

Form ADV Part 2A: Firm Brochure

Item 1.Cover Page

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This brochure provides information about the qualifications and business practices of CCS Partners LLC (“the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser at 212-872-8010. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Adviser making an initial filing to become an Investment Adviser registered with the SEC under the Investment Advisers Act of 1940, as amended.

Once approved by the SEC as a registered Investment Adviser, additional information about the Adviser will also be available on the SEC’s web site at www.adviserinfo.sec.gov.

Although the Adviser may refer to itself as a “registered investment adviser” or describe itself as being “registered,” this registration with the SEC does not imply a certain level of skill or training.

Date Prepared: April 12, 2024

Item 2. Material Changes

This is the initial filing of the Form ADV Part 2A for the Adviser and as such, there are no material changes to report. In the future, this Item will discuss only specific material changes that were made to the brochure and will provide clients with a summary of such changes.

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Item 4. Advisory Business

The Adviser is a newly formed Delaware limited liability company and an investment adviser located in New York, New York. The Adviser has its principal place of business in New York, New York. The principal owners of the Adviser are Mr. Robert Kinderman and Mr. Randolph Takian. Please see Form ADV Part 1, Schedule A for information on the Adviser's current ownership. The Adviser will provide discretionary investment advisory services through certain of its affiliates (the "Advisory Affiliates") to newly formed privately pooled investment vehicles (the "Clients" or the "Funds") and separately managed accounts (the "Managed Account Clients").

Investment advisory services will be provided directly to the Funds and not to investors in the Funds. Accordingly, such services are tailored to each Fund's investment objectives, strategies and guidelines as described in the respective Fund's offering documents. The Adviser provides investment advisory services to its Managed Account Clients in accordance with each Client's respective investment management agreement and the investment objectives, strategies and guidelines set forth in the respective investment management agreement. Depending on the characteristics of each Fund's underlying investments and the Fund's investor base, the Fund may be formed as a domestic or offshore entity, may issue debt securities to its investors, and may include one or more parallel vehicles and investment holding structures, where deemed appropriate by the Adviser to facilitate the investment objectives of the Fund and its investors. The specific structure and characteristics of each Fund, including investment guidelines, will be described in greater detail in the organizational documents and subscription materials for the applicable Fund.

Because the Adviser's advisory business is expected to be limited to providing advice to the Funds in accordance with their respective governing documents, the Adviser generally does not intend to tailor its advisory services to the individual needs of specific investors in any Fund. The Funds are expected to have individual investment guidelines and objectives, as detailed in their respective offering materials and governing documents. While the Adviser will generally utilize similar strategies for all of the Funds, the Adviser will tailor its advisory services to the specific needs of a Fund when deemed necessary by the Adviser. In addition, the Adviser's advisory services and strategies are further described below in "Item 8: Methods of Analysis, Investment Strategies and Risk of Loss."

The Funds expects to generally invest across residential and commercial mortgage loans and securities ("RMBS" and "CMBS"), consumer loans and asset-backed securities ("ABS"), other structured credit products and corporate assets, related performing and distressed portfolios and derivatives. All of the Funds will be exempt from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to Sections 3(c)(1) or 3(c)(7) of the Investment Company Act or by virtue of accepting only foreign investors. Interests in the Funds will be privately offered only to qualified investors.

Certain Advisory Affiliates may be responsible for serving as general partners (or similar managing fiduciaries) of the Funds (the "General Partners").

The Adviser does not participate in any wrap fee programs.

The Adviser is registering as an investment adviser in anticipation of having assets under management in excess of \$25 million within 120 days of its registration; however, as of the date hereof, the Adviser does not advise any client assets on a discretionary or non-discretionary basis.

Item 5. Fees and Compensation

- A. As compensation for its services, the Adviser typically receives a management fee from the Funds (“Management Fee”). Management Fees are typically payable quarterly in advance, on a pro rata basis for any period that is less than a full quarter period, except that the Adviser may receive Management Fees from certain of the Funds semi-annually or monthly in advance. Generally, during a Fund’s commitment period, the Management Fee payable to the Adviser is based upon the aggregate capital commitments of the Fund’s limited partners. Following that commitment period, the Management Fee is generally based on invested capital. The terms of the Management Fee payable to the Adviser may vary among the Funds and typically ranges from 0.25% to 2.0% per annum during and after the commitment periods of the Funds.

While it is the Adviser’s policy that its fees are not negotiable, the Management Fee will, in certain circumstances, be waived, rebated, or calculated differently at the sole discretion of the Adviser. Management Fees will often differ among Funds, as well as among investors in the same Fund. In particular, certain affiliates, employees, advisors, operating partners, or family members of the Adviser that are investors in the Fund do not pay Management Fees.

The fee structures above will be modified from time to time.

- B. The Adviser expects to charge Clients on a quarterly basis in advance for Management Fees by drawdowns from investors or by withholding distributions that would otherwise be distributable to the investors.
- C. Each of the Adviser’s Funds expects to typically bear offering and organizational expenses, which in some cases may be limited to an amount specified in a Funds’ private placement memoranda. Organizational expenses in excess of such amounts would be borne by the respective Fund but would be subject to a 100% offset against the Management Fee.

The Adviser and its affiliates are likely to be entitled to receive (i) cash and non-cash commitment, monitoring, organizational, set-up, advisory, investment banking, underwriting, syndication and other similar fees in connection with the purchase, monitoring or disposition of investments, including warrants, options, derivatives and other rights in respect of securities owned by the Funds, (ii) break-up, topping, termination and other similar fees payable in connection with unconsummated transactions by the Funds, and (iii) cash and non-cash directors’ fees, including warrants, options, derivatives and other rights in respect of securities owned by the Funds, in each case, net of out-of-pocket expenses incurred by the Adviser or its affiliates in connection with the transactions out of which such fees arose, including any value-added, sales or similar taxes applicable to such fees (collectively, “Transaction Fees”). Certain fees received by the Adviser or its affiliates may be retained and are not considered Transaction Fees, including (i) certain fees paid to the

Adviser's affiliated broker-dealer, (ii) amounts received from co-investors and amounts received by operating partners of the Adviser, (iii) certain consulting fees paid to certain affiliates of the Adviser, (iv) any stock options or other compensation granted or paid by portfolio companies of the Funds to employees of the Adviser or its affiliates who serve in a bona fide, non-director management capacity at any such portfolio company, and/or (vi) amounts that are eligible to be treated as Fund expenses for which the Adviser and/or an affiliate thereof is reimbursed.

The Fund pays or reimburses the Investment Manager or the General Partner for, all of the following costs and expenses, and all costs and expenses relating to the Fund's interest in the Master Fund, in accordance with the Master Fund Partnership Agreement, including:

Investment Program. All costs, fees and expenses related to the Fund's or the Master Fund's investment program, as well as expenses related to any special purpose vehicle formed for making or holding investments (the "**Investments**"), including:

- (a) the researching, making, holding, monitoring or disposing of Investments (including prospective Investments, whether or not consummated), including costs, fees and expenses related to research, due diligence, proxies, brokerage commissions and borrowing charges on Investments sold short;
- (b) research (e.g., all costs and expenses of research reports, subscriptions to research services, research calls and meetings and research or industry conferences) and market data, including alternative data (including any computer hardware, software and connectivity hardware (e.g., telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data, including third-party vendors necessary to process such data and any customized development and implementation costs) and expert networks;
- (c) exchange, clearing and settlement charges and other trading-related costs (including the costs of outsourced trading service providers, including technology support, operational and back office services), fees and expenses (including trade errors resulting in a loss that are not the result of the Investment Manager's Disqualifying Conduct (as defined below)), and appraisal fees and investment-related travel expenses (which are travel expenses related to the purchase, sale or transmittal of, or due diligence regarding, Investments, including business class or the equivalent with respect to international travel, transportation, lodging, meals, admission costs for attending conferences related to such Investments and other similar costs and expenses);
- (d) investment banking fees and expenses, such as underwritings and private placement expenses;
- (e) interest on, and commitment fees and expenses arising out of, debt balances or borrowings (including stock borrowings) and banking and custody fees;
- (f) fees of consultants and finders relating to Investments; and
- (g) any attorneys, appraisers, accountants, consultants (including consultants in specializations such as executive talent and human resources, management,

operations, manufacturing, procurement, technology, sales, marketing, acquisition due diligence, integration/rationalization or other types of operations) or other experts, as well as other expenses, related to Investments.

Sale of Interests in the Fund. Expenses incurred in connection with the offering and sale of the Interests, including legal, accounting and administrative fees, printing costs, expenses related to preparing offering documents and other marketing materials, expenses related to the engagement and services of placement agents (including reimbursement of expenses and indemnification of such placement agents), the cost of negotiating and documenting any related compensation arrangements, costs of reporting and providing information to existing and prospective Partners, costs of structuring and documenting any seeding arrangement, expenses related to the negotiation of and compliance with side letters, travel expenses (including business class or the equivalent with respect to international travel, transportation, lodging, meals and investor entertainment) related to the Fund's or the Master Fund's offering, registration and other filing fees (including any Form D and "blue sky" filing fees) to the extent such fees are directly related to the Fund's or the Master Fund's activities, other out-of-pocket expenses, the cost of compliance with any applicable federal, state and other laws directly related to the Fund's or the Master Fund's activities, additional agreement negotiations and other similar expenses.

Regulatory Compliance. All costs, fees and expenses incurred by the Fund, the General Partner, the Investment Manager, the Master Fund or their respective affiliates directly related to the Fund's or the Master Fund's organization, operations and Investments, including the costs, fees and expenses associated with compliance, regulatory filings or regulatory and governmental inquiries of the Fund or the Master Fund, including:

- (a) all costs, fees and expenses associated with any investigations, responding to any subpoenas, participating in any proceedings, entering into any settlements or disgorging any profits (i) for activity involving the Fund, the Master Fund or, to the extent the conduct is not Disqualifying Conduct, any Indemnified Person (as defined in the Partnership Agreement) or indemnified person of the Master Fund or (ii) that are directly related to the Investments or business as an investor;
- (b) all costs, fees and expenses (including legal fees and expenses) incurred to comply with any applicable law, rule or regulation (including rules and regulations from self-regulatory organizations, as well as privacy and data protection laws) to the extent such costs, fees and expenses directly relate to the Fund's or the Master Fund's activities, including costs, fees and expenses incurred in connection with reporting, licensing, registration requirements and regulatory filings each directly related to the Fund's or the Master Fund's activities (including, for example, Form PF, Schedules 13D or 13G, Form 13F, Form 13H and Forms 3, 4 and 5);
- (c) all compliance costs, fees and expenses directly related to the Master Fund's activities, including costs of third-party compliance consultants providing advice in connection with investment-related compliance obligations;
- (d) anti-money laundering officer fees and expenses and costs associated with FATCA compliance or KYC obligations (such as outsourced diligence

services) and any filings made or expenses incurred directly relating to the Fund's or the Master Fund's activities, including any portion of the Annex IV that directly relates to the Fund or the Master Fund and other similar regulatory filings; and

- (e) trade-related compliance expenses.

Notwithstanding anything herein to the contrary, the Fund will not, to the extent prohibited by applicable law, rule or regulation, bear: (i) any fees or expenses associated with an examination or investigation of the Investment Manager or its related persons by governmental or regulatory authorities and (ii) any regulatory or compliance expenses or fees of the Investment Manager or its related persons.

Formation and Organization. The Fund or the Master Fund pays or reimburses the Investment Manager or General Partner, as applicable, for, all costs, fees and expenses arising in connection with the Fund's or the Master Fund's organization.

