected to adversely (potentially materially) affect the Adviser and the Funds' reputations and to negatively impact the Funds in conducting their businesses. There can be no assurance that the Private Funds Rules and any other new SEC rules and amendments will not have a material adverse effect on the Adviser, the general partners, the Funds, the Funds' Investments and/or their investors, or that such rules or amendments will not materially reduce returns to the Funds' investors.

U.S. Federal Income Tax Reform

In 2017, major tax reform legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Reform Act") was signed into law. Among the numerous changes included in the Tax Reform Act were (i) a permanent reduction to the corporate income tax rate, (ii) a partial limitation on the deductibility of business interest expense, (iii) a new maximum tax rate for individuals receiving certain business income from "pass-through" entities, (iv) a partial shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with a transitional rule which taxes certain historic accumulated earnings and rules which prevent tax

planning strategies which shift profits to low-tax jurisdictions) and (v) the suspension of certain miscellaneous itemized deductions, including deductions for investment fees and expenses, until 2026. The impact of the Tax Reform Act on an investment in the Fund is uncertain. Additional major tax reform legislation was proposed by President Biden in May 2021, portions of which were adopted in 2022.

Changes to the tax laws, with or without retroactive application, could materially and adversely affect a Fund or its investors. A Fund cannot predict how changes in the tax laws might affect the Fund or its investors. New legislation, U.S. Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect a Fund or its investors. For example, under current law, a substantial portion of any carried interest may be treated as short-term capital gain or ordinary income, each taxed at ordinary income rates for U.S. federal income tax purposes. Current law (or future legislation, including legislative proposals to tax all or substantially more carried interest at ordinary income rates for individuals with income over a certain threshold) could adversely affect employees or other individuals performing services for the Funds who hold direct or indirect interests in their general partners and benefit from carried interest, which could make it more difficult for the Adviser and its Affiliates to incentivize, attract and retain individuals to perform services for the Funds.

Prospective investors should consult their own tax advisors regarding potential changes in tax laws.

Recent Developments in the Banking Sector

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, recent events in the U.S. and European banking sectors have caused uncertainty regarding the financial condition of various financial services companies, and fear of instability in the global financial system generally. On March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation (“FDIC”) was appointed as receiver. On March 12, 2023, Signature Bank (“Signature”) was closed by the New York State Department of Financial Services and the FDIC was appointed as receiver. On the evening of March 12, 2023, Secretary of the Treasury Janet L. Yellen, Federal Reserve Board Chair Jerome H. Powell, and FDIC Chairman Martin J. Gruenberg released a joint statement assuring that depositors at SVB and Signature will be made whole, and any losses to the FDIC’s Deposit Insurance Fund used to support depositors above the FDIC-insured limit will be recovered by a special assessment on banks. Later in March, the FDIC entered into a purchase and assumption agreement with Flagstar Bank, National Association, for substantially all deposits and certain loan portfolios formerly held by Signature. The FDIC also entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company for all deposits and loans formerly held by SVB, subject to a loss-share agreement. On May 1, 2023, First Republic Bank (“First Republic”) was closed and the FDIC was appointed as receiver by California regulators. Concurrently, the FDIC announced that JPMorgan Chase Bank, N.A. would assume all of First Republic’s deposits and substantially all of its assets subject to a loss-share agreement with the FDIC. Depositors and other customers of smaller and/or regional banks have experienced, and may continue to

experience, significant challenges and uncertainty regarding access to banking products and services, including with respect to the availability of such customers' deposits, lines of credit and other accounts and banking relationships. In addition, certain financial institutions, in particular smaller and/or regional banks or other financial institutions, have experienced volatile stock prices and significant losses in their equity value, and there is concern that depositors at these institutions have withdrawn, or will withdraw in the future, significant sums from their deposit accounts.

Should similar extraordinary events continue to occur, there is risk that more of these smaller and/or regional banks, or other financial institutions, may become in danger of default and/or face a risk of closure, receivership or other government intervention. Should additional banks be closed by governmental authorities, placed into receivership or conservatorship, or otherwise require government intervention, there is no assurance that the FDIC will guarantee uninsured depositors at any other financial institution. Even without additional bank closures, uncertainty caused by recent bank failures – and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. The recent developments may also have other implications for broader economic and monetary policy, including interest rate policy, and may impact the financial condition of banks and other financial institutions outside of the United States. For the foregoing reasons, there can be no assurances that conditions in the banking sector and in global financial markets will not worsen and/or adversely affect the Fund, its portfolio investments or their respective financial performance.

Prior to their closure, SVB and Signature provided significant banking services to the private equity and real estate industries. It is not currently known whether, and to what extent, their respective successor banks will continue to provide comparable banking services to the private equity and real estate industries.

Any future failure of other banks or financial institutions would be expected to result in significant uncertainty as to whether the failed bank (under FDIC receivership or conservatorship), or any successor institution (such as a bridge bank or other acquirer) will be able or willing to honor new draw requests under their existing credit facilities in which they are the sole lender or a syndicate lender. If any of the financial institutions that hold the Fund's deposits were to be placed in receivership by the FDIC or otherwise fail, the Fund may be unable to access such funds. In addition, if any parties with whom the Fund conducts business are unable to access deposited funds or other funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to the Fund or to enter into new arrangements requiring additional payments to the Fund could be materially adversely affected.

To the extent any troubled financial institutions default on their obligation to fund their loan commitments, in the short term the business operations of their borrowers may be limited or suspended due to the lack of liquidity. In the longer term, such borrowers may look to refinance away from defaulting lenders, which may introduce additional or new risks to these institutions. Given the magnitude of such banks' and other financial institutions' loan portfolios, there can be no guarantee that other financial institutions have the capacity to provide replacement financing in a timely manner, if at all.

Simultaneously with the recent events in the U.S. banking sector, and as a result of depositary outflows and other existential issues, the Swiss Financial Market Supervisory Authority intervened in the collapse of Credit Suisse Group AG, one of the global systemically important banks, brokering its partial sale to UBS Group AG on March 19, 2023. There is a risk that other financial institutions could undergo significant depositary outflows as a result of contagion disconnected from market fundamentals or for other reasons, and it is unclear what steps regulators would take, if any, in the event of further bank closures or continuing (or increasing) market distress.

For the foregoing reasons, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect the Funds or one or more of their investments or their overall performance.

Data Protection

Laws and regulations related to privacy, data protection and information security could increase costs, and a failure to comply with applicable laws and regulations could result in fines, sanctions or other penalties. The Funds and their portfolio companies are subject to regulations related to privacy, data protection and information security in jurisdictions in which they conduct business. As these regulations are implemented, interpreted and applied, compliance costs may increase. Complying with various existing, proposed, or yet to be proposed laws, regulations, amendments to or re-interpretations of existing laws and regulations, and contractual or other obligations relating to privacy, data protection, data transfers, data localization, or information security may require the Funds and their portfolio companies to make changes to their services to enable them to meet new legal requirements, incur substantial operational costs, modify their data practices and policies, and restrict their business operations. Any actual or perceived failure to comply with these laws, regulations, or other obligations may lead to significant fines, penalties, regulatory investigations, lawsuits, costs for remediation, and other liabilities. The costs of the Funds' compliance with, and other burdens imposed by, applicable data protection laws will be borne (whether directly or indirectly) by investors in the Funds, and may, therefore, affect any returns that would otherwise be available to investors in the Funds.

Projections

A Fund may rely upon projections, forecasts or estimates developed by the Adviser and its affiliates or a company in which a Fund is invested concerning the company's future performance and cash flow. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond a Fund's control. Actual events may differ from those assumed. Some important factors which could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates; loan pricing; leverage levels; loan structures; credit agreement terms; prepayment rates; timing of acquiring additional assets for a Fund; exchange rates or default or recovery rates or timing; mismatches between the timing of accrual and receipt of proceeds from a Fund's assets; domestic and foreign business, market, financial or legal conditions; differences in the actual allocation of a Fund's investments among asset groups from that described herein; the degree to which a Fund's investments are hedged and the effectiveness of such hedges, among others. Accordingly, there can be no assurance that certain of the Funds' estimated returns or projections can be realized or that actual returns or results will not be materially lower than those estimated therein.

None of the Funds, the Adviser, their respective affiliates or any other person has any obligation to update or otherwise revise any projections, forecasts or estimates, including any revisions to reflect changes in economic conditions or other circumstances arising after the date of such projections, forecasts or estimates or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Reliance on Certain Third Parties

The Funds are dependent upon their service providers, such as the trustees, directors, custodians and administrators of the Funds. Errors are inherent in the operations of any business (including the business of the Funds), and although the Adviser has adopted measures to prevent and detect errors by, and misconduct of, service providers, and to transact with service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct by such service providers could have a material adverse effect on the Funds.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment through a Fund. Prospective investors are recommended to review the applicable offering documents and/or investment management agreement of each Fund for a more complete discussion of the risk factors associated with an investment, and consult with their own advisors before deciding whether to invest. In addition as a Fund's investment program develops and changes over time, an investment in a Fund may be subject to additional and different risk factors.

Item 9. Disciplinary Information

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

Item 10. Other Financial Industry Activities and Affiliations

Related General Partners and Directors

The Adviser organizes certain of the Funds, which in certain cases are limited partnerships for which the Adviser (including affiliates of Benefit Street) serves as general partner or exempted companies for which employees or affiliates of Benefit Street serve as members of the board of directors. For a description of material conflicts of interest created by these relationships, as well as a description of how such conflicts are addressed, please see Item 11 below.

Affiliated Broker-Dealers

Benefit Street is affiliated with Franklin Distributors, LLC, a registered broker-dealer. Franklin Distributors provides distribution services for Benefit Street in connection with certain advisory clients. Certain employees of the Adviser are registered representatives of Franklin Distributors, LLC, and are subject to the broker-dealers policies and procedures, including written supervisory procedures.

Affiliated Advisers

Benefit Street is affiliated with the investment advisers listed below.