Operation and Administration. Costs, fees and expenses related to:

- (a) third-party providers of "back office" and "middle office" services relating to trade settlement, administration and accounting;
- (b) Management Fees;
- (c) the winding up and liquidation of the Fund or the Master Fund;
- (d) obtaining, maintaining or performing systems, research and other information, including: software tools, programs or other technology, such as portfolio risk management services, utilized in managing the Investments (including technology used for accounting purposes, such as the costs of statistics and pricing services, service contracts for quotation equipment and related hardware, software, phone and internet charges, third-party software licensing, implementation, data management and recovery services, database packages, all costs and expenses associated with Bloomberg terminals, compliance of Investments, technology and communications systems and customized development and implementation costs);
- (e) valuation of the Investments or the Fund's and the Master Fund's assets, including the costs and expenses associated with valuation experts, opinions and hardware, software and other technology used to facilitate valuations;
- (f) legal expenses, including all costs, fees and expenses of legal counsel or other experts or consultants in connection with advice relating to the Fund's or the Master Fund's legal affairs, tax-related issues and ongoing operations (including the updating of the Fund's or the Master Fund's offering documents, processing transfer requests, negotiating with prospective investors and extraordinary legal expenses, such as those related to litigation or investigation involving the Fund's or the Master Fund's activities or regulatory investigations of or proceedings directly related to the Fund's or the Master Fund's activities, as well as any judgments or settlements associated with such investigations or proceedings);
- (g) meetings of the Limited Partners;

- (h) all costs, fees and expenses incurred by the Partnership Representative when acting in the capacity as such;
- (i) all costs, fees and expenses associated with creating, maintaining, reviewing, updating and implementing cybersecurity policies and procedures directly related to the Fund's or the Master Fund's activities, including the cost of: (I) assessing the cybersecurity risks directly associated with the Fund's or the Master Fund's systems and information, (II) designing and implementing controls and information protection measures to prevent unauthorized access to or use of such systems and information, (III) overseeing applicable service providers of the Fund or the Master Fund to ensure they implement and maintain measures to protect the Fund's or the Master Fund's systems and information, (IV) monitoring, detecting, mitigating and remediating cybersecurity threats and vulnerabilities with respect to such systems and information, (V) preparing for, detecting, responding to, communicating and recovering from a cybersecurity incident involving the Fund's or the Master Fund's systems or information and (VI) reviewing and preparing a report on the design and effectiveness of the foregoing cybersecurity policies and procedures as required by law, as well as the cost of cybersecurity consultant fees and cybersecurity insurance of the Fund or the Master Fund;
- (j) 75% of the cost of maintaining "directors and officers," "errors and omissions" or similar liability insurance (including tail insurance coverage) for the benefit of the Fund, the General Partner, the Investment Manager, the Master Fund or any other Indemnified Person;
- (k) reporting and providing information to existing and prospective Partners;
- (l) establishing, measuring and monitoring environmental, social and governance criteria for Investments, including through the retention of consultants;
- (m) except as otherwise determined by the General Partner to be payable on behalf of one or more Limited Partners in accordance with the Partnership Agreement, any withholding, transfer or other taxes (including any amounts under any BBA provision), imposed or assessed on, or collected from, the Fund, the Master Fund, or the General Partner (including any interest and penalties);
- (n) financial and tax accounting, tax advisory fees, tax compliance and filings-related costs (including FATCA compliance), bookkeeping and reporting services and administrative services performed by any person on behalf of the Fund or the Master Fund (e.g., the administrator of the Fund or the Master Fund), including the cost of any audit of the Fund's or the Master Fund's financial statements and the preparation of its tax returns; and
- (o) indemnification obligations of the Fund or the Master Fund as described in "Duty of Care; Indemnification", "Liability of Partners and Indemnification of the General Partner and Others" and the Master Fund Partnership Agreement.

Additionally, each of the Adviser's Funds typically will bear expenses, which shall generally be borne pro rata by the Partners in accordance with their respective Capital Account balances; provided that expenses may be specially

allocated among the Capital Accounts as provided elsewhere herein, including, without limitation, with respect to the allocation of Management Fees, withholding taxes and other expenditures, reserves and adjustments for certain future events, Limited Participation Investments, Restricted New Issues (as defined in the “Restricted New Issues” section). Notwithstanding the foregoing, costs, fees and expenses may be specially allocated among the Capital Accounts of the Partners on any other basis that the General Partner determines is more equitable in light of the purposes for which such expenses were incurred.

Certain of the Fund’s or the Master Fund’s formation, organizational and initial offering expenses may, for accounting purposes, be amortized by the Fund or the Master Fund for up to a 60-month period. If the Fund or the Master Fund amortizes its expenses but terminates before such expenses are fully amortized or elects in its sole discretion to accelerate such amortization, the unamortized portion of the organizational expenses shall be debited against the Fund’s or the Master Fund’s assets at that time.

The General Partner and/or the Investment Manager, as appropriate, shall be entitled to reimbursement from the Fund or the Master Fund, as applicable, for any expenses of the Fund or the Master Fund paid by it on behalf of the Fund or the Master Fund; provided that, the General Partner and/or the Investment Manager, as applicable, may absorb any or all of such expenses incurred on behalf of the Fund or the Master Fund.

The General Partner is permitted to incur any expenses of the Fund or the Master Fund for the account or benefit of, or in connection with its activities or those of its affiliates on behalf of, the Fund, the Master Fund, and any Other Account (as defined in “Potential Conflicts of Interest”). If the General Partner incurs such shared expenses, the General Partner, as appropriate, will allocate such expense among the Fund, the Master Fund, and each such Other Account in proportion to the size of the Investment made by each in the activity or entity to which the expense relates, or in such other manner as the General Partner considers fair and equitable.

In the event of a trade error, any loss in the Fund occurring as a result of the Investment Manager’s Disqualifying Conduct, shall be reimbursed to the Fund by the Investment Manager and any gains shall be retained by the Fund.

To the extent the General Partner and the Investment Manager determine to use “soft dollars” generated by the Master Fund to pay for brokerage and research products and services, such usage shall be within the “safe harbor” provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and related guidance. Use of “soft dollars” by the General Partner or the Investment Manager as described herein shall not constitute a breach by them of any fiduciary or other duty which the General Partner or the Investment Manager may be deemed to owe to the Fund, the Master Fund, or the Limited Partners.

Except as otherwise provided in this Memorandum, the Investment Manager pays all of its own operating, administrative and overhead costs, without reimbursement by the Fund or the Master Fund. Each of the Fund and the

Master Fund will not have their own separate employees or office, and will not reimburse the Investment Manager for salaries, office rent and other general overhead costs of the Investment Manager.

The Adviser will, in certain circumstances, endeavor where appropriate to cause each potential co-investor that is considering an investment alongside a Fund prior to the signing of the Fund's portfolio investment to bear its proportionate share of broken deal expenses related to such potential portfolio investment, but to the extent not reimbursed by co-investors or other parties that may have invested in an unconsummated portfolio investment had it been consummated, such expenses may and will be borne entirely by the Fund and no share of such expense shall be required to be allocated to any such co-investors or other party; provided that no share of any breakup fees shall be allocated to any co-investor that is not bearing broken deal expenses.

From time to time, the Adviser may engage and retain strategic advisors, consultants, and other similar professionals, including operating partners, who are not employees or affiliates of the Adviser and who may receive payments from, or allocations with respect to, portfolio companies (as well as from the Adviser or the Funds). The nature of the relationship with each of the senior advisors, consultants and/or other professionals and the amount of time devoted or required to be devoted by them may vary considerably. In certain cases, they will provide the General Partners and/or the Adviser with industry-specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to, and provide reference checks on management teams. In other cases, they may take on more extensive roles and serve as executives or directors on the boards of portfolio companies or contribute to the origination of new investment opportunities. In certain instances, the Adviser may have formal arrangements with certain of these senior advisors, consultants and/or other professionals (which may or may not be terminable upon notice by any party), and in other cases the relationships is more informal. They will be typically compensated (including pursuant to retainers, expense reimbursement and compensation in connection with specific investments) from the Adviser, the Funds and/or portfolio companies or otherwise uncompensated unless and until an engagement with a portfolio company develops or, in the case of certain operating partners emeritus, uncompensated with limited, if any, contractual arrangement. In such circumstances, such payments from, or allocations with respect to, portfolio companies and/or the Funds will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by the Adviser, be deemed paid to or received by the Adviser and such amounts will not be subject to the offset provisions as described above. These senior advisors, consultants and/or other professionals may have the right or be offered the ability to co-invest alongside the Funds on a fee free basis, including in those investments in which they are involved, or otherwise participate in equity plans for management of any such portfolio company or may invest alongside the members of the Adviser through the general partner vehicle or may invest in the Funds on different terms than other investors. There can be no assurance that any of the senior advisors, consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with the Adviser and/or any portfolio companies throughout the terms of Funds.

In addition, these operating executives, operating advisors, consultants and/or other professionals may be (or have the preferred right to be) investors in other the Adviser affiliated entities. In the future, they may be compensated (including pursuant to retainers and expense reimbursement) by the Adviser, the Funds and/or portfolio companies or otherwise uncompensated unless and until an engagement with a portfolio company develops.

Investors in a Fund are allocated their pro rata share of such additional fees and expenses for the time period they are invested in the Fund, or on such other allocation methodology as the Adviser may determine is fair and reasonable.

The General Partners and the Adviser will be responsible for the expenses of providing their services to the Funds, including overhead expenses, facilities expenses, and compensation of employees. In the event the Adviser needs to engage the services of a broker or dealer, the Funds will bear any brokerage expenses, as discussed in Item 12 of this brochure.

- D. Where Management Fees are paid in advance, they are typically required to be returned on a pro rata basis in the event the Adviser does not provide services for the full period in respect of which the fees are paid, calculated based on the number of days remaining in the applicable time period.
- E. Neither the Adviser nor any of its supervised persons typically receive compensation for the sale of securities or other investment products.

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

In most cases, the Adviser will be compensated for the investment advisory services it provides to the Funds through Management Fees, advisory fees and other transaction-related fees. The Adviser may, in certain circumstances, also receive performance-based fees from Clients that are organized for certain co-investors, as described in Item 5 above.

Performance-Based Compensation

With respect to certain Funds that are structured as hedge or open-end funds as well as certain managed account Clients, the Adviser or one of its affiliates, as applicable, will generally receive, on an annual basis, performance-based compensation equal to 10% to 20% of the net realized and unrealized capital appreciation, if any, of the capital accounts or the net asset value of the shares (as applicable) of the respective Client Account. Performance-based compensation will also be paid or allocated to the Adviser or one of its affiliates, as applicable, upon an interim-year redemption or withdrawal as if such date were the end of the fiscal year, subject to certain adjustments. The receipt of performance-based compensation is subject to certain limitations including the application of a “high water mark” and, with respect to certain Client Accounts, the Adviser or one of its affiliates, as applicable, may only receive performance-based compensation after the investors in the respective Client Account have earned a certain rate of return (i.e. a hurdle rate).

With respect to Client Accounts that are structured as private equity or closed-end funds, the Adviser or one of its affiliates, as applicable, generally receives performance-based compensation equal to 10% to 20% of proceeds realized from the disposition of investments and/or distributions from investments,

subject to the return of capital contributions to the investor and, often, subject to the receipt of a preferred return by the investors and catch-up distributions to the Adviser or one of its affiliates, as applicable, and/or other performance hurdles.

With respect to certain hybrid Client Accounts that are structured with a portion of the Client Account as open-end and a portion of the Client Account as closed-end, the Adviser or one of its affiliates, as applicable, generally receives the foregoing applicable performance-based compensation for the open-end and closed-end portion of the Client Accounts, respectively.

Performance-based compensation is charged to qualified clients in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Generally, with respect to Client Accounts that are Funds, the Adviser withdraws fees and expenses from the relevant Fund. With respect to a sub-advised fund, the Adviser sends an invoice for fees and expenses which is paid directly by the sub-advised fund. With respect to Client Accounts that are Managed Account Clients, payment of fees and expenses are authorized by the Managed Account Clients.

Although the performance-based compensation and management fees charged to investors in the Funds are generally not negotiable, the Adviser reserves the right to waive or impose different performance-based compensation or management fees or otherwise modify the fee or compensation arrangements of certain large and/or strategic investors. Employees of the Adviser, relatives of such persons and affiliates of the Adviser may invest in the Funds on a fee free basis. The Adviser may negotiate other compensation structures with clients, including fixed rate fees.

Side Letters

The Adviser or a Fund has may in the future enter into agreements (“side letters”) with certain prospective or existing investors in a Fund whereby such investors are subject to terms and conditions that are more advantageous than those set forth in the Fund’s offering documents, including, but not limited to, rights to make future investments in the Fund or other co-investment opportunities, special redemption rights, a reduction or rebate in management fee and performance compensation, or redemption charges to be paid by the investor, notification rights in connection with certain events occurring in the Fund or Adviser’s business, heightened portfolio transparency and such other rights as may be negotiated by the Adviser and such investor. The modifications are solely at the discretion of the Adviser/Fund and may, among other things, be based on the size of the investor’s investment in the Fund or affiliated investment entity, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund or the Adviser.

Item 7.Types of Clients

As described above, the Adviser will serve as the investment manager to the Funds and the Managed Account Clients. The Funds advised by the Adviser are exempt from registration under the Investment Company Act, pursuant to Section 3(c)(1) or Section 3(c)(7) of such act. Investors in the Funds are required to represent that they meet the requirements of an “accredited investor” as such term is defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and, if applicable, that they meet the requirements of a “qualified purchaser” as such term is defined in Section 2(a)(51) of the Investment Company Act. The Managed Account Clients consist of institutional investors.

Minimum investment requirements vary by Fund. There is no fixed minimum account size required for managed accounts, although the size of such account is, in general, significantly in excess of the minimum investment required for the Funds.

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

The following is a summary of the methods of analysis and investment strategies which will generally be employed by the Adviser as well as certain material risks associated with investing in such strategies. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable Fund’s investment, operational and other actual and potential risks.

A. Method of Analysis.

Investment ideas will generally be generated internally through research and analysis. In connection with identifying, evaluating, analyzing, and investigating investment opportunities for the Funds, investment professionals also will generally draw upon their professional experience in relevant industries and contact with industry executives, established business relationships and independent consultants.

The Adviser has an investment committee for its Funds (the “Investment Committee”). The members of the Investment Committee will meet as needed, with the Adviser’s investment professionals responsible for formulating and implementing the investment strategies of each Fund to review and stay informed about current activities in each portfolio, the status of all Fund investments and administrative matters. The Adviser’s current view on industry trends, market conditions and other relevant items are also discussed at such time. The members of the Investment Committee will also typically meet amongst themselves to discuss certain transactions and trades in more detail and further deliberate the relative merits and risks of investments with the investment professionals involved in order to encourage candid dialog.

While the Adviser’s research is intended to be thorough, both its Clients and investors should be prepared for the risk of loss. There can be no assurance that the Funds’ target rate of return will be achieved or that there will be any return of capital. Investors should have the financial ability and willingness to accept the risks and lack of liquidity which are characteristic of each of the Funds’ investments.

B. Investment Strategy

The Adviser's overall strategy is to identify emerging trends in the market and engage in transactions with market participants to capitalize on those trends.

General. As of the date hereof, to the extent consistent with the Client Account's investment mandate, the Adviser intends to provide investment advice across credit sectors and throughout an issuer's capital structure with a primary focus on structured credit, which includes secured and structured commercial, consumer and corporate assets. The Adviser intends to invest across various investment sectors, including, but not limited to, risk sharing/risk transfer participations, agency and non-agency residential and commercial mortgage backed securities, residential and commercial mortgage loans, consumer and commercial asset backed securities and consumer loans (including credit cards, automobile loans, student loans, or potentially other secured or unsecured consumer assets), municipal bonds, credit-linked notes, sovereign bonds, collateralized loan obligations, collateralized debt obligations ("CDO"), indices, private investments in public equity where the underlying asset class is structured credit and/or mortgages, special purpose vehicles (including trust certificates) where the underlying asset class is structured credit and/or mortgages and related corporate credit originated primarily in the U.S. and European markets. Corporate credit investments include, but are not limited to, high yield securities, distressed debt investments, bank debt, credit default swaps, trade claims, private debt, total return swaps, preferred shares, litigation certificates, enhanced equipment trust certificates and other hybrid capital instruments and related equities and options. The Adviser's investments in the residential and commercial real estate sectors may include direct holdings of real estate properties, where such holdings are consistent with a Client Account's investment mandate.

Where applicable, and to the extent consistent with a Client Account's investment mandate, to achieve a Client Account's investment objective, the Adviser, on behalf of a Client Account, intends to invest in existing or emerging structured credit opportunities focused on consumer, residential and commercial real estate and commercial asset-backed investments by pursuing direct lending opportunities, including joint ventures with third parties and debt and/or equity investments in newly formed lending companies. In pursuing direct lending opportunities, the applicable Client Account may invest directly or indirectly through special purpose vehicles owned by the Client Account that directly or indirectly originate loan opportunities and engage in activities typically associated with direct lending, including (i) originating and warehousing loans with the intent to securitize and distribute liabilities while retaining targeted credit exposure and (ii) providing secured warehouse lending, mezzanine capital or bridge financing on a collateralized basis to new and emerging businesses and asset classes. All such investments may provide equity-type exposure and returns. The Adviser also intends to invest in newly issued or secondary securities, loans or risk-transfer transactions focused on consumer, real estate, and commercial asset-backed investments with the intent to restructure or re-securitize to monetize or term finance. To the extent consistent with a Client Account's investment mandate, the Adviser will seek to capture outsized liquidity premiums in secondary market transactions where market liquidity has been constrained and price volatility exacerbated by reduced bank balance sheet positioning or technical trading flow imbalances the form of which may be previously securitized notes or bonds. To the extent consistent with a Client Account's investment mandate, the Adviser also intends to initiate long and short positions and may access exposure to assets through derivative instruments.

Investment Strategies. The Adviser will base its investment decisions on a combination of systematic and non-systematic risk and valuation considerations. The Adviser will seek to identify high conviction themes that reflect the Adviser's outlook on the performance of

macroeconomic factors, including the domestic and global economies, employment, monetary policy, cash flow, interest rates, commercial and consumer credit quality, volatility, liquidity and asset valuation and underlying credit trends. Such themes will influence portfolio allocations across credit asset classes within the Client Account's investment mandate. Capital allocations to sectors will be based on the direction and momentum of fundamental trends and related market technical dynamics that may drive asymmetric returns with positive convexity. The Adviser will utilize bottom-up fundamental analysis combined with a top-down macroeconomic view.

With respect to investments in structured credit, the Adviser will use a combination of loan and asset performance databases along with sophisticated proprietary and third-party analytic models to evaluate loan portfolios and underlying investment collateral, to forecast cash flows and to define and anticipate downside risk parameters. The Adviser will integrate economic and market research with loan-level prepayment, delinquency, and default analysis to identify attractive investment opportunities. Individual security selection will be done through an asset-level analysis of credit quality and performance, investment structure and cash flow priority with an emphasis on identifying idiosyncratic features that may enhance returns beyond favorable underlying fundamentals.

With respect to investments in corporate credit, the Adviser will seek to identify undervalued credit investments as well as credit investments most likely to default. This analysis focuses on an issuer's ability and willingness to pay down debt through free cash flow or assets sales, as well as the value of the underlying business relative to its debt. In addition, the Adviser will analyze the quality of the issuer's business, its management team and standing within the industry. The Adviser will look to invest in opportunities where catalysts are present to unlock value (in the case of longs) or to cause the investment to trade lower (in the case of shorts). Such catalysts may include ratings upgrades/downgrades, bond exchanges, restructurings and refinancings, bankruptcy, mergers and acquisitions, liquidations, litigation, and regulatory changes.

In constructing a portfolio, the Adviser will review investment opportunities and compare opportunities against each other with regard to expected price appreciation, cash flow yield, volatility and hedging strategies. If the Adviser believes that an investment is undervalued relative to its risk profile, a long position may be initiated. For other investments, a short position may be taken. When an investment reaches its target price or can be replaced with a more attractive investment, it will be reassessed, and the position will be sold or covered unless the target price is changed. Proprietary and third-party models will be employed to eliminate model bias, develop risk, return profiles, and perform ongoing surveillance across the portfolio.

Investors and prospective investors should carefully review the organizational and subscription documents of the relevant Fund and all related materials relating to the associated underlying Asset(s) for further discussion of the Fund's investments and terms. Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of the Adviser.

C. Risks

Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.
The risks associated with investments in a specific Fund are included within the respective

Fund's offering documents. Investors or prospective investors in a Fund are strongly urged to review the risk factors set forth in the Fund's offering documents for a discussion of the specific risks involved in investing in such Fund.

Below is a general description of certain risks associated with investing in a structured credit strategy as well as risks associated with investing in the types of securities that are generally part of the Adviser's investment strategy. The following summary does not intend to identify all risks associated with an investment in a Client Account portfolio or provide a full description of the identified risks.

These risk factors include only those risks that the Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Adviser.

Investing in securities, futures, swaps, loans, and the other assets described above and below involves a risk of loss that clients should be prepared to bear.

Nature of Investments. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Client Account's activities and the value of its investments. In addition, the value of Client Account portfolios may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that investment objectives will be achieved.

Prospective investors in any Fund, should be aware that an investment in any such Fund or investment vehicle involves a high degree of risk, which include, but are not limited to, the following risks described below. Each investor should carefully consider the following risks, along with the risk factors and potential conflicts of interest described in the applicable confidential private placement memorandum or subscription documents, as applicable, of such Fund or vehicle. As a result of these risks, and other risks inherent in any investment, there can be no assurance that any Fund or investment vehicle will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital.

No assurance of investment return. There can be no assurance that any Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments in which such Fund participates. Accordingly, an investment in a Fund should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with the Adviser provide no assurance of future success. There can be no assurance that targeted returns for any Fund will be achieved.

Unspecified Investments. Each new Fund created will initially have no material operating history upon which to evaluate the Fund's likely performance. The past performance of the Adviser's investment professionals may not be indicative of the future performance of a Fund. There will be no minimum amount of capital commitments before a Fund commences operations and investment activities. In the event that a Fund is not successful in procuring additional capital commitments, it may have an adverse effect on the Fund. In addition, there can be no assurance that a Fund will be able to implement its investment strategy and investment approach or achieve its investment objective or that an investor in the Fund will

receive a return of its capital. Past performance of investment entities associated with the Adviser is not necessarily indicative of future results and there can be no assurance that the Funds will achieve comparable results or that targeted returns will be met. Moreover, the Funds are subject to all of the business risks and uncertainties associated with any new fund, including the risk that it will not achieve its investment objective and that the value of an investment in the Fund could decline substantially. Accordingly, investors should draw no conclusions from the prior experience of the Adviser or investment professionals or the performance of any other investments and should not expect to achieve similar returns.

Financial and business risk. Fund investments will generally involve a significant degree of financial and/or business risk. The Funds' portfolio companies may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. These companies may face intense competition, changing business or economic conditions or other developments that may adversely affect their performance. Business risks may be more significant in smaller companies or those that are embarking on a build-up or operating turnaround strategy. If for any of these reasons a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of the Funds' investment in such portfolio company could be significantly reduced or even eliminated.

Illiquidity of Investments. The Adviser, on behalf of certain Client Accounts, will invest a significant amount of its capital in securities, loans, or other assets for which no, or only a limited, market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on a Client Account's assets. Accordingly, the Adviser may not be able to sell assets when the Adviser desires to do so or to realize what the Adviser perceives to be the fair value of their assets in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and the incurrence of significant selling expenses. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Highly Competitive Markets. The Adviser operates in competitive markets and faces competition for the investment opportunities that it pursues. The Adviser competes with broker/dealer companies, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, high yield investors, hedge funds, and, to the extent they provide alternative forms of financing, private equity funds. Some of the Adviser's competitors are larger and have greater financial resources than the Adviser, which may cause those competitors to have lower funding costs than the Adviser and better access to funding sources. In addition, some of the Adviser's competitors may have higher risk tolerances or different risk assessment standards, which could allow them to consider a wider variety of investments or establish more referral relationships than the Adviser.

Risk of realization of investments. Fund investments will sometimes be in private illiquid securities, which are typically subject to restrictions on resale. In some cases, the Funds may be prohibited from selling such securities for a period of time or may otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate. As a result, there is a significant risk

that the Funds may be unable to realize its investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy.