- BSP CLO Management LLC (“BSP CLO”): a U.S. registered investment adviser with the SEC.
- Franklin BSP Capital Adviser LLC (“Franklin BSP”): a U.S. registered investment adviser with the SEC.
- Alcentra NY: a U.S. registered investment adviser with the SEC.
- Alcentra Ltd.: a non-U.S. registered investment adviser with the SEC and also regulated by the United Kingdom Financial Conduct Authority.

Clients of the Adviser from time to time participate in transactions alongside other clients of the Adviser or clients of an affiliated adviser.

The Adviser is a subsidiary of Franklin Resources, Inc., a global investment management organization (together with its affiliated advisers (but excluding the Adviser), referred to in this section as “Franklin Templeton”). Franklin Templeton is operated and managed separately from the Adviser, and Franklin Templeton does not have any involvement in the day to day investment operations of the Adviser. The Adviser does not direct or coordinate with Franklin Templeton. All recommendations and allocations of investment opportunities are made by the Adviser independent of Franklin Templeton.

For a description of material conflicts of interest created by the relationship among the Adviser and the affiliated advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

Code of Ethics

The Adviser’s code of ethics (“Code of Ethics”) requires each of the Adviser’s employees to deal honestly and fairly with all persons with whom he or she has contact. The Code of Ethics is designed to comply with Rule 17j-1 of the Investment Company Act and Rule 204A-1 of the Advisers Act. Employees at all times must place the interests of the Funds and their investors first. Employees are required to conduct their personal trading so as to avoid any actual or potential conflicts of interest or any abuse of a position of trust or responsibility. Moreover, employees may not take inappropriate advantage of their positions. The Code of Ethics includes policies regarding personal trading by the Adviser’s employees and members of their immediate families. These policies limit personal trading by employees in a wide range of securities, including common and preferred stock, debt instruments, securities that are convertible or exchangeable for equity or debt securities, derivative instruments, and shares of closed-end investment companies registered under the Investment Company Act and business development companies. Employees must report every account in which they have a direct or indirect beneficial interest, other than personal savings or checking accounts that are not able to hold securities of any type, and have copies of periodic account statements sent by their broker(s) to

the Adviser's compliance department. In addition, if they directly or indirectly influence or control trading in the account, they must pre-clear covered securities transactions with the Adviser's compliance department.

The Proprietary Fund, as defined and discussed below, from time to time seeks to make investments that also are being made by the Funds. In the event that the Proprietary Fund is making an investment alongside the Funds, any such investment shall be allocated in accordance with the Adviser's investment allocation policy and procedures in effect at the time.

In addition, the Proprietary Fund, from time to time, makes investments that have been determined by the Adviser not to be suitable for any of the Funds (although such investments may have originally been considered for investment by one or more Funds and subsequently determined to be not appropriate for investment by such Funds). In making determinations about investment suitability, the Adviser considers a number of factors, including, without limitation, the investment strategies of the Funds, the return parameters of the Funds, and the Adviser's fiduciary duties to the Funds and the Funds' investors.

At all times, the Adviser ensures that the interests of the Funds (and the investors therein) are protected and preserved with respect to the activities of the Proprietary Fund.

A copy of the Code of Ethics is available to any client or prospective client upon request by calling Rick Gallo at 212-588-6739 or by writing to Mr. Gallo, Chief Compliance Officer, Benefit Street Partners L.L.C., 360 S. Rosemary Avenue, Suite 1510, West Palm Beach, Florida, 33401 or by contacting Mr. Gallo via email at r.gallo@benefitstreetpartners.com.

Restricted List

Whenever the Adviser comes into possession of material non-public information ("MNPI"), or otherwise has any type of relationship or other basis upon which the Adviser could come into possession of MNPI or otherwise have access to MNPI, the Adviser will make a determination as to whether to place the issuer, borrower, security or instrument on the Adviser's Restricted Trading/Securities List (the "Restricted List"). The Restricted List may include, but is not necessarily limited to: companies with publicly registered, publicly traded or otherwise outstanding securities or instruments in which the Adviser, or certain advisory affiliates have a strategic or ownership interest or other similar relationship; where an employee of the Adviser or certain advisory affiliates sits on the board of directors; where the Adviser or certain advisory affiliates have access to material non-public information concerning the company or its affiliates; or, where the Adviser has private-side information on certain outstanding loans.

The Adviser has implemented a single Restricted List covering the advisory and trading activities of the Adviser, Alcentra NY and Alcentra Ltd. As such, an issuer, borrower, security or instrument may be placed on the Restricted List when any of the Adviser, Alcentra NY or Alcentra Ltd. comes into possession of MNPI. When an issuer, borrower, security or instrument is placed on the Restricted List, the Adviser, Alcentra NY, Alcentra Ltd. and their respective employees are prohibited from trading in any such issuer, borrower, security or instrument without prior approval (i) on behalf of a Fund; (ii) on behalf of a client of Alcentra NY or Alcentra Ltd., or (iii) for personal trading by employees. Once an issuer, borrower, security or

instrument has been placed on the Restricted List, any trading of an existing position for a Fund or a client of Alcentra NY or Alcentra Ltd. is prohibited without prior approval or until the issuer, borrower, security or instrument is removed from the Restricted List.

If an issuer's securities are in a Fund and subsequently that issuer's securities are placed on the Restricted List, absent an exception, the Adviser will not be permitted to trade that issuer's securities in the Fund until those securities are removed from the Restricted List. Funds may therefore be restricted from trading because the Adviser, Alcentra NY or Alcentra Ltd. possesses MNPI and may bear the risk of loss during the period any such securities are on the Restricted List. Accordingly, the placement of securities on the Restricted List has the potential to affect the Adviser's ability to exercise investment discretion in a Fund and the performance of such impacted Funds.

Alternatively, to prevent the potential misuse of MNPI, we, Alcentra NY and Alcentra Limited have the ability to implement, and may in the future implement, information barriers separating their respective investment and portfolio management teams from the rest of the business. Alcentra, Alcentra Limited and BSP have, and may in the future, on a limited basis, establish information barriers around individuals, investment teams and portfolio managers, or a select group or division. In this case, those persons falling within the information barriers would be subject to the securities trading prohibition and except for need-to-know communications to others within the information barrier (or, based on the information transmission, will now be within the wall), the communication prohibition as discussed above. The breadth of the information barriers and the persons included within it are determined on a case-by-case basis.

Valuation of Fund Assets

The Adviser has a duty to value the Funds as provided in and consistent with the organizational documents and policies and procedures of those Funds, as applicable. The Adviser has adopted a policy regarding the valuation of Fund assets in order to provide a basis for establishing valuations reported by Funds. Certain Funds have portfolio investments that include restricted securities in publicly held companies and privately held investments, which are carried at an estimate of fair value as determined in good faith and in accordance with the organizational documents of the applicable Fund or pursuant to procedures determined by a Valuation Committee of the Fund, when applicable. In the absence of special circumstances, all portfolio investments, other than restricted and privately held portfolio investments, are valued at market value. Market value for unrestricted, publicly traded portfolio investments is determined based on the closing price on the exchange on which the security is principally traded. Restricted and privately held portfolio investments, which may not have readily ascertainable market values, are valued at fair value, which is the estimated amount that would be received upon the sale of the portfolio investment in an orderly transaction between market participants on the measurement date. In establishing the fair value of portfolio securities, the Adviser or applicable general partner takes into consideration, for each portfolio company, some or all of the following: (i) the prices of securities of comparable quality and type; (ii) the liquidity of the position; (iii) any correlation with general market indicators, such as indices; (iv) transactions in similar securities; (e) a significant event occurs after either a security's last trade or the close of regular trading on the market where that security trades and before the portfolio's valuation time; (vi) the nature and duration of restrictions on the disposition of securities (if applicable); (vii) an evaluation of the

forces which influence the market in which these securities may be purchased or sold; (viii) input from third-party valuation consultants; and (ix) any other specific factors which may affect pricing. The Adviser also considers the application of control premiums in various situations. However, because of the inherent uncertainty of valuation, the recommended values may differ significantly from values that would have been used had a ready market for the restricted and privately held portfolio investments existed, and may differ significantly from the amounts realized upon disposition, and the differences could be material. Furthermore, the Adviser's, or applicable general partner's, use of discretion in the valuation of a Fund may give rise to conflicts of interest if such valuations are utilized in the calculation of the Incentive Allocation and management fees attributable to the Adviser.

The Adviser will, when applicable, value investments in accordance with FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures (formerly FASB Statement 157, Fair Value Measurements) ("ASC 820"). Additionally, the Adviser may use independent third-party valuation services to assist with any or all valuations of a Fund's portfolio investments. Notwithstanding the foregoing, valuations for a particular Fund will comply with the requirements of the relevant Fund's organizational documents.

The Adviser may modify the valuation methods described above if it determines that such modifications are appropriate and reasonable to reflect the value of any securities or other assets or liabilities, and will document the basis for any modifications.

With respect to the Sub-Advised Funds, the Adviser will generally coordinate with those Funds' investment advisers and value the Funds' assets to the extent required by and in accordance with those Funds' policies and procedures.

Participation or Interest in Client Transactions

The Adviser, its affiliates, certain of its principals and employees, and/or their family members and related vehicles invest in and alongside certain of the Funds, and/or in one or more classes of CLO securities and additional subordinated notes issued by the CLO Funds, either through an general partner of a Fund, as direct investors in a Fund or otherwise. Advisory Fees and Incentive Allocations assessed on such investments are typically substantially reduced or waived entirely by the Adviser, a Fund or its general partner, as applicable. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" below.

Investor Due Diligence Information

Due in part to the fact that potential investors in a Fund (including a potential purchaser of an interest in a secondary transaction) may ask different questions and request different information, the Adviser provides certain information to one or more prospective investors that it does not provide to all of the prospective or current investors of the Fund. In addition, certain investors in the Funds are strategic investors directly or indirectly into the Adviser, which results in such investors receiving greater or different information regarding the Adviser.