In connection with a disposition, the Funds may be required to make representations about the business and financial affairs of the investment typical of those made in connection with the sale of a business and may be responsible for the content of disclosure documents under applicable securities laws. It may be also required to indemnify the purchasers of such investment to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Funds (or investors in the Funds to the extent that investors in the Funds have received prior distributions from the Funds).

Non-Controlling Interests; Co-Investment Risks. Although in some situations the Funds may be the lead or sole investor in an investment, the Funds, may also acquire non-controlling interests in an investment and, therefore, may have a limited ability to protect its interests in such Investment, including with respect to the timing and manner of exiting its investments.

In addition, co-investing alongside unaffiliated or affiliated funds (the “Sponsor Funds”) involves risks that may not be present in investments made by lead or sponsoring private equity funds. The Fund may not have the opportunity to participate in structuring investments or to determine the terms under which such investments will be made. The Funds may have interests or objectives that are inconsistent with those of such Sponsor Funds, which generally will have a greater degree of control over investments. A Sponsor Fund may be in a position to take (or block) action in a manner contrary to the Funds’ investment objectives (including, for example, by requiring the Fund to dispose of an investment at the same time as such Sponsor Fund consummates its disposition).

Risks relating to due diligence of and conduct at portfolio companies. Before making investments, the Adviser will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors, consultants and other third parties may present a number of risks primarily relating to the Adviser’s reduced control of the functions that are outsourced. The due diligence investigation that the Adviser carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation may not necessarily result in the investment being successful.

Foreign investments. The Funds expect to make foreign investments, which may include investments in emerging market countries. Such investments involve a number of additional risks, including: (i) the risk of adverse political developments such as nationalization, confiscation without fair compensation or war; (ii) the risk of fluctuations in currency exchange rates; and (iii) the risk of restrictions on capital movements, which would make it difficult or impossible to exchange or repatriate foreign currency. In addition, laws and regulations of foreign countries may impose restrictions or approvals

that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries may also impose taxes on the Funds or their investors.

Inflation. The U.S. and other developed economies have recently experienced high inflation rates relative to the prior three decades. There are multiple potential causes of the recent inflationary pressure. For example, in response to the COVID-19 global pandemic, countries around the world significantly loosened monetary policy and injected trillions of dollars into the global economy in an effort to prevent more severe economic turbulence. This level of support has given rise to significant increases in government spending globally and in many instances significant increases to the amount of debt issued by governments in the international bond markets. In addition, the United States and other countries have experienced, and in the future may experience, disruptions throughout the supply chain. Current and future disruption in supply of goods, combined with loose monetary policy and unprecedented levels of government spending, may lead to persistently high inflation in the U.S. and other developed countries in the coming years. It remains uncertain 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. 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.

Inflation and rapid fluctuations in inflation rates have had in the past, and in the future may have, negative effects on economies and financial markets. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Policies often involve monetary authorities increasing interest rates and decreasing the money supply and/or fiscal authorities decreasing government spending. Inflation may therefore affect a Fund's investments adversely in a number of ways. The value of the Fund's investments could be negatively impacted both because of market conditions and volatility leading to higher yields and lower market values, and because of fundamental risks to the cashflows of the investments that arise from high inflation, high interest rates and/or challenging economic conditions.

Leverage.

Structural Leverage for Securitized Products. Investment in securitized products involves significant structural leverage other than investments in the most senior tranche. While the leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment in a securitized product would be magnified to the extent that the security is leveraged. The cumulative effect of the use of structural leverage in a market that moves adversely to the securitized investments could result in a substantial loss to the investor with the greatest loss applicable to the most junior security. When entering into a credit derivative transaction, leverage often will be embedded in such transaction as well, which will expose the investor to a greater risk of loss.

External Leverage. To the extent consistent with the Client Account's investment mandate, leverage may be used selectively by the Adviser as a result of the structure and terms of certain investments and typically on an investment-by-investment basis as opposed to a Client Account's portfolio as a whole. Leverage results in a Client Account controlling

substantially more assets than the Client Account has equity. Leverage increases a Client Account's returns if the Client Account earns a greater return on investments purchased with borrowed funds than the Client Account's cost of borrowing such funds. However, the use of leverage exposes the Client Account to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Client Account not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Client Account's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Client Account's assets, the Client Account might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, the Adviser may find it difficult or impossible to obtain leverage for a Client Account. Since leveraging its assets is part of the investment strategy of certain Client Accounts, in such event the applicable Client Account could find it difficult to implement its entire strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to unwind positions quickly and at prices below what the Adviser deems to be fair value for the positions.

For portfolio investments. The investments made by the Funds are expected to include from time-to-time capital structures that have significant leverage. Although the Adviser will seek to use leverage in a manner it believes is prudent, the leveraged capital structure of such investments involves a higher degree of risk and will increase the exposure of a portfolio company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of such portfolio company or its industry and make the relevant company more sensitive to declines in revenues and to increases in expenses. To the extent there is not ample availability of financing for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders), the Fund's ability to consummate certain transactions could be impaired. Borrowings by the Fund will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's cost of funds capital. As a general matter, the presence of leverage can accelerate losses. If a portfolio company defaults on secured indebtedness, the lender may foreclose, and the Fund could lose its entire investment in the portfolio company.

Because the Fund or its subsidiaries may engage in portfolio financings where investments are cross-collateralized or cross-defaulted, multiple investments may be subject to the risk of loss. As a result, the Fund could lose its interests in performing investments in the event such investments are cross-collateralized or cross-defaulted with poorly performing or nonperforming Investments.

To the extent that the Fund co-invests with any vehicles managed or controlled by the Adviser, including any other Funds, a Fund may incur indebtedness and guarantee obligations together with such vehicles on a joint and several or cross-collateralized basis (which may be on an investment-by-investment or portfolio-wide basis). While such arrangements may be joint and several with respect to a Fund, such arrangements may not necessarily impose reciprocal joint and several obligations on such vehicles. As a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, a Fund may be required to contribute amounts in excess of its pro rata share, including

additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness. Moreover, a Fund could also lose its interests in performing investments in the event such performing investments are cross collateralized with poorly performing or non-performing Investments.

The Adviser could also cause a Fund to incur fund-level debt, such as debt resulting from bridge, subscription, and asset-backed facilities. Such debt exposes the Fund to refinancing, recourse and other risks. With respect to any asset-backed facility entered into by the Fund (or an affiliate thereof), a decrease in the market value of the Fund's investments would increase the effective amount of leverage and could result in the possibility of a violation of certain financial covenants pursuant to which the Fund must either repay the borrowed funds to the lender, which could, require Limited Partners to make additional capital contributions in respect of such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of the Fund's investments at an inopportune time in order to satisfy such financial covenants could adversely impact the performance of the Fund and could, if the value of its investments had declined significantly, cause the Fund to lose all or a substantial amount of its capital. Moreover, if additional capital contributions were required to satisfy such financial covenants, such capital contributions would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of the Fund's portfolio. In the event of a sudden, precipitous drop in the value of the Fund's assets, the Fund might not be able to dispose of assets quickly enough to pay off its debt resulting in a foreclosure or other total loss of some or all of the pledged assets. Fund-level debt facilities typically include other covenants such as, but not limited to, covenants against the Fund incurring or being in default under other recourse debt, including certain Fund guarantees of asset-level debt, which, if triggered could cause adverse consequences to the Fund if it is unable to cure or otherwise mitigate such breach. In addition, to the extent that Fund revenues are required to meet principal payments on any Fund-level debt, investors in the Fund may be allocated income (and therefore tax liability) in excess of cash distributed.

Borrowings may be secured by assignment of the obligations of the investors in a Fund to make capital contributions to the Fund and/or a security interest in investments.

The Fund may (i) create an investment vehicle, contribute fund assets to such investment vehicle (or make investments directly through such investment vehicles), and cause such investment vehicle to incur indebtedness or other obligations or (ii) cause multiple new or existing investment vehicles to incur indebtedness on a joint and several or cross-collateralized basis. Any arrangements entered into by such vehicles or entities (and not the Fund itself), will not, in certain circumstances, be considered indebtedness by the Fund for purposes of the limits on indebtedness set forth in the governing documents of the Fund. In either case of (i) or (ii), such investment vehicle(s) will not be treated as a single investment for purposes of the investment limitations applicable to the Fund even if multiple investments are pledged to, and at risk with respect to, indebtedness with respect to one single investment (even if the amounts involved are greater than any single-investment diversification limit set forth in the governing documents of the applicable Fund). For the avoidance of doubt, proceeds held by such investment vehicles may be used to repay any such outstanding indebtedness or other credit obligations notwithstanding anything to the contrary set forth in the governing documents of the

applicable Fund. The use of back leverage potentially enhances the return profile of the applicable investments and the Fund overall, but also increases the risk of the applicable investments, including the risks associated with collateralized investments held through the same leverage facilities. Similarly, any other indebtedness or other obligations incurred by subsidiaries of the Fund and certain types of indebtedness and other obligations incurred by the Fund, including limited recourse or “bad boy” guarantees, primary obligations of other persons for which the Fund is liable on a joint and several or cross-collateralized basis, letter of credit obligations and equity commitment letters will not be subject to or counted toward the limits on indebtedness that are set forth in the governing document(s) of the Fund.

The Fund will, in certain circumstances, be permitted to enter into contractual arrangements, including deferred purchase price payments, staged funding obligations, earn outs, milestone payments, equity commitment letters, letters of credit and other forms of credit support, and other contractual undertakings such as indemnification obligations that obligate it to fund amounts to special purpose vehicles, portfolio companies or other third parties. Such arrangements are not treated as indebtedness that are subject to limitations under the governing document(s) of such Fund even though these arrangements pose many of the same risks and conflicts associated with the use of leverage that the caps intend to address.

No Market for Interests; Restrictions on Transfers. The interests in Funds will not be readily marketable and are generally neither redeemable nor transferable, other than in certain limited circumstances, without the prior written consent of the General Partners of the Funds, which may be given or withheld in the General Partners’ sole and absolute discretion. Investments in the Funds are a long-term commitment. It may take a significant period of time (up to five or more years from the final closing date) for a Fund to complete its investments in portfolio companies. Interests have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), the securities laws of any U.S. state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that registration of the interests under the Securities Act or other securities laws will ever be affected. There is no public market for the interests, and one is not expected to develop. A limited partner will not be permitted to directly or indirectly assign, sell, pledge, exchange or transfer any of its interests or any of its rights or obligations with respect to its interests without the prior written consent of the General Partner, which consent may be given or withheld in the sole and absolute discretion of the General Partner. Except in extremely limited circumstances, withdrawals from the Funds will not be permitted. The Funds are expected to invest a substantial portion of its assets in securities that are not publicly traded. The Funds may not be able to readily dispose of such non-publicly traded securities and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. Accordingly, the Funds may be forced to sell certain positions at a disadvantageous time. Limited partners must be prepared to bear the risks of owning interests for an extended period of time. Investments in the Funds are suitable only for sophisticated investors who do not require liquidity for their investment.

Residential Mortgage Loans and Residential Mortgage-Backed Securities. The Adviser, on behalf of certain Client Accounts, invests in RMBS and the underlying residential loans collateralizing the securities. Holders of RMBS bear various risks, including credit, market, economic, home price, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time, with prepayment penalties in limited instances. Residential mortgage loans underlying RMBS securities are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. Agency RMBS securities are guaranteed by one of Government National Mortgage Association, Federal National Mortgage (“Fannie Mae”), or Federal Home Loan Mortgage Corp. (“Freddie Mac”). Non-Agency RMBS securities are not guaranteed by any government agency. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions such as unemployment and home prices and those in the geographic area where the related mortgaged property is located, the terms of the loan, the borrower’s “equity” in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans often do not meet the criteria established by Fannie Mae and Freddie Mac. For example, “jumbo” mortgage loans have an original principal balance that is higher than the Fannie Mae and Freddie Mac loan balance limitations and “non-QM” mortgage loans where borrowers typically have nontraditional income sources or prior negative credit events. As a result, such RMBS may experience increased losses.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Faster or slower than expected prepayments could reduce the yield received on the related issue of RMBS. RMBS are particularly susceptible to prepayment risks as they generally do not contain prepayment penalties and a decrease (increase) in interest rates would likely increase (decrease) the prepayments on the RMBS, which could result in a reduction in yield to maturity for holders of such securities.