Conflicts of Interest

The Adviser and its affiliates engage in a broad range of activities, including investment activities for their own account, for the Proprietary Fund, as defined and discussed below, and for the account of the Funds and other clients. In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, other Funds or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below. The discussion below does not describe all conflicts that may arise.

Resolution of Conflicts

In the case of conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of the applicable Fund.
- (2) Conflicts of interest will generally be resolved by set procedures contained in the relevant offering and organizational documents of a Fund, if applicable.
- (3) The Adviser and certain of its affiliates have adopted written policies establishing information "walls" designed to limit communication between business units investing in equity securities and debt securities of companies. These policies restrict the transfer of confidential information between these business units, subject to certain exceptions provided in the policies. These policies establish procedures for communications among employees of different business units to guard against unlawful and inappropriate disclosure of material, nonpublic information.
- (4) On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith judgment.

In addition, certain provisions of a Fund's organizational documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives.

Potential Conflicts

The potential material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

Principal Transactions

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Very generally, if an adviser (or an affiliate) purchases a security from or sells a security to a client, the adviser must disclose the terms of the transaction to the client and obtain the informed consent of the client prior to engaging in the principal transaction. In connection with the Adviser's management of certain of the Funds, and to the extent permitted by law and the Adviser's or an applicable Fund's compliance policies and procedures, the Adviser and its affiliates may engage in principal transactions, but will not directly or indirectly receive any commission or other transaction based compensation for effecting such transaction. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act and the Investment Company Act as they relate to principal transactions, including, among other things, that disclosures required by Section 206 be made to the applicable Fund regarding any proposed principal transactions and that any required prior consent is received before executing a principal transaction. The Adviser may provide written disclosure to and obtain consent from an independent representative, advisory committee or independent directors of a Fund, or directly from the investors of such Fund, depending on, among other things, any procedures for obtaining such consent set forth in the governing documents of the relevant Fund.

Cross Transactions

A cross transaction generally refers to a transaction where one client account managed by the Adviser or its affiliates seeks to acquire an investment that another client account of the Adviser seeks to sell. Cross transactions may create conflicts of interest because a Fund is on both sides of the transaction. The Adviser on occasion, and to the extent permitted by applicable law, including the Investment Company Act, and the Adviser's or an applicable Fund's compliance policies and procedures, purchases a security or asset for one Fund at the same time as a sale of the same security or asset for another Fund or effects cross transactions between Funds. Such transactions may, for example, be effected to rebalance the positions held by the Funds with a view towards achieving uniform results among certain clients in light of differing cash flows due to subscriptions and redemptions. The valuation of investments transferred between Funds may involve conflicts of interest.

Conflicts Related to Purchases and Sales

The Adviser, its affiliates, and officers, principals or employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to clients. In addition, such officers, principals or employees may buy securities in transactions offered to but rejected by clients. Such transactions are subject to the policies and procedures adopted by the Adviser from time to time. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of the Adviser's other clients or clients of its affiliates. The Adviser, its affiliates, certain of its principals and employees, and their relatives may invest in and alongside the Funds either through a general partner of a Fund, as direct investors in a Fund or otherwise, and therefore may have additional conflicting interests in connection with these investments.

The Adviser, its affiliates, and their employees are prohibited from “front running” (i.e., purchasing a security for a personal account while knowing that a Fund is about to purchase the same security, and then selling the security at a profit upon the rise in the market price following the purchase by the Fund). They are similarly prohibited from engaging in short selling when they have access to confidential information that a Fund is about to sell a particular security. In addition, they are prohibited from “intermarket front running” (e.g., trading in an option for a personal account when a Fund is trading in the underlying security and vice versa). Nevertheless, if the Adviser, its affiliates, and their employees have made large capital investments in or alongside the Funds, such persons may have conflicting interests from such Funds with respect to these investments (for example, with respect to the availability and timing of liquidity).

A particular investment may be bought or sold for only one Fund or in different amounts and at different times for one (or more than one) Fund, even though it could have been bought or sold for other Funds at the same time. Likewise, a particular investment may be bought for one or more Funds when one or more other Funds are selling the investment. Conflicts also may arise when a Fund makes investments in conjunction with an investment being made by other Funds or a client of the Adviser’s affiliates, or in a transaction where another Fund or client of such an affiliate has already made an investment. Investment opportunities may be appropriate for Funds and/or clients of the Adviser’s affiliates at the same time, at different or overlapping levels of a portfolio company’s capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, whether or not or in what manner to exercise a voting or consent right, and the terms of any work out or restructuring may raise conflicts of interest, particularly in Funds and clients of the Adviser’s affiliates that have invested in different securities within the same portfolio company.

Certain clients of the Adviser and its affiliates invest in bank debt, loans and securities of or other investments in companies in which other clients of the Adviser or its affiliates hold securities, loans or other investments, including equity securities, which may include a controlling position. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of such other Fund or client of the Adviser’s affiliates, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels, or in different levels of the debt structure of an issuer, could cause conflicts of interest. In certain circumstances, decisions made with respect to investments held by one Fund or client of the Adviser’s affiliates could adversely affect the investments of another Fund or another client of the Adviser’s affiliates. The involvement of such persons at multiple levels of the capital structure could also inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds or the clients of the Adviser’s affiliates may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. The Adviser and its affiliates may seek to address these conflicts by adopting policies and procedures, which may

include limiting investments by a Fund which produce such conflicts, limiting voting or roles on creditors' committees, procedures designed to ensure that the teams managing the investments make independent decisions through the enforcement of information barriers and similar procedures, or other procedures in the judgment of the Adviser.

Investments by more than one client of the Adviser or its affiliates in a portfolio company may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates.

The Adviser and its affiliates will attempt to resolve any such conflicts in good faith, but there can be no assurance that such conflicts of interest or actions taken by the Adviser or its affiliates in respect of other Funds will not have an adverse effect on the investments made by a Fund. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. Conflicts of interest related to investments by other Funds or funds managed by the Adviser's affiliates may result in a Fund limiting its participation in certain attractive investment opportunities.

Allocations

Each Fund may pursue investment opportunities similar to those pursued by another Fund or by clients of the Adviser's affiliates. The Adviser and its affiliates currently advise and manage, and expect that they will in the future advise and manage, other Funds which are additional investment accounts and pooled investment funds, including hedge funds, private equity funds, single investor funds, sector specific, asset class specific or geographic specific private investment funds, including registered investment companies or business development companies, for which an investment to be made by the Fund is also appropriate.

To the extent a particular investment opportunity is suitable for more than one Fund, including a Proprietary Fund, such investment will be allocated among the applicable Funds as determined by the Adviser in its good faith judgment and in accordance with the organizational documents of the relevant Funds, the investment allocation policies and procedures of the Adviser, and subject to applicable legal, tax, regulatory and other considerations. Allocation decisions can raise conflicts, for example, if certain Funds or a client of the Adviser's affiliates have different fee structures, or because certain legal and regulatory restrictions under the Advisers Act and/or the Investment Company Act may prevent a Fund from receiving allocations of investment opportunities also held by or allocable to registered investment companies or business development companies advised or managed by the Adviser or its affiliates. Furthermore, the Adviser, its affiliates, certain of its principals and employees, and their relatives may invest in and alongside the Funds, either through a general partner of a Fund, as direct investors in a Fund or otherwise, and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund and may create an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest.

Subject to applicable investment objectives and guidelines and the Funds' governing documents and the investment portfolio construction objectives for each of the Funds, respectively, as determined by the Adviser in its good faith discretion, the Adviser and its affiliates generally expect to allocate investment opportunities pro rata based on the available capital of each Fund, or

in some other manner that the Adviser determines is fair and equitable. With respect to the Funds, current available capital may include, in the Adviser's discretion, anticipated target or available leverage, unsettled trades, unfunded commitments and uncalled capital, the anticipated ultimate investment size or investment mandate of each Fund, and the structure, terms and life cycle of each Fund. Where consistent with the governing documents applicable to any affected Fund and with proper disclosure of all material risks and conflicts of interest as determined by the Adviser, the Adviser may also utilize participation interests to effect desired allocations of economic interests in investments where title to any such investment may not be held by one or more Funds.

In addition, certain investment opportunities may be allocated on a non-pro-rata basis using certain factors such as risk factors or risk tolerances and/or diversification, Fund investment restrictions, currency or other exposures, current portfolio composition and investment portfolio construction objectives, whether a Fund has an existing investment in the portfolio company, as well as the Fund's structure, terms, and phase in its life cycle (for example, certain opportunities may be over-allocated or under-allocated to a Fund during the beginning or the end of its investment period, as described below), tax or regulatory restrictions applicable to the Fund, the supply or demand of an investment opportunity at a given price level, the level of transaction costs involved in making the investment relative to the amount of capital the Fund has available for the investment, issuer, sector and geographic diversification, and certain other factors. Further, limited opportunities eligible for more than one strategy are generally allocated proportionately as between strategies based on relative desired allocation for the applicable strategy, or in some other fair and equitable manner as determined by the Adviser. In particular, the Adviser has in the past and currently intends in the future in certain circumstances to over-allocate certain instruments to certain client accounts (in particular, CLO Funds) during an initial period at the beginning of such clients' investment cycle. In addition, the Adviser has in the past and currently intends in the future to over-allocate to certain Funds whose investment mandate includes short-term holdings designed to be purchased and then shortly thereafter sold to third parties pursuant to agreements between such third parties and the Adviser and then promptly replaced by such client by purchasing similar or other securities or instruments (again subject to such third party sale) (the "Acquisition/Disposition Funds"), and funds that have facility agreements or other similar agreements with the Adviser regarding the purchase of securities and/or instruments from such Fund. Such allocations may reduce the supply of such instruments available to other client accounts. Allocations based on the relative desired allocation for the applicable strategy may create an incentive for portfolio managers to seek excess allocations for certain limited opportunities.