The RMBS may be backed by non-conforming mortgage loans, which are mortgage loans that do not qualify for purchase by government-sponsored agencies such as Fannie Mae and Freddie Mac because of credit characteristics and size that do not satisfy Fannie Mae and Freddie Mac guidelines, including loans to borrowers whose creditworthiness and repayment ability do not satisfy Fannie Mae and Freddie Mac underwriting guidelines and

loans to borrowers who may have a record of credit write-offs, outstanding judgments, prior bankruptcies and other negative credit items. Accordingly, non-conforming mortgage loans are likely to experience rates of delinquency, foreclosure and loss that are higher, and that may be substantially higher, than mortgage loans originated in accordance with Fannie Mae or Freddie Mac underwriting guidelines. The principal differences between conforming mortgage loans and non-conforming mortgage loans include the applicable loan-to-value ratios, the credit and income histories of the related borrowers, the documentation required for approval of the related mortgage loans, the types of properties securing the mortgage loans, the loan sizes and the borrowers' occupancy status with respect to the mortgaged properties. As a result of these and other factors, the interest rates charged on non-conforming mortgage loans are often higher than those charged for conforming mortgage loans. The combination of different underwriting criteria and higher rates of interest may also lead to higher delinquency, foreclosure and losses on non-conforming mortgage loans as compared to conforming mortgage loans.

RMBS may be backed by reverse mortgage loans or reverse home equity conversion loans ("HECMs"), whereby the underlying borrower is entitled to receive scheduled or unscheduled payments. HECM terms may include (1) a line of credit whereby the borrower receives unscheduled payments or installments, drawn down at times and in amounts of the borrower's choosing, up to the related net principal limit, (2) a tenure loan whereby the borrower is entitled to receive a monthly payment from the mortgagee for the remainder of the borrower's life, so long as the borrower continues to occupy the related mortgaged property and is in compliance with the terms of the mortgage, (3) a term loan whereby the borrower is entitled to receive a monthly payment from the mortgagee for a specified term, (4) a modified tenure loan, whereby a portion of the principal limit of the loan is made available to the borrower in a series of monthly payments for the remainder of the borrower's life, and the remainder of the principal limit is a line of credit whereby the borrower may borrow, repay and reborrow the portion of the principal thereof, up to the related net principal limit, (5) a modified term loan, whereby a portion of the principal limit of the loan is made available to the borrower in a series of monthly payments for a specified term, and the remainder of the principal limit is a line of credit whereby the borrower may borrow, repay and reborrow the portion of the principal thereof, up to the related net principal limit or (6) a fixed-rate loan whereby the borrower receives a single lump sum on the funding date for such loan, in each case provided that borrower continues to occupy the related mortgaged property and is in compliance with the terms of the mortgage and the borrower is not in default. Payments on a HECM RMBS will depend in part on upon receipt of payments with respect to the mortgage loans following the occurrence of a maturity event, including the occurrence of the following: (a) the sale or transfer of the related mortgaged property, (b) the death of the last remaining mortgagor, (c) the change in principal residence of the mortgagor, for reasons other than the death of such mortgagor, and the related mortgaged property is not the principal residence of at least one other mortgagor, (d) the failure by the mortgagor to occupy the related mortgaged property for a prescribed period due to certain factors, or (e) the related mortgagor is in default under the terms of such HECM. HECMs are non-recourse to the borrower so if the value of the mortgaged property is not sufficient to repay the principal balance, there is no additional recourse to the borrower.

Other loan types that allow homeowners to tap home equity include HELOCs and second, or junior, liens. HELOCs typically have a maturity date of 10 years and require the borrower to make monthly payments, although borrowers may be permitted to make interest-only payments meaning that a balloon payment may be required upon maturity. When interest rates increase monthly HELOC payments also increase, which can adversely affect the credit performance of the loans. Further, HELOCs may be secured by junior lien mortgages

which are subordinate to the rights of the mortgagee under each senior lien mortgage and there is an increased risk that the related property may not provide sufficient security for a junior lien mortgage. Higher combined loan-to-value ratios may result in lower recoveries on foreclosure, and an increase in net losses above those that would have been realized had property values remained the same or increased. A decline in property values is particularly likely to impact recoveries on any second lien mortgage loans included in the mortgage pools backing RMBS. More recent home equity products include Home Equity Investment (HEI). Any new products, such as HEI, involve regulatory or other unknown risks. In this case, different states have taken different positions as to whether or not the product is a mortgage loan or not, requiring certain certifications, which could change over time.

RMBS may be backed by investor bridge mortgage loans, also known as “fix and flip loans” (“Investor Bridge Loans”). Investor Bridge Loans are a relatively new mortgage product and may consist of performing and non-performing, fixed and floating rate, amortizing and interest-only, non-owner occupied mortgage loans at various stages of seasoning, to real estate investors, secured by first and second liens on primarily one- to four-family residential properties, multifamily properties and mixed-use properties at various stages of completion, with original terms to maturity of 10 to 36 months excluding current extensions and future extension options. As such, these Mortgage Loans contain risks that are not present in typical residential mortgage loans made to consumers. These risks include: (a) they may be short term interest-only loans, with the full amount of principal due at maturity, and the mortgagors generally rely on the sale or refinancing of the related mortgaged properties to generate the funds necessary to repay the balloon payment due at maturity, (b) they are secured by non-owner occupied mortgaged properties, (c) they often require construction repairs or rehabilitation projects and the mortgaged properties are often in a general state of disrepair, (d) certain of the mortgage loans may be ground-up construction loans, which involve a greater scope of work compared to a repair or rehabilitation project, which, in turn, increases the likelihood of additional risks and issues, including, but not limited to, planning issues, labor shortages, supply and equipment interruptions, scheduling conflicts, construction delays, cost overruns, zoning, permitting and completion risk (e) multiple mortgage loans may have been made to the same mortgagor, (f) the ability of a mortgagor to repay a mortgage loan may be based largely on the ability to sell the related mortgaged property or to convert the property to a rental property and the ability to refinance the mortgage loan into a longer term loan, (g) the mortgage loans may have had their maturity dates extended (h) the mortgage loans may have longer than expected liquidation timelines upon the occurrence of an event of default and (i) the mortgagors may be thinly capitalized.

RMBS may contain certain credit enhancement features intended to enhance the likelihood that holders of such securities will receive regular payments of interest and principal. If delinquencies or defaults occur on the mortgage loans underlying such RMBS, neither the related servicers nor any other entities will advance scheduled monthly payments of interest and principal on delinquent or defaulted mortgage loans if such advances are not likely to be recovered within those transactions. There can be no assurance that the credit enhancement, if any, applicable to RMBS will adequately cover any shortfalls in cash available to make payments on such RMBS as a result of such delinquencies or defaults. If substantial losses occur as a result of defaults and delinquent payments on the mortgage loans, a Client Account invested in RMBS may suffer losses with respect to its ownership of such RMBS.

Another factor that may result in higher delinquency rates is the increase in monthly payments on adjustable-rate mortgage loans. Borrowers with adjustable-rate mortgage loans are being exposed to increased monthly payments when the related mortgage interest rate

adjusts upward from the initial fixed rate or a low introductory rate. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans. These events, alone or in combination, may contribute to higher delinquency rates and, as a result, adversely affect the performance and market value of RMBS.

Rising insurance premiums, particularly in certain geographic areas highly impacted by extreme weather events, can negatively impact home values and increase the challenges associated with finding a new buyer for a home, as the new buyer may be unable to afford the prevailing level of premiums. If certain high-risk regions become increasingly challenging to insure, home values in those regions could be severely negatively impacted over the long run.

Whole loan mortgages generally are not government guaranteed or privately insured, though in some cases they may benefit from private mortgage insurance. A whole loan mortgage is directly exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower and the priority and enforceability of the lien will significantly impact the value of such mortgages. There can be no assurance as to the adequacy of the protection of the terms of the loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted that might interfere with enforcement of a Client Account's rights. In the event of a foreclosure, a Client Account may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover a Client Account's cost basis in the loan, resulting in a loss to such Client Account. Any costs or delays involved in the effectuation of a foreclosure of the loan, or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Whole loan mortgages are also subject to "special hazard" risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower's mortgage debt by a bankruptcy court). In addition, claims may be assessed against a Client Account on account of such Client Account's position as mortgage holder or property owner, including responsibility for tax payments, environmental hazards, and other liabilities.

Investing in performing, sub-performing and non-performing residential mortgage loans subjects a Client Account to the risks of residential real estate and residential real estate-related investments, including, among others: (i) continued declines in the value of residential real estate; (ii) risks related to general and local economic conditions; (iii) possible lack of availability of mortgage funds for borrowers to refinance or sell their homes; (iv) overbuilding; (v) the general deterioration of the borrower's ability to keep a rehabilitated sub-performing or non-performing mortgage loan current; (vi) increases in property taxes and operating expenses; (vii) changes in zoning laws; (viii) costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems, such as indoor mold; (ix) casualty or condemnation losses; (x) uninsured damages from floods, earthquakes or other natural disasters; (xi) limitations on and variations in rents; (xii) fluctuations in interest rates; (xiii) fraud by borrowers, originators and/or sellers of mortgage loans; and (xiv) failure of the borrower to adequately maintain the property,

particularly during times of financial difficulty. To the extent that assets underlying an investment are concentrated geographically, by property type or in certain other respects a Client Account may be subject to certain of the foregoing risks to a greater extent. Additionally, a Client Account may be required to foreclose on a mortgage loan and such actions would subject such Client Account to greater concentration of the risks of the residential real estate markets and risks related to the ownership and management of real property.

The mortgage loans and loan portfolios acquired by a Client Account will generally have been originated by third parties. While the Adviser will conduct due diligence on these loans and loan portfolios, there is a risk that the underlying mortgage loan documentation and calculations of outstanding principal, interest, late fees and other amounts will be deficient and/or inaccurate, and that the Adviser will not detect such deficiencies and inaccuracies prior to acquisition. Accordingly, the mortgage loan portfolio may be compromised, reducing the value of an investing Client Account's assets.

The borrowers under sub-performing or non-performing mortgage loans may have a variety of rights to contest the enforceability of the mortgage loans and prevent or significantly delay and increase the cost of any foreclosure action, including, without limitation, allegations regarding fraud in the inducement by the original lender or broker, failure of the lender to produce the original documentation, improper recordation of the mortgage, various theories of lender liability, and relief through the U.S. Bankruptcy Code and similar state laws providing debtor relief.

A significant concern in the purchase of loans secured by real estate is the possibility of material misrepresentation or omission on the part of the borrower or seller. The actual homeowner may not be responsible for such fraudulent residential mortgage loans. Such fraudulent mortgage loans may not be identified as such due to internal control weaknesses of a loan originator and failure of the loan originator or intermediary to be advised of such claims. Such mortgage loans could be acquired by a Client Account despite the exercise of prudent due diligence. Any inaccuracy or incompleteness on the part of the borrower or seller may adversely affect the valuation of the real estate underlying the loans or may adversely affect the ability of the Adviser to perfect or effectuate a lien on the real estate or other collateral securing the loan. Under certain circumstances, payments to a Client Account may be reclaimed if such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

The terms of mortgage loans underlying RMBS may be modified by the servicer if the loans are in default or default is reasonably foreseeable. Changes in the terms of a mortgage loan may include the capitalization of past due payments, lowering of the interest rate, conversion of an adjustable interest rate to a fixed interest rate, extension of the maturity date, the forgiveness of past due principal and/or interest payments, or other modifications, any of which will reduce or delay payment of the amount owed to the trust fund by the related borrower or delay the receipt of payments from the borrower. Any of the various possible modifications of the terms of a mortgage loan that is in default or as to which default is reasonably foreseeable may, even if beneficial to the securitization trust in the aggregate, affect some holders of RMBS adversely. In determining whether a particular loan modification should be made, the servicer will not consider the interests of individual classes of RMBS. Conversely, failure by the servicer to timely modify the terms of a defaulted mortgage loan may reduce amounts available for distribution to holders of RMBS in respect of that mortgage loan. Servicing guidelines implemented by the Federal Housing Finance Agency, though they only apply to Fannie Mae and Freddie Mac, can influence the servicing

practices of the industry broadly in a manner that could conflict with the interests of the investor.

RMBS may provide that the servicer is 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.

Under certain circumstances, including a failure to perform its servicing obligations or a bankruptcy of the servicer and in some cases, certain loss and/or delinquency triggers being exceeded, investors may be entitled to remove and replace the existing servicer. There is no guarantee, however, that a suitable servicer could be found to assume the obligations of the existing servicer, and the transition of servicing responsibilities to a replacement servicer could have an adverse effect on performance of servicing functions during or following a transition period and result in an increase in delinquencies and losses and decreases in recoveries. The loss by a servicer of its right to service a mortgage loan portfolio would decrease servicing revenues and may result in reputational damage as a servicer. During nationwide financial and economic stress episodes, where mortgage delinquencies rise predominately for macroeconomic rather than idiosyncratic reasons, the servicing industry may experience financial stress broadly, which could increase the difficulties associated with transferring servicing in the event of a servicer default.

Transfers of mortgage loans by the related originator or seller will be characterized in the applicable sale agreement as a sale transaction. Nevertheless, in the event of a bankruptcy of the originator or seller, the trustee in bankruptcy could attempt to recharacterize the sale of the mortgage loans as a borrowing secured by a pledge of the mortgage loans. If such attempt were successful, the trustee in bankruptcy could prevent the trustee for the RMBS from exercising any of the rights of the owner of the mortgage loans and also could elect to liquidate the mortgage loans. Investors may suffer a loss to the extent that the proceeds of the liquidation of the underlying mortgage loans would not be sufficient to pay amounts owed in respect of their investments. If this occurs, investors will lose the right to future payments of interest and may fail to recover their initial investment. Regardless of whether a trustee elects to foreclose on the underlying mortgage loan pool, delays in payments on the RMBS and possible reductions in the amount of these payments could occur as a result of the bankruptcy of the originator or seller.

RMBS may be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. In addition, in the case of certain RMBS, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of securities have been reduced to zero. As a result, subordinate classes of RMBS are more sensitive to risk of loss and write-downs than senior classes of RMBS.

Numerous federal and state statutory provisions, including the federal bankruptcy laws, the Mortgage Debt Relief Act of 2007 and state debtor relief laws, moratoriums on foreclosures and evictions related to COVID-19 and numerous proposals at the federal, state or local

level, if enacted, also may adversely affect the ability of an issuer of a RMBS to collect the principal of or interest on the loans, or to foreclose upon defaulted mortgage loans and holders of the affected RMBS may suffer a loss if the applicable laws result in these loans becoming uncollectible.

Legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies that have been or may be enacted or adopted, including for example, in New York, the “Foreclosure Abuse Prevention Act” (s5473), could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of the servicer to foreclose on a defaulted mortgage loan. Various jurisdictions have considered or are currently considering such actions, and the nature or extent of limitations on foreclosure that may be enacted cannot be predicted. Any such governmental actions that interfere with the foreclosure process could delay the timing or reduce the amount of recoveries on defaulted mortgage loans and could adversely affect the yields on RMBS.

Additional regulatory or policy changes could impact the residential market structure across residential mortgage loans and RMBS. For example, changes in policies by the Federal Housing Finance Agency can have many impacts in mortgage markets, such as affecting issuance of “Credit Risk Transfer” (CRT) securities, sales by Fannie Mae and Freddie Mac of re-performing or non-performing loans, and/or origination volumes of non-agency mortgages.

Commercial Mortgage Loans and Commercial Mortgage-Backed Securities. Collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self-storage properties. The Adviser, on behalf certain Client Accounts, invests in CMBS. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS.

Most commercial mortgage loans underlying CMBS are effectively non-recourse obligations of the borrower, meaning that there is no recourse against the borrower’s assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related CMBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of CMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property’s location, the legal status of title to the property, its physical condition and financial performance, environmental risks and governmental disclosure requirements with respect to the condition of the property may make a third-party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from the assets underlying such CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes, or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow. The owner of CMBS does

not have a contractual relationship with the borrowers of the underlying commercial mortgage loans. The CMBS holder typically has no right directly to enforce compliance by the borrowers with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the underlying loan agreements, nor to move directly against the collateral supporting the related loans.

Successful management and operation of the related business (including property management decisions such as pricing, maintenance, and capital improvements) will have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, social unrest and insurance coverage are among the factors that may impact both performance and market value. The value of commercial real estate is also subject to a number of laws, and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Property-specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use will impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS.

At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. Rising insurance premiums, particularly in certain geographic areas highly impacted by extreme weather events, can negatively impact commercial property values and increase the challenges associated with selling or monetizing a property. If certain high-risk regions become increasingly challenging to insure, commercial property values in those regions could be severely negatively impacted over the long run.

Certain of the commercial mortgage loans underlying the collateral debt securities may bear interest at adjustable rates based on interest indices. Accordingly, debt service for any such commercial mortgage loan will increase as interest rates rise. In contrast, rental and other income on the related mortgaged properties is not expected to rise significantly as interest rates rise. Accordingly, debt service coverage ratios of the underlying floating rate commercial mortgage loans generally will be adversely affected by rising interest rates, and a borrower's ability to make all payments due on such floating rate commercial mortgage loans may be adversely affected.

Mortgage loans underlying a CMBS issue may provide for no amortization of principal or may provide for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or

even default. As a result, the related issue of CMBS could experience delays in cash flow and losses.

CMBS may also be backed by Investor Bridge Loans and therefore may be subject to similar risks relating to Investor Bridge Loans as RMBS backed by Investor Bridge Loans.

Asset-Backed Securities and underlying assets / asset-backed loans. The Adviser, on behalf of certain Client Accounts, invests in ABS and the loans or receivables underlying such ABS. The structure of an ABS, and the terms of the investors' interest in the underlying collateral, can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Consumer ABS is backed by cash flows from personal financial assets such as student loans, credit card receivables, and auto loans. Commercial ABS is backed by cash flows from receivables, such as trade receivables, loans, or leases on shipping containers, aircraft, and other commercial equipment. Performance of the underlying collateral can vary based on macroeconomic, geopolitical, and sector-specific factors. Investments also include warehouse lending to loan originators. Individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding ABS include (i) the relative seniority or subordination of the class of ABS held by an investor, (ii) the relative allocation of principal and interest payments in the priorities by which such payments are made under the governing documents, (iii) the effect of credit losses on both the issuing vehicle and investors' returns, (iv) whether the underlying collateral represents a fixed set of specific assets or accounts, (v) whether the underlying collateral assets are revolving or closed-end, (vi) the terms (including maturity of the ABS) under which any remaining balance in the accounts may revert to the issuing vehicle and (vii) the extent to which the entity that sold the underlying collateral to the issuing vehicle is obligated to provide support to the issuing vehicle or to investors. .

In addition, certain ABS (particularly subordinated ABS) may provide that the non-payment of interest thereon in cash will not constitute an event of default in certain circumstances, and the holders of such ABS will not have available to them any associated default remedies. Interest not paid in cash will generally be capitalized and added to the outstanding principal balance of the related security. Deferral of interest through such capitalization will reduce the yield on such ABS.

Holders of ABS and the underlying assets / asset-backed loans bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks, and legal and regulatory risks. Credit risk arises from (i) losses due to defaults by obligors under the underlying collateral and (ii) the issuing vehicle's or servicer's failure to perform their respective obligations under the transaction documents governing the ABS. These two risks may be related, as, for example, in the case of a servicer that does not provide adequate credit-review scrutiny to the underlying collateral, leading to a higher incidence of defaults.

Market risk arises from the cash flow characteristics of the ABS, which for most ABS tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels.

Interest rate risk arises for the issuer from (i) the pricing terms on the underlying collateral, (ii) the terms of the interest rate paid to holders of the ABS and (iii) the need to mark to market the excess servicing or spread account proceeds carried on the issuing vehicle's balance sheet. For the holder of the security, interest rate risk depends on the expected life

of the ABS, which may depend on prepayments on the underlying assets or the occurrence of wind-down or termination events. If the servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its functions, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur, particularly with underlying collateral comprised of non-standard receivables or receivables originated by private retailers who collect many of the payments at their stores.

Structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), a court having jurisdiction over the proceeding could determine that, because of the degree to which cash flows on the assets of the issuing vehicle may have been commingled with cash flows on the originator's other assets (or similar reasons), (i) the assets of the issuing vehicle could be treated as never having been truly sold by the originator to the issuing vehicle and could be substantively consolidated with those of the originator, or (ii) the transfer of such assets to the issuer could be voided as a fraudulent transfer. The time and expense related to a challenge of such a determination also could result in losses and/or delayed cash flows.

A Client Account may also invest directly in pools of consumer and commercial loans. Such investments will not have the benefit of the credit enhancement features of ABS but will be subject to similar risks with respect to the underlying collateral.

Collateralized Loan Obligations. The Adviser, on behalf of certain Client Accounts, invests, among other things, in cash and synthetic CLO debt and equity securities ("CLO Securities"), through purchases in the new issues or secondary market. The CLO securities into which the Adviser invests are principally collateralized by senior secured assets. CLO Securities are subject to various risks including the following credit, liquidity, interest rate and other risks:

(a) *Limited Diversification.* Certain CLOs may invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the holder of the related CLO Securities (and the related CLO equity securities in particular) to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry or region would subject the holder of the related CLO Securities (and the related CLO equity securities in particular) to a greater degree of risk with respect to economic downturns relating to such industry or region.

(b) *Leverage Risk.* Investment in CLOs involves significant leverage. Leverage is embedded in all classes of a CLO other than the most senior tranche, with the highest leverage applicable to an investment in CLO equity securities. While the leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment in a CLO would be magnified to the extent that a CLO security is leveraged. The cumulative effect of the use of leverage by a CLO in a market that moves adversely to the CLO's investments could result in a substantial loss to the investor in the CLO with the greatest loss applicable to the equity securities issued by the CLO. When entering into a credit derivative transaction, leverage often will be embedded in such transaction as well, which will expose the investor to a greater risk of loss.

(c) *Risks of Investment Focus.* The value of the CLO Securities generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), market conditions, general economic conditions, the condition of certain financial markets, political events,

developments or trends in any particular industry and changes in prevailing interest rates. CLO Securities are issued on a non-recourse basis and holders of CLO Securities must rely solely on distributions on the CLO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO Collateral are insufficient to make payments on the CLO Securities, no other assets will be available for payment of the deficiency and following liquidation of the CLO Collateral, the obligations of such issuer to pay such deficiency will be extinguished.

(d) *Lower Credit Quality Securities.* There are limited restrictions on the credit quality of the investments of the Adviser on behalf of certain Client Accounts. CLO Securities may be deemed by rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. The Adviser, on behalf of certain Client Accounts, may purchase CLO Securities which have ratings that have been downgraded or placed on “credit watch” for future downgrading. Lower rated and unrated securities have large uncertainties or major risk exposures to adverse conditions and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities but involve greater volatility of price and greater risk of loss of income and principal.

(e) The market values of CLO Securities also tend to be more sensitive to changes in market or economic conditions than other securities. The value of the leveraged loans underlying a CLO may also be affected by changes in the market’s perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

(f) *Liquidity of Markets.* At times, the fixed income markets have in the past experienced significant falloffs in liquidity. While such events may sometimes be attributable to changes in interest rates or other factors, the cause is not always apparent. During such periods of market illiquidity, a CLO may not be able to sell assets in its portfolio or may only be able to do so at unfavorable prices. The market for CLO Securities has experienced a rapid decline in liquidity. Such “liquidity risk” could adversely impact the value of a Client Account’s portfolio and may be difficult or impossible to hedge against. Further, a Client Account may not be able to readily dispose of portions of its portfolio under such and other circumstances and, in some cases, may be contractually prohibited from disposing of certain portions of its portfolio for a specified period of time. CLO Securities may have no, or only a limited, trading market, which may make it difficult to sell them quickly without incurring significant losses. Because CLO Securities may be illiquid, they can be difficult to value and the valuations are often based on models or an indicative price from a dealer, rather than on prices at which the security was actually sold; as a result, a CLO Security may experience large movements in price that may not reflect the actual sales prices of the security. If holders of CLO Securities attempt to liquidate large portfolios of such securities over a short period of time, difficulties in the market for such securities may be exacerbated, resulting in further decreased liquidity and pricing.