As noted above, for each Fund that is at or near the beginning of its respective investment period or that otherwise has not had its available capital invested proportionately to the percentage of available capital invested of other Funds (as determined by the Adviser from time to time in its sole discretion including after giving effect to any agreements, such as facility agreements or other similar agreements between the Adviser and such Funds), which generally may be as a result of such Fund (i) having been formed or organized during the most recent full calendar year or such longer period as determined in good faith by the Adviser, (ii) becoming a Fund during such period, (iii) first becoming eligible with respect to a particular investment strategy or investment opportunity during such period and/or (iv) making an additional capital commitment or additional capital available to the Adviser for investment during such period (the "Ramp-Up Period"), the Adviser, in lieu of making an allocation to such a Fund pro rata based on the

available capital of such a Fund as described herein (subject to the other considerations as described herein), generally will make an allocation of investment opportunities to such a Fund in an amount necessary to enable such Fund in its Ramp-Up Period to be allocated an incremental amount of investment opportunities until such time that the Adviser has invested the available capital of all Funds in an approximately proportionate percentage (which may include, at the discretion of the Adviser, the anticipated ultimate investment size or investment mandate of each Fund). As a result, allocations of investment opportunities that include allocations to Funds in their Ramp-Up Period likely will be made in a manner that allocates a greater percentage of such investment opportunities to such Funds until such time that such Funds are no longer in their Ramp-Up Period or, even if still in their Ramp-Up Period, have received a sufficient number of incremental greater allocations so that the percentage of their available capital that is invested is consistent with that of the other Funds. The amount of such incremental allocations to Funds that are in their Ramp Up Period will vary from time to time, based upon a wide variety of factors as described elsewhere herein, and the basis upon which such incremental allocations to Funds that are in their Ramp Up Period will be applied and implemented by the Adviser consistently and fairly.

As noted above, for each Fund that is an Acquisition/Disposition Fund, the Adviser, in lieu of making an allocation to such Fund pro rata based on the available capital of such Fund as described herein (subject to the other considerations described herein), generally will make an allocation of investment opportunities to such Fund in an amount necessary to enable such Acquisition/Disposition Fund to be allocated an incremental amount of investment opportunities as a result of the Adviser's good faith determination of the anticipated near-term dispositions of securities and instruments held by such Acquisition/Disposition Fund. As a result, allocations of investment opportunities that include allocations to Funds that are Acquisition/Disposition Funds likely will be made in a manner that allocates a greater percentage of such investment opportunities to such Funds. The amount of such incremental allocations to Funds that are Acquisition/Disposition Funds will vary from time to time based upon a wide variety of factors as described elsewhere herein, and the basis upon which such incremental allocations to Funds that are Acquisition/Disposition Funds will be applied and implemented by the Adviser consistently and fairly.

To the extent that a Fund has multiple classes, series, tranches, or other divisions within its structure that have different investment mandates, investment return profiles, investment terms, investment periods, lifecycles or other different or disparate terms or provisions regarding investment opportunities (such as, by way of illustration, a Fund that has both a class of series with a fixed term and a class of series that is evergreen), each such class, series, tranche, or other division of such Fund shall be treated as a separate Fund for purposes of the allocation of investment opportunities.

To the extent that any Fund does not have sufficient capital available to fund its allocation of any particular investment opportunity, whether as a result of such Fund's existing investments, commitments for future investments, reserves for anticipated future cash needs or any other reason, such Fund shall participate in its allocation of such investment only to the extent of its capital available to do so, and any excess amount that otherwise would have been allocated to such Fund for such investment shall instead be allocated to all other eligible Funds through the serial re-application of the provisions as set forth in the investment allocation policy and described herein. In addition, in the event that the application of this provision would result in the

allocation of an investment opportunity to an eligible Fund that exceeds an investment restriction applicable to such a Fund (such as, for example, a regulatory restriction or investment concentration limit), any amounts in excess of such restriction that would otherwise have been allocated to such a Fund shall instead be allocated to all other eligible Funds through the serial re-application of the provisions described in the investment allocation policy.

In addition to the foregoing, certain investment opportunities may not be readily or practicably divisible by the Adviser to allocate such investments among eligible Funds based upon available capital (the “Non-Divisible Investments”). Non-Divisible Investments may include, for example, certain real estate related assets, including owned real estate, rental properties, mortgages, loans (including loans related to real estate) and other similar assets. The Adviser may determine that it is necessary or beneficial to create one or more groups of eligible Funds that will participate in Non-Divisible Investments (the “NDI Groups”). For example, the Adviser may manage one or more groups of eligible Funds with different investment periods, different asset holding timelines, different risk profiles or risk metrics, different target investment performance, and/or different exit strategies with respect to their investments in Non-Divisible Investments. If the Adviser determines that it is advisable and/or appropriate that separate NDI Groups or separate Funds not invest in the same Non-Divisible Investments, whether due to differing expected investment hold periods, differing investment strategies, differing financing and collateral requirements, regulatory requirements, structuring requirements and/or any other factors, and such Non-Divisible Investment is not readily severable or divisible, or it is determined by the Adviser that it is in each eligible Fund’s best interests that such Non-Divisible Investment be allocated only to one NDI Group or only to one eligible Fund, the Adviser may allocate individual Non-Divisible Investments to only one NDI Group (as opposed to allocating such Non-Divisible Investments to all eligible Funds) or to only one eligible Fund, in each case on a rotational alternating basis. Generally, such allocations of Non-Divisible Investments shall be made based upon each NDI Group’s or eligible Fund’s net asset value (from highest to lowest, such that the first investment opportunity that is a Non-Divisible Investment would be allocated to the NDI Group or eligible Fund with the highest net asset value, the second investment opportunity that is a Non-Divisible Investment would be allocated to the NDI Group or eligible Fund with the second highest net asset value, the third investment opportunity that is a Non-Divisible Investment would be allocated to the NDI Group or eligible Fund with the third highest net asset value, and continuing as such until all NDI Groups or eligible Funds receive a Non-Divisible Investment and then starting back at the NDI Group or eligible Fund with the highest net asset value) or such other consistently applied non-performance based methodology as determined by the Adviser. When allocating Non-Divisible Investments between and among Funds within a NDI Group, the Adviser may allocate such Non-Divisible Investments based upon net asset value or available capital (either pro rata, if practicable, or from highest to lowest as described above) within such NDI Group, or such other consistently applied non-performance based methodology as determined by the Adviser.

In the event that the result of the application of the foregoing rotational allocation is that a Fund would be allocated a Non-Divisible Investment in excess of what it is permitted or able to purchase under its governing documents, under applicable law, based upon its available capital or otherwise pursuant to the Adviser’s investment allocation policy, then the Fund that would next receive a rotational allocation hereunder shall receive the balance of such allocation (or the maximum amount of the balance of such allocation that it is permitted and able to purchase under

its governing documents, under applicable law, based upon its available capital or otherwise pursuant to the Adviser's investment allocation policy), continuing as such until the Non-Divisible Investment is fully allocated. In the event that a Non-Divisible Investment is partially allocated to a Fund under the foregoing procedures and such Fund was otherwise able to receive a greater portion of the Non-Divisible Investment under its governing documents, under applicable law, based upon its available capital or otherwise pursuant to the Adviser's investment allocation policy, then the next available Non-Divisible Investment shall be allocated to the Fund that received only such partial allocation of the prior Non-Divisible Investment or to the next NDI Group or Fund under the net asset value or other rotation methodology utilized by the Adviser based upon all factors determined by the Adviser as reasonable.

Generally, at the end of each calendar quarter (or such other times as determined by the Adviser), the Adviser will review the allocation of Non-Divisible Investments across its Funds to ensure that the separate allocations of Non-Divisible Investments have not resulted in unintended or undesired concentrations to one or more Funds. If the Adviser determines that the allocation of Non-Divisible Investments during a given measurement period has resulted in one or more Funds receiving more than its appropriate share of Non-Divisible Investments, the Adviser shall use commercially reasonable efforts to adjust the allocation of Non-Divisible Investments on a going-forward basis in a fair and equitable manner until the Adviser determines that such discrepancy has been resolved on an aggregate basis of holdings of Non-Divisible Investments among each suitable Fund.

Allocations of investment opportunities to CLO Funds will generally be made pro rata to each of the CLO Funds based upon each such CLO Fund's stated Target Initial Par Amount, as such Target Initial Par Amount is set forth in each such CLO Fund's constituent, governance and offering documents (the "CLO Documents"), subject at all times to (i) the other investment conditions and requirements set forth in such CLO Documents and (ii) the determinations of the Adviser to make allocations in its good faith judgment and in accordance with the organizational and offering documents of all Funds, the general investment allocation policies and procedures of the Adviser, all applicable legal, tax, regulatory and other considerations, and all such other factors the Adviser deems appropriate with respect to such allocations of investment opportunities.

Notwithstanding the foregoing, in certain circumstances as determined by the Adviser in its sole discretion, a Fund that would otherwise receive an allocation under the policies and principles described above will not receive such allocation if it would result in an allocation of a de minimis amount to such Fund. Generally, the Adviser will not make an allocation of any investment opportunity to any Fund if such allocated amount, at the time of such allocation, would be less than Five Thousand Dollars (\$5,000) (the "De Minimis Threshold"). In the event that a Fund does not receive an allocation of an investment opportunity as a result of the application of the De Minimis Threshold (the "De Minimis Non-Allocation"), such a Fund generally will be allocated an incremental excess amount of the next investment opportunity in the same strategy (or other closely related strategy as determined by the Adviser in its sole discretion) to which the De Minimis Non-Allocation relates in an amount necessary so that the percentage of its available capital that is invested is consistent with the provisions described herein. Notwithstanding the foregoing, in the event that any real estate loan investment or other real estate debt security (for example, bonds) investment is determined by the Adviser to be divisible, but is of a relatively small size the result of which would be that a Fund would be making an equity investment with

respect to such real estate loan investment or other real estate debt security investment of less than \$1,000,000 (the “Real Estate Debt Minimum Equity Amount”), in such event, the Fund will not be allocated any portion of such divisible real estate loan or other real estate debt security, and in the event that the Fund does not receive an allocation of a divisible real estate loan or other real estate debt security as a result of the application of the Real Estate Debt Minimum Equity Amount, there shall be no resulting effect thereof with respect to any future allocations of divisible real estate loan investments or other real estate debt security investments (i.e., there shall be no incremental excess allocations to any of the Fund of any future divisible real estate loans or other real estate debt securities resulting from the absence of an allocation of a divisible real estate loan or other real estate debt security investment due to the Real Estate Minimum Equity Amount).