(g) *Default and Recovery Rates of CLO Collateral.* There are varying sources of statistical default and recovery rate data for loans and high yield securities and numerous methods for measuring default and recovery rates. The historical performance of the high yield market or the leveraged loan market is not necessarily indicative of its future performance.

(h) *Subordination of CLO Securities.* Subordinate CLO Securities generally are fully subordinated to the related CLO senior tranches. Thus, investments by the Adviser on behalf of a Client Account in a CLO often will rank behind other creditors of the CLO and an

investment by the Adviser on behalf of a Client Account in the equity tranche of a CLO will rank behind all creditors of the CLO. To the extent that any losses are incurred by a CLO in respect of its related CLO Collateral, such losses will be borne first by the holders of the related CLO equity, next by the holders of any related subordinated CLO debt and finally by the holders of the related CLO senior tranches. In addition, if an event of default occurs under the governing instrument or underlying investment, as long as any CLO senior tranches are outstanding, the holders thereof generally will be entitled to determine the remedies to be exercised under the instrument governing the CLO. Remedies pursued by such holders could be adverse to the interests of the holders of any related subordinated CLO debt or CLO equity. Investments by the Adviser on behalf of a Client Account may be the first to absorb any losses by the CLO on its underlying portfolio. This may result in losses on the invested proceeds and could result in the complete loss of invested proceeds.

(i) *Mandatory Redemption of CLO Senior Tranches.* Under certain circumstances, cash flows from CLO Collateral that otherwise would have been paid to the holders of its mezzanine CLO debt and the related CLO equity will be used to redeem the related CLO senior tranches. This could result in an elimination, deferral or reduction in the interest payments, principal repayments or other payments made to the holders of such CLO debt, which the CLO Securities in which the Adviser on behalf of a Client Account may invest, which could adversely impact the returns to such Client Account.

(j) *CLO Collateral.* CLO Collateral will generally consist of senior secured loans, including commercial loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions and other investors. The loans will typically be to borrowers which have no ratings or below investment grade ratings and will generally be highly leveraged companies.

(k) Corporate loans are typically at the most senior level of the capital structure, and may be secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor and its subsidiaries. The corporate loans included (or referenced) in a CLO Security may be of a type generally incurred by the borrowers thereunder in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower's creditworthiness is often judged by rating agencies to be below investment grade. Certain of the loans included (or referenced in) a CLO Security may be "second lien" loans or loans that are subordinated to other obligations of the borrower. In order to induce the banks and institutional investors to invest in a borrower's loan facility, and to offer a favorable interest rate, the borrower often provides the banks and institutional investors with extensive information about its business, which is not generally available to the public. Because of the provision of confidential information, the unique and customized nature of a loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security and historically the trading volume in the loan market has been small relative to the high yield bond market.

(l) Corporate loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on, and repayment of principal of, the loans. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. Many loans have "covenant lite" loans under

which covenants are only applicable if the borrower proposes to take a specified action. A breach of covenant (after giving effect to any cure period) in a loan that is not waived by the lending syndicate normally is an event of acceleration that allows the syndicate to demand immediate repayment in full of the outstanding loan. Loans usually have shorter terms than more junior obligations and may require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities. Generally, a borrower can prepay a loan at any time without paying a prepayment penalty.

(m) The majority of corporate loans bear interest based on a floating rate index, the certificate of deposit rate, a prime or base rate (each as defined in the applicable loan agreement) or other index, which may reset daily (as most prime or base rate indices do) or offer the borrower a choice of one, two, three-, six-, nine- or twelve-month interest and rate reset periods. The purchaser of a loan may receive certain syndication or participation fees in connection with its acquisition. Other fees payable in respect of a loan, which are separate from interest payments on such loan, may include facility, commitment, amendment, and prepayment fees.

(n) Purchasers of loans are predominantly commercial banks, investment funds, mutual funds, and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. As previously stated, because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high yield debt market.

(o) In purchasing participations in loans, a CLO will usually have a contractual relationship only with the selling institution, and not the borrower. The CLO generally will have neither the right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The CLO may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under federal and state laws, the CLO may be treated as a general 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 loan. Consequently, the CLO may be subject to the credit risk of the selling institution as well as of the borrower.

(p) *Synthetic Assets.* The Adviser, on behalf of certain Client Accounts, purchases or enters into CLO Securities synthetically with a synthetic asset counterparty through products such as credit default swaps ("CDS"), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a "Synthetic Asset"). A Synthetic Asset could take many forms, including a credit derivative transaction which references a CLO debt or equity security or a credit derivative transaction which references a portfolio of corporate reference entities or a portfolio of reference obligations consisting of loans, high yield bonds or other financial instruments (each, a "Reference Obligation"). Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of such CLO debt and CLO equity. Investors in Synthetic Assets will have a contractual relationship only with the synthetic asset

counterparty, and not with the issuer(s) (the “Reference Entity”) of the Reference Obligations unless a credit event occurs with respect to any such Reference Obligation, physical settlement applies, and the synthetic asset counterparty delivers the Reference Obligation to such investors in Synthetic Assets. Other than in the event of such delivery, the investor in Synthetic Assets generally will have no right directly to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and will not have any rights of set-off against the Reference Entity. In addition, the investor generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. Investors in Synthetic Assets also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation.

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

(r) Synthetic Assets (together with synthetic CLO obligations) may comprise a significant portion of a Client Account portfolio. While returns on a Synthetic Asset may reflect those of each related Reference Obligation, as a result of the terms of the Synthetic Asset and the assumption of the credit risk of the synthetic asset counterparty, a Synthetic Asset may have a different expected return, a different (and potentially greater) probability of default and different expected loss and recovery characteristics following a default.

(s) *Optional Redemption of CLO Senior Tranches.* An optional redemption by a CLO of its notes could require the collateral or portfolio manager of the related CLO to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the items of CLO Collateral sold (and which in turn could adversely impact the holders of any related CLO equity securities).

(t) *Insolvency Risks.* Various laws enacted for the protection of creditors may apply to the issuers of the CLO Collateral.

(u) *Price Volatility Risk.* The prices of the CLO Collateral are highly volatile. Price movements are influenced by, among other things: changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; U.S. and foreign political events and policies; changes in national and/or international interest rates and rates of inflation; currency devaluations and revaluations, and market sentiments. None of these factors can be controlled by the Adviser and no assurance can be given that the advice of the Adviser will result in profitable investments.

Consumer Receivable. The Adviser, on behalf of certain Client Accounts, may invest in consumer receivable portfolio. The availability of consumer receivable portfolios at favorable prices and on terms acceptable to the Adviser, on behalf of certain Client Accounts, depends on a number of factors, including: the continued volume of consumer receivable portfolios available for sale, competitive factors affecting potential purchasers and sellers of consumer receivable portfolios, fluctuations in interest rates and growth in consumer spending. If a Client Account, invests in consumer receivable portfolios, the

Adviser will compete with other purchasers, with third-party collection agencies and with financial services companies that manage their own portfolios. The consolidation of issuers of credit cards, which have been a principal source of consumer debt receivables, has limited the number of sellers in the market and has correspondingly given the remaining sellers increasing market strength in the price and terms of the sale of credit card accounts. The Adviser, on behalf of certain Client Accounts, may acquire receivables that fail to conform to certain terms of the purchase agreements and the Adviser, on behalf of certain Client Accounts, may seek to return these receivables to the seller for payment or replacement receivables. However, such sellers may not be able to meet their payment obligations to the Adviser, on behalf of certain Client Accounts.

Securitization Risk. The ability to securitize loans which a Client Account originates or invests in and/or the attractiveness thereof may lessen with changes in the capital markets, including any disruption in the proper functioning of the securitization market. A Client Account, where applicable, may have to retain a larger portion of the underlying loans and/or hold the loans to maturity.

Equity Securities. The Adviser, on behalf of certain Client Accounts, may invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets, or financial resources. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting regularities. A Client Account may experience a substantial or complete loss on individual equity securities.

Common Stocks. The Adviser, on behalf of certain Client Accounts, may invest in long and short positions in common stock. Common stock prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries investing in common stocks is subject to greater regulatory and self-regulatory scrutiny than investing in debt or other financial instruments.

Preferred Stock. The Adviser, on behalf of certain Client Accounts, invests in preferred stock. Preferred stock typically has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuers in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Convertible Securities. Convertible securities 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 a different Issuer within a particular period of time at a specified price or formula. A convertible security generally entitles its holder to receive

interest or a dividend until the convertible security matures or is redeemed or converted. Convertible securities generally: (i) have higher yields than the dividends on the underlying common stocks, but lower yields than non-convertible securities of a comparable duration; (ii) are less volatile in price than the underlying common stock due to their fixed-income characteristics; (iii) have a significant option component to their value which is directly impacted by the prevailing market volatility and interest rates; and (iv) 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 feature) 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) as well as market volatility (with the conversion value increasing as market volatility increases). The credit standing of the Issuer and other factors may also have an effect on 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 that 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 with an option) as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the Issuer. If a convertible security held by a Client Account is called for redemption, such Client Account will be required either to permit the Issuer to redeem the security or convert it into the underlying common stock. Either of these actions could have an adverse effect on the value of the position.

Commercial Paper. The Adviser, on behalf of certain Client Accounts, may invest in money market instruments, which includes commercial paper. Commercial paper is a short-term obligation with a maturity generally ranging from one to 270 days and is issued by U.S. or foreign companies or other entities in order to finance their current operations. Such investments are unsecured and usually discounted from their value at maturity. The value of commercial paper may be affected by changes in the credit rating or financial condition of the issuing entities and will tend to fall when interest rates rise and rise when interest rates fall. Asset-backed commercial paper may be issued by structured investment vehicles or other conduits that are organized to issue the commercial paper and to purchase trade receivables or other financial assets. The repayment of asset-backed commercial paper depends primarily on the cash collections received from such an issuer’s underlying asset portfolio and the issuer’s ability to issue new asset-backed commercial paper.

Distressed Securities. The Adviser, on behalf of certain Client Accounts, invests in “distressed” securities, claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Investments may include consumer and commercial loans, structured products, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities may result in significant returns, but also involve a substantial degree of risk. A Client Account may lose a substantial portion or all of its investment in a

distressed environment or may be required to accept cash or securities with a value less than such Client Account's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses. Moreover, to the extent that a Client Account invests in distressed sovereign debt obligations, it will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of the control of the Adviser. The market for distressed securities and instruments is generally thinner and less active than other markets, which can adversely affect the prices at which distressed securities can be sold.

There is no assurance that third parties will correctly evaluate the value of the collateral (if any) in the loans and securities purchased by a Client Account or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client Account invests, it 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 from the investments of a Client Account may not compensate a Client Account adequately for the risks assumed. Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, Client Account may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by the Adviser in an issuer's reorganization proceedings could result in the imposition of restrictions limiting a Client Account's ability to liquidate its position in the issuer.

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

Investment in Troubled Assets. A Client Account may originate loans secured by non-performing or other troubled real estate assets which involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never

be overcome. Investments in properties operating under the close supervision of a mortgage lender are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of a Client Account's original investment therein. For example, 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. In addition, under certain circumstances, payments to a Client Account and distributions to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment or the equivalent thereof. Bankruptcy laws may delay the ability of a Client Account to realize on collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines, such as equitable subordination or may result in a restructuring of the debt through principles such as "cramdown" provisions of applicable bankruptcy laws.