The Adviser’s policy is to allocate investment opportunities prior to or at the trade date or closing of an investment. Particularly with respect to loans, private equity investments and certain other illiquid investments, it is not always possible or practical to determine the proper initial allocation of an investment opportunity prior to or at the closing of the investment. This delay may be due to, among other things, uncertainty of investment structure prior to closing, pending tax analysis, imminent first closings of new Funds (or classes or series thereof) prior to or at the time of the closing of an investment, and/or a variety of other circumstances. In such an event, the Adviser may make the investment in one or more Funds with the understanding that the Adviser will finally allocate the investment after closing (a “Final Allocation”). In these circumstances, the Adviser shall use its best efforts to determine the Final Allocation of an investment opportunity as quickly as reasonably practical after the closing of the investment. At all times, the Adviser will seek to make each Final Allocation within thirty (30) days of closing (the “Final Allocation Period”). So long as a Final Allocation is made within the Final Allocation Period, the Adviser will treat the Final Allocation as if made on the date of closing and shall not treat the Final Allocation as a cross transaction (or principal transaction) between or among Funds. Cost of capital, however, shall always be taken into account so that one or more Funds may, if deemed appropriate by the Adviser, reimburse one or more other Funds for the cost of capital (in addition to its or their share of an initial capital outlay) dating back to the date such capital was provided by such Fund. In the event a Final Allocation is made outside of the Final Allocation Period, the Adviser shall treat the Final Allocation as a cross transaction (or principal transaction, as applicable) pursuant to its policies and procedures with respect to cross transactions and/or principal transactions, as applicable.

There can be no assurance that the application of the policies and procedures set out above will result in a Fund participating in all investment opportunities that fall within its investment objectives. Further, BSP CLO, FBSLP Adviser, Franklin BSP and Alcentra NY have integrated, and Alcentra NY is in the process of further integrating, certain of their advisory activities with the Adviser, including with respect to the allocation of investment opportunities for their respective clients, some of which clients have overlapping investment objectives with the Funds. Moreover, Alcentra Ltd. operates separately with respect to its advisory activities, such that investment opportunities that Alcentra Ltd. sources are subject to their own separate allocation policies, procedures and obligations and not the allocation policies, procedures and obligations of the others.

From time to time, the Adviser may refer determinations regarding the allocation of certain investment opportunities to the Adviser’s Allocation Committee (the “Allocation Committee”).

The Allocation Committee reviews certain of the allocation of investment and disposition opportunities made among the Adviser's Funds after such allocations have been made, including with respect to non-standard allocations of investment opportunities, with the intention of fostering fair and equitable allocation over time. The Allocation Committee consists of senior officers of appropriate departments of the Adviser.

The appropriate allocation between the Funds of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith judgment. For the avoidance of doubt, fees and expenses associated with a particular Non-Divisible Investment shall be allocated to the Fund(s) allocated such asset pursuant to the rotational allocation policy set forth above.

In addition, to the extent the Adviser has discretion over approving a secondary transfer of interests in a Fund, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, and is permitted to take into account a variety of factors, including but not limited to its own interests including: (1) the Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; (2) the Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment; (3) whether the potential purchaser would subject the Adviser, a Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; (4) requirements in the applicable Fund's organizational documents; (5) a purchaser's potential investment into a Fund managed or advised by the Adviser (including any commitment to a future Fund); and (6) such other facts as it deems appropriate under the circumstances in exercising such discretion.

Any intra-Fund allocations will be done in accordance with the organizational documents for such entities, including with respect to any Fund that has multiple classes, series, tranches or other divisions within its structure that have different investment mandates, investment return profiles, investment terms, investment periods, lifecycles or other different or disparate terms or provisions regarding investment opportunities. These allocations are generally expected to be made on a pro rata basis. Nevertheless, the Adviser and its affiliates furnish investment management and advisory services to numerous Funds and accounts and the Adviser and its affiliates may, consistent with applicable law, make investment recommendations to other Funds or accounts (including accounts which are private funds or separately managed accounts which have management fees and performance fees or allocations at higher or varying rates paid to the Adviser or one or more of its affiliates, or in which portfolio managers or other personnel of the Adviser have a personal interest in the receipt of such fees or have personal investments), which may be the same as or different from those made to a particular Fund and may cause conflicts of interest in the allocation of investment opportunities. In addition, conflicts of interest or legal or regulatory requirements, including those related to the Investment Company Act, applicable to certain Funds, may result in the Adviser and its affiliates limiting a Fund's or client's participation (or the Fund or client being unable to participate) in certain attractive investment opportunities. See Item 6. "Performance-Based Fees" above.

Co-Investment Opportunities

From time to time in connection with a co-investment opportunity, the Adviser or its affiliates may facilitate such co-investment and it or an affiliate may serve as the general partner or equivalent of a co-investment vehicle. The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the Funds or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds' organizational documents/side letter agreements.

The Adviser may, in its sole discretion, offer co-investment opportunities to one or more investors in a Fund or third parties. In general, (i) no investor will have a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons considering such factors as the Adviser may consider relevant, (iii) co-investment opportunities are typically offered to some and not to other investors in the Funds, in the sole discretion of the Adviser or its related persons, which may include affiliates of or investors in the Adviser and its related persons, and investors may be offered a smaller amount of co-investment opportunities than originally requested, (iv) certain persons other than investors in the Funds (e.g., third parties) rather than one or more investors in a Fund, may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (v) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer).

Notwithstanding the foregoing, the Adviser has entered into certain agreements to provide co-investment rights to certain investors in the Funds and third parties. The Adviser will allocate available co-investment opportunities among any such other parties as it may in its sole discretion determine (including, without limitation, another Fund, affiliates of the Adviser (and/or their respective family members), and any person or entity who the Adviser believes will be of benefit to the co-investment, the Fund, or another Fund or who may provide a strategic, sourcing or similar benefit to the investment, Fund, another Fund, the Adviser, or one or more of their respective affiliates due to industry expertise or otherwise, including finders, senior advisors, originators and/or consultants of the Fund (and may also organize one or more entities to invest in the Fund or to co-invest alongside the Fund to facilitate personal investments by such persons or entities)). Co-investments may be committed and/or consummated before or after the time that the Fund makes its commitment or acquires the investment. In the event of a post-closing sell down, the Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms. The Fund may, in certain circumstances, bear the entire amount of any break-up fee or other fees, costs and expenses related to such investment, hold a larger portion than expected in such investment, or may realize lower-than-expected returns from such investment. The Fund may also borrow to fund the portion of an investment that it intends to sell to co-investors. The Fund will also bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that may

not reflect the then-current value of such investment. In the case of a post-closing sell down, the Adviser may decide to charge (or may decide not to charge) a co-investor interest costs in addition to cost for the time period between the closing of the Fund's investment in a portfolio company and the date of the transfer of interests in such portfolio company to the applicable co-investor. In certain circumstances, the Adviser expects to receive compensation or other benefits from a third party for a co-investment opportunity, in which case the Adviser would have conflicts with respect to determinations as to when and to whom to make co-investment opportunities available. Additionally, non-binding acknowledgments of interest in co-investment opportunities are not investment allocation requirements and do not require the Adviser to notify the recipients of such acknowledgments if there is a co-investment opportunity.

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Fund, may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. As a general matter, no co-investor will bear dead deal costs or break-up fees until they are contractually committed to invest in the prospective investment and, furthermore, unless any co-investors otherwise agree, the applicable Funds will bear the entire amount of any research, transaction, break-up fee or broken deal expense or other fees, costs and expenses related to an investment that is not consummated.

Management of the Funds

The Adviser manages a number of Funds that have investment objectives similar to each other. The Adviser expects in the future to establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "Allocations" above. Certain officers and employees of the Adviser who invest in or alongside the Funds may have different interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity). The Adviser may give advice or take actions with respect to, the investments of one or more Fund that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies may not hold the same securities or achieve the same performance. In addition, a Fund may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Fund. These differences may result in variations with respect to holdings of a Fund and the price, leverage and associated costs of a particular investment opportunity and differences in a Fund's performance as compared to other Funds with similar investment programs, objectives or strategies. In addition, it is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds and funds managed by the Adviser's affiliates, including funds that it expects to establish in the future. Conflicts of interest may arise in allocating time, services or functions of these employees among Funds and funds managed by the Adviser's affiliates. See also the Adviser's response to the section entitled "Other Potential Conflicts" below, which describes other activities undertaken by employees of the Adviser.

Commonly-Held Portfolio Investments

Where certain Funds hold the same investment, the differing investment objectives of these Funds, as well as other factors applicable to the specific situation (including the differing liquidity requirements of the Funds), may result in a determination to dispose of, or retain, all or a portion of an investment on behalf of a Fund at different times as such investment or portion thereof is being disposed of, or retained, by such other Funds. The Adviser may also recommend investments to certain other Funds that may differ from investments recommended to another Fund, even though the investment objectives of these Funds may be similar. Further, in some instances, certain Funds may choose to coordinate their activities (such as timing dispositions in an orderly way in order to avoid affecting the market value of a class of investment in an unduly volatile manner) with respect to commonly held investments, when it would theoretically be possible for the Adviser to act unilaterally with respect to a Fund's holdings in such investment. Such coordination could have the effect of lowering returns on such investment relative to what might have been achieved absent such coordination. However, the Adviser is not obligated to engage in such coordination and in fact may elect not to do so in any particular circumstance.

Certain Funds advised by the Adviser, are expected to hold overlapping positions, certain of which may be thinly traded or more illiquid. Accordingly, sales into the market of such positions, including to meet liquidity requirements with respect to one or more Funds, could adversely impact the value of such positions held by another Fund. Such sales could be particularly adverse to a Fund where the Funds hold the same or overlapping positions and a Fund provides investors the opportunity to withdraw or otherwise has a different liquidity profile relative to another Fund.

Follow-on Investments

An additional investment made by a Fund in an existing portfolio company presents a conflict of interest, including the terms of any new financing as well as the allocation of the investment opportunities in the case of follow-on investments by a Fund in a portfolio company in which another Fund or client of the Adviser or any of the Adviser's affiliates has previously invested. In addition, a Fund may participate in relevering and recapitalization transactions involving a portfolio company in which another Fund or client of the Adviser's affiliates has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Related Services

Certain affiliates of the Adviser perform Related Services for, and receive fees from, actual or prospective portfolio companies, other investment vehicles of the Funds, or the Funds. Such fees will be in addition to the management fee and Incentive Allocation paid by such Fund to the Adviser. These fees may create a conflict of interest because the amounts of these fees may be substantial and the Funds and their investors may not have an interest in these fees. In many cases, with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement

with the portfolio company. Please see Item 5 “Fees and Compensation” for additional information regarding Related Services fees.

Diverse Membership

The investors in the Funds include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments, as well as the structure of a Fund and its associated parallel funds. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors’ individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser will consider the investment and tax objectives of the applicable Fund and the investors as a whole, not the investment, tax or other objectives of any investor individually.

Side Letter Agreements; Advisory Committee Rights

The Adviser enters into side letter arrangements with certain investors in certain of the Funds providing such investors with different or preferential rights or terms, including but not limited to (i) different or preferential information, (ii) fee structures, (iii) other preferential economic rights, (iv) information and reporting rights, (v) excuse or exclusion rights, (vi) waiver of certain confidentiality provisions, (vii) co-investment rights, (viii) liquidity or transfer rights, (ix) certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, (x) additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor and (xi) veto rights. Except as otherwise agreed with an investor, the Adviser (or applicable general partner) is not required to disclose the terms of side letter arrangements to other investors in the same Fund.

Many of the Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory committee. The advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to certain investors, including those investors who do not designate a member to the advisory committee. Representatives of the advisory committee may have various business, equity participation, and other relationships with the Adviser and its partners, employees and affiliates, including ownership interests in the Adviser and its affiliated investment advisers. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund’s advisory committee may also be members of another Fund’s advisory committee or the advisory committee of an unaffiliated fund or otherwise have an economic interest that causes them to have a conflicting interest with that of the applicable Fund. In such instances, a conflict of interest exists because the Funds on which such overlapping

advisory committee members serve may have conflicting interests and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

Investments by Employees

Subject to applicable regulatory restrictions, certain employees of the Adviser are permitted to invest directly or indirectly in certain Funds. Such investors may be in possession of information relating to such Funds that is not available to other Fund investors. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to the other Fund investors. Investments by the senior management and key employees in certain Funds could incentivize such employees to increase or decrease the risk profile of such Fund. The Adviser shall treat any Fund into which an employee is invested the same as all other Funds as is required by the Adviser's fiduciary duty.

Proprietary Fund

Certain key employees, along with family and friends of such employees, of the Adviser make and hold investments in a private proprietary fund ("Proprietary Fund") advised by the Adviser. Investments by the Proprietary Fund may include, without limitation, control and non-control equity and other investments in public and private companies. Proprietary Fund investments are, at the time of investment, either (i) in the Adviser's reasonable discretion and determination generally, (a) not appropriate for investment by any Fund (although such investments may have originally been considered for investment by one or more Funds and subsequently determined to be not appropriate for investment by such Funds) and (b) not in conflict with or contrary to the interests of any Fund and the Adviser's duties and obligations to such Funds, or (ii) in certain circumstances, determined to be appropriate for both the Funds and the Proprietary Fund and, therefore, made for the Proprietary Fund alongside the investments by the Funds in accordance with the Adviser's investment allocation policy and procedures in effect at the time. The management and operation of the Proprietary Fund does not take a substantial amount of time of the Adviser, or any employee of the Adviser, away from the management of the Funds.

In making determinations about investment suitability and the investment activities of the Proprietary Fund, the Adviser considers a wide variety of factors, including, without limitation, the investment strategies of the Funds, the return parameters of the Funds; the size, industry and other terms with respect to the proposed investments; risk factors and/or reputational considerations applicable to the Funds and the Adviser's fiduciary duties and other contractual obligations to the Funds and the Funds' investors. However, there are potential conflicts of interest that could arise from the activities of the Proprietary Fund separate and apart from the activities of the Adviser, as described below.

Certain conflicts of interest could arise in connection with the management and operation of the Proprietary Fund. Although the Adviser considers any such potential conflicts prior to investing Proprietary Fund assets, no assurances can be made that all conflicts will be identifiable or fully considered at the time such approval, if any, is granted. For example, although the Proprietary Fund will be prohibited from investing in entities that at the time of acquisition are, or reasonably could be expected to become, directly competitive with Funds, such investments may be in

entities that subsequently become competitive with the Funds. However, while the Adviser may take actions in respect of the Proprietary Fund that it considers to be in the best interests of the Proprietary Fund, the Adviser's policies require that no action will be permitted to be taken unless the Adviser believes in good faith that such action is not in conflict with or contrary to the interests of the Funds. Notwithstanding the foregoing, there can be no assurance that conflicts between the interests of the Proprietary Fund and the Funds will not arise. In the event of such conflict, the Adviser will seek to resolve such conflict in a fair and equitable manner consistent with its duties to the Funds and the Adviser's policies and procedures. Further, in the event that the Proprietary Fund is making an investment alongside the Funds, any such investment shall be allocated in accordance with the Adviser's investment allocation policy and procedures in effect at the time.

The Adviser has adopted policies and procedures to prevent and/or mitigate the actual and potential conflicts of interest that arise from the investment activities of the Proprietary Fund. These policies and procedures include (i) the factors to be considered and the procedures to be followed in the analysis of such investment opportunities, (ii) the methods to be used to identify, monitor and control any actual or potential conflicts of interest such investment activity may generate with respect to the Funds, (iii) the periodic monitoring of such outside activities to determine, among other things, whether a change in such outside investment activities or investments could give rise to a conflict of interest and (iv) how any such conflicts are to be both reported and resolved.

Advisory Affiliates

Benefit Street is affiliated with BSP CLO, Franklin BSP, Alcentra NY and Alcentra Ltd., investment advisers registered with the SEC (collectively the "Affiliates"). Certain Affiliates and their relying advisers generally focus primarily on different investment strategies than the Adviser. However, BSP CLO, Alcentra NY and Alcentra Ltd. have overlapping trading and investment strategies with the Adviser and, with respect to BSP CLO and Alcentra NY, have integrated, and are in the process of further integrating, their advisory activities with the Adviser. As such, clients of the Adviser and the Affiliates may invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company. The Adviser and such Affiliates have implemented policies and procedures, and with respect to BSP CLO and Alcentra NY have combined such policies and procedures under a single compliance program, to address their overlapping strategies and investments and integrated advisory activities. The overlapping strategies and investments and integrated advisory activities with these Affiliates raises conflicts of interest, which the Adviser addresses through various policies and procedures, including, but not limited to: (i) allocation of investment opportunities where the Adviser's Funds and Affiliates' clients may have an interest in the same security; (ii) handling the receipt of material non-public information regarding a portfolio company, issuer or security, the receipt of which by the Adviser or an Affiliate may prevent the Adviser or an Affiliate from trading in such security; (iii) implementation of information barriers and restricting trading in certain securities by the Adviser and across some or all Affiliates; and (iv) aggregation of investments and trade orders between the Adviser and an Affiliate.

In the ordinary course of conducting its activities, interests of the Adviser's clients may therefore conflict with the interests of the Affiliates' clients. Please see the Adviser's response in the

sections entitled “Conflicts Related to Purchases and Sales” and “Allocations” above for more information. Other than the Affiliates, the other investment adviser affiliates of the Adviser do not have their own clients.

The Adviser is a subsidiary of Franklin Resources, Inc., a global investment management organization (together with its affiliated advisers (but excluding the Adviser), referred to in this section as “Franklin Templeton”). Clients of the Adviser and/or Franklin Templeton may invest in the same portfolio companies, including in the same security or other instrument or in different securities of or instruments issued by a portfolio company and Franklin Templeton has no obligation to inform the Adviser or the Funds of any such investments or offer such investments to the Funds. In the ordinary course of conducting the Funds’ activities, interests of the Funds may therefore conflict with the interests of other clients of the Adviser and/or Franklin Templeton. In addition, as a diversified financial services organization, Franklin Templeton and its affiliates engage in a broad spectrum of activities including financial, advisory, investment and other activities where their interests may conflict with the interests of the Funds. Certain Funds authorize the advisory committee to resolve and give consent to certain transactions and conflicts of interest on behalf of the Fund, including certain transactions or conflicts requiring consent of a client of a registered investment adviser under the Advisers Act. Any such consent shall be binding on the Funds. Franklin Templeton may provide investment advisory services and other services to clients and receive fees for such services in connection with transactions in which those clients may have interests that conflict with those of the Funds. Franklin Templeton may also give advice to clients that may cause them to take actions adverse to the Fund’s investments. In addition, Franklin Templeton may have relationships with clients seeking to invest in an existing portfolio company of the Funds or clients that compete with an existing portfolio company of the Funds. Further, although it is not expected, it is possible that Franklin Templeton could create investment vehicles in the future that may compete with the Funds for investment opportunities. Franklin Templeton will have no obligation to forego or share such investment opportunities with the Funds, and investments made by Franklin Templeton in such opportunities could preclude the Funds from investing in such opportunities.

In connection with its advisory business, Franklin Templeton may come into possession of information that could potentially limit the ability of the Funds to engage in potential transactions. In order to avoid such limitation, the Adviser intends to control the flow of such information, such as by erecting information barriers to restrict the transfer of such information between the Adviser and Franklin Templeton. In the event that an information barrier designed to protect the Funds is breached (including inadvertently), changed or removed, the Funds will likely face the same restrictions on its investment activities as it would have faced had the information barrier not been established in the first place or face restrictions resulting from such changes to the information barrier, as the case may be. The Adviser will generally not rely on the expertise of Franklin Templeton and its investment professionals and will not share such investment professionals in managing and/or advising the Fund.

Conflicts Relating to Related Persons and the Adviser

The Adviser generally may, in its discretion, contract with any related person of the Adviser to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser may have an incentive to

recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Fund that it contracts for services with (i) a related person of the Adviser or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or a member of their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Conflicts Related to Fee Structure

Because the Funds' management fee may be based upon the value of investor's capital accounts or net asset value, to the extent that the valuation of such assets is determined or influenced by the Adviser or its affiliates, this may create a conflict of interest.

The fact that the Incentive Allocation received by the Adviser or its affiliates from certain of the Funds is based on the performance of the Funds also creates an incentive for the Adviser to cause the Funds to make investments that are more speculative than would be the case in the absence of performance-based compensation. However, this incentive is tempered somewhat by loss carry forward provisions with respect to the Adviser's receipt of Incentive Allocation from certain of the Funds.

Fund Level Borrowing

The Funds from time-to-time borrow funds or enter into other financing arrangements for various reasons, including to pay fund expenses, to pay management fees, to make or facilitate new or follow-on investments, to make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion or to fund capital contributions at the closing of an investment. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such Fund on a pro rata basis, including the general partner. In addition, fund facilities for certain Funds are available to provide borrowed funds directly to the portfolio investments of such Funds, in which case such borrowed funds would be guaranteed by such Funds.

Although borrowings by a Fund has the potential to enhance overall returns that exceed such Fund's cost of funds, such borrowings increase the potential exposure of such Fund to a particular investment above the level that a Fund would typically have had an investment been limited to equity. Any such borrowings will further diminish returns (or increase losses on capital) to the extent overall returns are less than a Fund's cost of funds. In addition, borrowings by a Fund are secured by capital commitments made by Fund investors to such Fund as well as by a Fund's assets and the documentation relating to such borrowings provides that during the continuance of a default under such borrowings, the interests of the investors may be subordinated to such Fund-level borrowing. Moreover, tax-exempt investors should note that the use of leverage by a Fund may cause the realization of "unrelated business taxable income." To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions or a portfolio company borrows

funds directly through such Fund facility, such Fund's investors generally make correspondingly later capital contributions. As a result, a Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and may make net IRR calculations higher than it otherwise would be without fund-level borrowing and can impact the carried interest a Fund's general partner receives, as these calculations generally depend on the amount and timing of capital contributions as well as the level of the organizational structure at which such borrowed funds are borrowed or deployed. In addition, where a portfolio company borrows funds directly through a Fund facility, the applicable Funds may charge the portfolio company borrower higher interest rates than the interest rate such Funds pay pursuant to such financing facility, among other things, to help offset origination and other facility costs.

Transactions with Affiliates

Conflicts may also arise in connection with loans or other assets originated by one Fund and sold to another Fund. To the extent a Fund purchases loans or other assets and subsequently sells a portion thereof to another Fund, such Fund will bear the risk of changes in the value of such loans or other assets during the period it holds such loans or other amounts and the amount of capital available to such Fund to pursue other investment opportunities may be reduced. It may be difficult to determine the value of the loans or other assets transferred to the buying Fund and hence the consideration due to the selling Fund whenever the buying Fund may buy the loans or other assets. The valuation of loans or other assets that may be transferred between Funds involves inherent conflicts of interest for the Adviser and there is no guarantee that the Adviser will resolve these conflicts in a manner that will not have an adverse effect on a Fund. Additionally, a selling Fund may not offer all originated loans to a buying Fund and a buying Fund may not accept all such loans that are offered.

Additional conflicts could also arise with respect to the investment of a Fund in CLOs or financing vehicles formed by the Adviser or its affiliates. Investing in CLOs or financing vehicles sponsored by the Adviser or its affiliates would result in certain conflicts, including that the Adviser may have an interest in causing a Fund to provide financing for a CLO or financing vehicle to support its business or financial interests in causing the formation or closing of a CLO. Furthermore, Fund investors should not expect the Adviser to have better information with respect to Adviser-affiliated investments than other investors have. Even if the Adviser has such information, it may not be permitted to act upon it in a manner that disadvantages the other investors in such Funds. Other clients, or employees of the Adviser or its affiliates may be invested in different tranches or the same tranches of such CLOs as a Fund or may invest in financing arrangements or "warehouses" with respect to such a CLO investment or vice versa. Such arrangements would cause conflicts related to a Fund's investment. Please see Item 8 above for more information.

Conflicts Related to Certain Real Estate Development Projects

Situations may arise in which more than one Fund (or other affiliate of the Adviser) may invest in different parts or different layers of the capital structure of a portfolio company, issuer, borrower or other entity. For example, a Fund (i) may own debt of a portfolio company, issuer, borrower or other entity while another Fund may own equity in the same portfolio company, issuer, borrower or other entity, (ii) may own debt of a portfolio company, issuer, borrower or other entity while

another Fund may own a different tranche or other class or issue of debt of the same portfolio company, issuer, borrower or other entity, and/or (iii) may own equity of a portfolio company, issuer, borrower or other entity while another Fund may own a different equity security of the same portfolio company, issuer, borrower or other entity. As a result, whether at the time of making such investment, or at the time that any vote, consent or other action is required with respect to such investment (such as, for example, at the time of a work-out, reorganization or other major corporate event with respect to any such portfolio company, issuer, borrower or other entity), conflicts may exist between or among the Funds (or other Adviser affiliates) investing in or invested in such portfolio company, issuer, borrower or other entity.

In order avoid potential conflicts between Funds or other Adviser affiliates within the same issuer or borrower's capital structure with regard to certain real estate project development transactions and related real estate project financings (collectively, the "Real Estate Development Projects"), whenever it is reasonably practical to do so in connection with the limited liability companies, limited partnerships, joint ventures, special purpose vehicles and/or other entities formed with respect to the investments made by the Adviser on behalf of its Funds in such Real Estate Development Projects (such entities, the "Real Estate Development Project Investment Entities"), if more than one Fund or other Adviser affiliate has an interest in such Real Estate Development Project that may be in conflict with the interest of another Fund or other Adviser affiliate in such Real Estate Development Project, the Adviser shall seek to have at least one of the Real Estate Development Project Investment Entities managed and controlled by an entity that is not in any manner affiliated with the Adviser (an "Independent Party") in order to ensure that, notwithstanding the economic interests in the Real Estate Development Project Investment Entity held by a Fund or other Adviser affiliate, the Independent Party manages and controls the Real Estate Development Project Investment Entity to ensure the separate management and control of the interests in the Real Estate Development Project held from time to time by Funds and/or other affiliates of the Adviser.

In order to implement the foregoing, the Adviser and/or its affiliates (1) whenever it is reasonably practical in connection with the formation and documentation of Real Estate Development Project Investment Entities, shall seek to have the governing documents of such Real Estate Development Project Investment Entity provide that, if any other Fund or other affiliate of the Adviser has an interest in such Real Estate Development Project, (i) such Independent Party shall serve as the general partner, managing member, or other similar capacity of such Real Estate Development Project Investment Entity and such Independent Party shall exercise all management and control authority with respect thereto in accordance with such governing documents, and (ii) in the event that the Adviser or any Fund or other Adviser affiliate has the right pursuant to such governing documents to remove such Independent Party as the general partner, managing member or other similar capacity from such role with respect to the Real Estate Development Project Investment Entity, the Adviser, the Fund or other Adviser affiliate may only do so if, not later than thirty (30) days after such removal, the Adviser, the Fund or other Adviser affiliate designates another Independent Party to serve in such capacity (and during such up to thirty (30) day period, the Adviser, the Fund and/or other Adviser affiliate does not exercise any management or control rights with respect to the Real Estate Development Project Investment Entity that relate to the Real Estate Development Project if such exercise of such management or control rights is, or reasonably could be interpreted to be, either not in the best interests of the Real Estate Development Project Investment Entity with respect to the Real Estate Development Project or

adverse to the interests in the Real Estate Development Project of any other Fund or affiliate of the Adviser) and/or (2) whenever the Adviser or its affiliates do not include the foregoing conflict protections in the governing documents of such Real Estate Development Project Investment Entity, the Adviser and its affiliates shall nonetheless, as a matter of internal policy and procedures, act in a manner in full compliance with the provisions set forth in clause (1) herein.

Other Potential Conflicts

The organizational documents of a Fund establish complex arrangements among the Funds, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the organizational documents of a Fund, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

The Adviser, its affiliates and the Funds will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund or other funds managed by the Adviser's affiliates and may also represent one or more portfolio companies or investors in a Fund or fund managed by the Adviser's affiliates. In the event of a significant dispute or divergence of interest between Funds and the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates. Moreover, in litigation and certain other circumstances, separate representation may be required.

The Adviser, its affiliates and the Funds and portfolio companies may engage other common service providers. The Adviser, its affiliates and the Funds and portfolio companies may be charged varying amounts for such services or may have different fee arrangements for different types of services provided. For instance, fees for various types of work in certain circumstances depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Funds and/or their portfolio companies, the Adviser and its affiliates could pay different rates and fees than those paid by the Funds and/or their portfolio companies. Nevertheless, a conflict of interest could still arise between the Adviser, on the one hand, and the Funds and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies.

In addition, certain portfolio companies and certain affiliates of a Fund could engage in activities that could adversely affect a Fund and/or one or more of its portfolio companies, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit

the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Fund and/or a portfolio company being used to satisfy the obligations or liabilities of another Fund or its portfolio companies, or a fund or portfolio companies of a fund managed by an affiliate of the Adviser.

Transactions related to Affiliates of and Clients Advised by the Adviser

A Fund may seek to refinance loans or extend new credit to a borrower that has a current loan with an affiliate of or client advised by the Adviser where the loan is nearing maturity or the borrower is seeking alternative financing, or in certain circumstances another such affiliate or client of the Adviser may lend to an existing borrower of a Fund. While the terms of such financing are negotiated with such borrowers, in certain circumstances it may be customary or may otherwise be beneficial for legal, tax, regulatory or other reasons for such transactions to involve both a Fund and an affiliated lender or proceeds from one such transaction may pay off another such transaction, and such transactions are not restricted or subject to limitation under the terms of a Fund agreement.

The Adviser, in its discretion, has in the past and may cause the Funds to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser or the Adviser's affiliates. The Funds bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Investors may be introduced to the Adviser, or may be brought into a Fund, by a third-party service provider from which the Adviser or an affiliate purchase products or services to which the Adviser or an affiliate may make payments.

The Adviser has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by the Adviser that cover one or more Funds and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among one or more Funds, and/or the Adviser on a fair and reasonable basis and consistent with the Funds' governing documents. A different allocation could result in a Fund bearing lower (or greater) premiums, fees, costs and expenses for insurance policies.

If a Fund purchases in the secondary market at a discount debt securities of a company in which a Fund has, for example, a substantial equity interest, (a) a court might require a Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Item 12. Brokerage Practices

Although the Funds primarily invest in debt instruments, the Funds from time to time invest in equity securities. The Adviser generally has the discretion to determine the broker or dealer to be used and the commission rates to be paid in instances where a broker or dealer is used.

Investment advisers, like the Adviser, with the authority to direct client trades are under a duty to obtain “best execution,” with respect to publicly traded securities which the SEC generally describes as a duty to execute securities transactions so that a client’s total costs or proceeds in each transaction are the most favorable under the circumstances. This duty generally begins with a requirement that the Adviser obtain the best price available for publicly traded securities in each transaction. However, in determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser need not always pay the lowest possible commission or markup or markdown, but can take into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including,

- price,
- the size of the transaction,
- the nature of the market for the security,
- the amount of the commission,
- the timing of the transaction taking into account market prices and trends,
- the reputation, experience and financial stability of the broker or dealer,
- the broker’s reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities,
- the broker’s willingness to commit capital,
- its access to a particular trading market,
- its availability of securities to borrow or short sales,
- the value of research it provides, and
- the quality of service rendered by the broker or dealer in other transactions.

The Adviser may pay a broker a higher commission rate than another broker might charge if the Adviser determines, after considering the circumstances of the transaction, that the difference in cost is reasonably justified by the quality of the service offered. For accounts over which the Adviser exercises investment discretion, the Adviser may cause the account to pay a higher commission (“pay up”) in recognition of the value of “research services” received by the Adviser from or at the expense of the broker, to the extent such research services assist the Adviser in making investment decisions for discretionary client accounts. Any such soft dollar arrangements will be consistent with Section 28(e) of the Exchange Act, which permits the use of soft dollars in certain circumstances. Where research services also assist the Adviser in performing non-investment decision-making functions (such as accounting, record keeping or administrative

services), the Adviser will make a reasonable allocation of the cost of the service according to its use and use brokerage commissions to pay only for the research related component. Services that assist the Adviser solely in its performance of non-research related functions will be paid exclusively by the Adviser

In order to monitor best execution, the Adviser, as well as the Adviser's compliance group, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

The Adviser does not have any directed brokerage arrangements.

Aggregation of Investments

The Adviser and certain of its affiliates, from time to time, subject to applicable law and the Adviser's, the affiliates' or an applicable Fund's or affiliates' client's compliance policies and procedures, aggregates (or bunches) the orders of more than one Fund and/or affiliates' client, for the purchase or sale of the same publicly traded security. The Adviser, and certain of its affiliates, often employs this practice because larger transactions can enable the Adviser and its affiliates to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and certain of its affiliates may combine orders on behalf of Funds with orders for other funds or clients for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally allocate the publicly traded securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants on a pro rata basis.

When orders for publicly traded securities are not entirely filled, allocation shall be made based upon the Adviser's and affiliates' (if applicable) procedures for allocation of investment opportunities. Where aggregate trades have been filled during the course of the trading day at different prices, the execution price of the publicly traded securities to each client will, to the extent possible, be the average price of all executions of purchases or sales, as the case may be, for all clients executing such transaction during that day. See the Adviser's response to Item 11 above for more information regarding conflicts of interest related to investment and trading discretion.

Item 13. Review of Accounts

The Adviser performs periodic reviews of client accounts. In no circumstances are client accounts reviewed less than quarterly and when necessary. Senior members of the back office staff in the Operations, Compliance, Finance, and Trading Departments review the client accounts.

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

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

Certain affiliates of the Adviser also provide Related Services to actual or prospective portfolio companies, other investment vehicles of the Funds, or the Funds. Such Related Services are complementary to the investment advisory services provided by the Adviser. Time spent on Related Services varies from investment to investment.

The Adviser, from time to time, engages one or more persons to act as a placement agent for a Fund or strategies managed by the Adviser, in connection with the offer and sale of interests or formation of accounts to certain prospective investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests in a Fund or strategy or contributions to such Fund or strategy that are accepted by the Fund's general partner or board of directors with respect to such prospective investors. Such fees will be negotiated individually between the Adviser and such person. Any such engagements will be structured and disclosed to relevant parties in accordance with requirements under Rule 206(4)-1 under the Advisers Act.

Item 15. Custody

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

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

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

Item 16. Investment Discretion

The Adviser generally has the discretion to determine, without consent of the Funds or the investors in the Funds, the particular securities or instruments to be bought and sold in accordance with the terms and conditions of the applicable organizational documents of and investment advisory or sub-advisory agreement with each Fund and, with respect to the 1940 Act Funds, in accordance with the Funds' investment policies and restrictions, as provided for from time to time in such Funds' prospectuses and SAIs. The Adviser will provide investment advice to the Funds,

subject to certain limitations and restrictions on the Funds as to diversification and type of permitted investments. Funds will typically make direct investments in companies, although the Adviser has and may, in its discretion, form a special purpose vehicle with respect to particular investments.

Item 17. Voting Client Securities

As the Funds primarily invest in debt instruments, the Adviser does not normally receive proxies to vote common stock or other equity securities. However, the Adviser has adopted the following policies and procedures to address the instances where voting, consent or action, such as waivers of covenant breaches or amendments to governing documents, may be required, whether pursuant to proxies or other voting, consent or action to be taken by the Adviser on behalf of one or more Funds. These voting, consent and/or action matters may arise, particularly with respect to distressed debt instruments and other special situations.

Where authority to vote has been delegated to the Adviser, it is the Adviser's fiduciary duty to vote proxies and other consents and/or actions in the best interests of each of the Funds on a Fund-by-Fund basis. The overriding principle of the Adviser's proxy and other voting, consent and/or action is to maximize the financial interests of each of the Funds on a Fund-by-Fund basis. It is the policy of the Adviser in voting, consent and/or action matters to consider and vote or otherwise act with respect to each proposal with the objective of maximizing investment returns for the Funds, in each case on a Fund-by-Fund basis.

The Adviser has established guidelines regarding the voting of proxies on routine, non-routine, corporate governance and social issues and other matters. In the event of a conflict, the portfolio manager for each client Fund or account will advocate in the best interest of the specific client Fund or account. The Adviser may, however, vote, consent and/or act in a manner that is contrary to the Adviser's general guidelines if it believes that it would be in a Fund's best interest to do so, and the Adviser makes such determinations on a Fund-by-Fund basis.

All proxies and other votes, consents and/or actions require a mandatory conflicts of interest review, which will include consideration of whether (i) the Adviser, (ii) any investment professional or other persons at the Adviser recommending how to vote, (iii) one or more client Funds and/or (iv) the Adviser's affiliates and their clients have an interest in how the proxy (or other matter) is voted and whether that may present a conflict of interest. Situations may arise in which separate Funds invest in different parts of the capital structure of the same company or other entity, or in which a single Fund may invest in different parts of the capital structure of the same company or other entity. In those situations, two or more Funds may be invested in strategies having different investment objectives, investment styles, economic positions and/or portfolio managers. As a result, the Adviser may cast different votes on behalf of different Funds. In each case, the Adviser will determine the vote, consent or action that the Adviser believes in the best interests of each Fund, without regard to the interests of any other Fund.

In resolving conflicts, or otherwise determining how to vote, consent and/or act with respect to a particular matter, the Adviser may from time to time utilize separate deal teams, implement information barriers and internal screens, retain separate outside counsel and/or seek input from

unaffiliated third parties, including without limitation independent directors, advisory committees, independent fiduciaries, consultants and other professionals.

The Adviser is not required to vote a proxy (or similar matter) if the cost of voting due to special translation, delivery or other requirements would outweigh the benefit of voting.

The Adviser will retain all books and records relating to its proxy and other voting activities on behalf of client accounts in accordance with the requirements of Rule 204-2(c)(2) under the Advisers Act. Copies of the Adviser's proxy and other voting policies and procedures and relevant voting logs are available to any client or prospective client by calling Mr. Gallo at 212-588-6739 or by writing to Mr. Gallo, Chief Compliance Officer, Benefit Street Partners L.L.C., 360 S. Rosemary Avenue, Suite 1510, West Palm Beach, Florida, 33401 or by contacting Mr. Gallo via email at r.gallo@benefitstreetpartners.com.

To the extent that it is granted such authority by clients, the Adviser may deal with class action claims on a case-by-case basis. Upon receipt of a claim, the Chief Compliance Officer in conjunction with the Chief Operating Officer will determine whether the Adviser should join or otherwise participate in such class action or litigation in light of the relative costs and benefits of doing so. Any proceeds from a class action suit will be allocated among the Funds and any Fund investors currently existing at the time of recovery of such proceeds.

Item 18. Financial Information

The Adviser does not require or solicit the prepayment of any fees, and does not have any adverse financial condition that is reasonably likely to impair the Adviser's ability to continuously meet its contractual commitments. The Adviser has not been the subject of a bankruptcy proceeding.

Item 19. Requirements for State-Registered Advisers

The Adviser is not required to register with a state and therefore has nothing to report or disclose in this section.