Private Equity Investments. The Adviser, on behalf of certain Client Accounts, may acquire minority equity stakes in privately held companies. The success of a Client Account'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 a Client Account will not control such companies, the Adviser's ability to exit from such investments may be limited. Additionally, the Adviser 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 Client Account's equity investments in such companies may perform poorly.

Insufficient Collateral. To the extent the Adviser, on behalf of a Client Account, originates loans based partly upon the adequacy of the borrower's collateral, an incorrect valuation of such collateral may result in unforeseen losses. Despite performing due diligence on the collateral, including, where appropriate, by engaging third-party independent valuers to estimate the value of the collateral pledged by the borrower, the inherent uncertainty of valuation of collateral may result in values that differ significantly from the values that can ultimately be obtained for such collateral. In addition, even if collateral is initially valued correctly, changes in market conditions, regulations or other circumstances, or changes related to such collateral, may materially adversely affect the value thereof.

Secured Loans. A Client Account may be exposed to losses resulting from default and enforcement of security. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien may each be of great importance. The Adviser cannot guarantee the adequacy of the protection of a Client Account's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Adviser cannot be certain that claims may not be asserted that might interfere with enforcement of a Client Account's rights. In the event of enforcement of the security for a loan in certain jurisdictions, a Client Account may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the relevant loan, resulting in a loss to the Client Account. Any costs or delays involved in the enforcement of the security for a loan, or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Global Investments. The Adviser, on behalf of certain Client Accounts, may invest a portion of its assets outside of the United States. Investments in non-U.S. securities and other investments involve risks relating to currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Client Accounts are maintained) and the various foreign currencies in which Client Accounts'

investments will be denominated and costs associated with conversion of investment principal and income from one currency into another.

A Client Account may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of deposits and possible adoption of governmental restrictions which might adversely affect payments to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, the acquisition and sale of certain investments may be subject to brokerage taxes and duties levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such investments at the time of sale. Income received by a Client Account from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by a Client Account will reduce its net income or return from such investments. While the Adviser will take these factors into consideration in making investment decisions for a Client Account, no assurance can be given that such Client Account will be able to fully avoid these risks.

Lower Credit Quality Loans. There are no restrictions on the credit quality of the loans that may be held in a Client Account's portfolio. Loans arranged or purchased by the Adviser, on behalf of a Client Account may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans which the Adviser, on behalf of a Client Account may acquire have large uncertainties or major risk exposures to adverse conditions and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than higher quality loans but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

Senior Loans Risk. The Adviser, on behalf of certain Client Accounts, may opportunistically invest in senior secured loans. Senior secured loans are usually rated below investment grade or may also be unrated. As a result, the risks associated with senior secured loans may be considered by credit rating agencies to be similar to the risks of below investment grade fixed income instruments, although senior secured loans are senior and secured in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured. Investment in senior secured loans rated below investment grade is considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to a Client Account, and such defaults could have a material adverse effect on such Client Account's performance. An economic downturn would generally lead to a higher non-payment rate, and a senior secured loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a senior secured loan may decline in value or become illiquid, which would adversely affect the senior secured loan's value. Senior secured loans are subject to a number of risks including liquidity risk and the risk of investing in below investment grade fixed income instruments.

There may be less readily available and reliable information about most senior secured loans than is the case for many other types of securities, including securities issued in transactions registered under the Securities Act or registered under the Exchange Act. As a result, the Adviser will rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, the Client Accounts will be particularly dependent on the analytical abilities of the Adviser.

In general, the secondary trading market for senior secured loans is not well developed. No active trading market may exist for certain senior secured loans, which may make it difficult

to value them. Illiquidity and adverse market conditions may mean that the Adviser, on behalf of a Client Account, may not be able to sell senior secured loans quickly or at a fair price. To the extent that a secondary market does exist for certain senior secured loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads, and extended trade settlement periods.

Subordinated Loans or Securities. The Adviser, on behalf of certain Client Accounts, may opportunistically invest in subordinated loans or securities or interests in pools of securities that are subordinated or may be subordinated in right of payment and ranked junior to other securities issued by, or loans made to obligors. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority to Client Accounts.

In addition, many of the obligors are highly leveraged and many of the investments will be in securities that are unrated or rated below investment grade. Such investments are subject to additional risks, including an increased risk of default during periods of economic downturn, the possibility that the obligor may not be able to meet its debt payments and limited secondary market trading, among other risks.

Borrower Fraud. Of paramount concern in investing in loans and other debt instruments is the possibility of fraud, material misrepresentation or omission on the part of the borrower or the lack of adequate documentation or any documentation regarding such loans and debt obligations. Such occurrences may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Adviser, on behalf of certain Client Accounts, to perfect or effectuate a lien on the collateral securing the loan. The Adviser will rely upon the accuracy and completeness of representations made by borrowers and lenders to the extent reasonable but cannot guarantee such accuracy or completeness or the adequacy or existence of required documentation. Under certain circumstances, payments to Client Accounts may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Sovereign Risk. Government interference with international transactions in its currency or the debt obligations of itself or its nationals through various means, including, without limitation, regulation of the local exchange market, restrictions on foreign investment by residents, limits on flows of investment funds from abroad and debt moratoria, may expose Client Accounts, to unanticipated losses.

There are increasing concerns regarding the ability of multiple sovereign entities to continue to meet their debt obligations. Many economies are facing acute fiscal pressures as they struggle to balance budgetary austerity with stagnant growth. Many observers predict that a depressed economic environment will cause budget deficits in these economies to expand in the short term and further increase the perceived risk of a default, thereby rendering access to capital markets even more expensive and compounding the debt problem.

Sovereign Debt. The Adviser, on behalf of certain Client Accounts, may invest in financial instruments issued by a government, its agencies, instrumentalities, or its central bank (“Sovereign Debt”). Sovereign Debt may include securities that the Adviser believes are likely to be included in restructurings of the external debt obligations of the issuer in question. The ability of an issuer to make payments on Sovereign Debt, the market value of such debt and the inclusion of Sovereign Debt in future restructurings may be affected by a number of other factors, including such issuer’s (i) balance of trade and access to international financing, (ii) cost of servicing such obligations, which may be affected by changes in international interest rates, and (iii) level of international currency reserves,

which may affect the amount of foreign exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Debt Securities. The Adviser, on behalf of certain Client Accounts, may invest in unrated or low-grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Adviser, on behalf of certain Client Accounts, invests in debt securities which rank junior to other outstanding securities and obligations of the issuer, all, or a significant portion of which may be secured on substantially all of that issuer's assets. The Adviser, on behalf of certain Client Accounts, invests in debt securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

The risks of debt investments include, but are not limited to: (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower during periods of economic downturn, (iv) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (v) if the investment is subordinated, subordination to the prior claims of other loans or senior lenders. Debt investments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for corporate debt and adversely affect the value of outstanding fixed income holdings and the ability of the borrowers thereunder to repay principal and interest. Moreover, defaults may prove to be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

Debt instruments may become non-performing for a variety of reasons. Non-performing instruments may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal. A Client Account may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a debt instrument. Although a Client Account may have voting rights with respect to an individual holding, there can be no certainty that such Client Account will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such holding to determine the outcome of such vote. The Adviser, on behalf of certain Client Accounts, may attempt to enhance returns on debt securities by making hybrid debt and equity investments, which may include "equity kickers" such as warrants.

Risks Associated with Lending SPVs. The Adviser, on behalf of certain Client Accounts, invests, directly and indirectly, in special purpose vehicles (the "Lending SPVs") that pursue direct lending opportunities. Such Lending SPVs operate independently and are not expected to make distributions on a regular basis. Proceeds realized from such lending activities may not be readily deployed into new lending opportunities and, accordingly, such investment proceeds may have a "drag" on the ultimate investment returns.

In connection with direct lending and loan origination activities, the Lending SPVs may be exposed to losses resulting from default and enforcement of security. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien may each be of great importance. The Lending SPVs cannot guarantee the adequacy of the

protection of its interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Lending SPVs cannot be certain that claims may not be asserted that might interfere with enforcement of its rights. In the event of enforcement of the security for a loan in certain jurisdictions, a Lending SPV may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the relevant loan, resulting in a loss to such Lending SPVs. Any costs or delays involved in the enforcement of the security for a loan, or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Lender Liability Considerations and Equitable Subordination. A number of judicial decisions in the United States 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 a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of investments, a Client Account 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 (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of 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 investments, a Client Account could be subject to claims from creditors or shareholders of an obligor that the Client Account’s investments issued by such obligor that are held by the Client Account should be equitably subordinated. A significant number of a Client Account’s investments may involve investments in which the Client Account would not be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting a Client Account’s investments could arise without the direct involvement of such Client Account.

Risks Associated with Investments in De Novo Companies. The Adviser, on behalf of certain Client Accounts, makes debt or equity investments (or hybrid debt and equity investments that may include “equity kickers” such as warrants) in newly formed companies pursuing lending opportunities. Such companies may be challenged by factors including rapidly changing market conditions and/or participants and competing borrowers. Moreover, the management of these businesses may be inexperienced, and newly formed companies may face legal, regulatory and/or industry-specific impediments to growth. For these reasons, the risks associated with the Adviser’s investment strategies are heightened with respect to an investment in a new venture.

Risks Associated with Joint Venture Investments. The Adviser, on behalf of certain Client Accounts, pursues direct lending opportunities, including joint ventures with third parties. Such investments may involve additional risks, including the possibility that a third-party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with

those of a Client Account, or may be in a position to take (or block) action in a manner contrary to a Client Account's investment objectives. In addition, a Client Account may, in certain circumstances, be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Risks Associated with Bankruptcy Cases. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Client Account. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where a Client Account, by virtue of such action, is found to exercise "domination and control" of a debtor, the Client Account may lose its priority if the debtor can demonstrate that its business was adversely impacted, or other creditors and equity holders were harmed by the Client Account.

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

Investment in the debt of financially distressed companies domiciled outside the U.S. involves additional risks. Bankruptcy law and process may differ substantially from that in the U.S., 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.

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

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

The Adviser and its affiliates, on behalf of a Client Account, may elect to serve on creditors' committees or other groups to ensure preservation or enhancement of the Client Account's position as a creditor. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Adviser (or its affiliate, as applicable) concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Client Account, it will resign from that committee or group or take other appropriate steps to adequately address the conflict, and the Client Account may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if the Client Account is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.

A Client Account may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchases could be disallowed by a bankruptcy court if such court were to determine that the Client Account 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 Client Account.

Potential Involvement in Litigation. As a result of the Adviser's activities generally, including investments in distressed investments and the possibility that the Adviser may participate in restructuring activities, it is possible that a Client Account may become involved in litigation, including litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the Client Account including the Adviser and its affiliates and ultimately judgments may be rendered against a Client Account for which such Client Account does not carry insurance.

Trade and Other General Unsecured Claims. The Adviser, on behalf of certain Client Accounts, acquires interests in claims of trade creditors and other general unsecured claim holders of a debtor ("trade claims"). Trade claims generally include, but are not limited to, claims of suppliers for goods delivered and not paid, claims for unpaid services rendered, claims for contract rejections and claims related to litigation. Trade claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of trade claims is subject to significant uncertainties, including potential set-off by the debtor as well as the other uncertainties with respect to other distressed securities. A trade claim may be transferred or assigned before or after a petition in bankruptcy is filed, including after a proof of claim has been filed. Investments in trade claims and high risk receivables may also entail special risks including, but not limited to, fraud on the part of the assignor of the trade claim as well as logistical and mechanical issues which may affect the ability of a Client Account or its agent to collect the claim in whole or in part.

Non-U.S. Securities. Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include (i) controls on foreign investment; (ii) limitations on repatriation of invested capital, the ability to exchange local currencies for U.S. dollars, and possible adoption of governmental restrictions which may adversely affect the payment of principal and interest to investors located outside the country of the issuer; (iii) a higher degree of governmental involvement in and control over the national or local

economy; (iv) differences in auditing and financial reporting standards, which may result in the unavailability of material information about economies, assets and issuers; (v) less extensive regulatory oversight of securities and other markets; (vi) less liquidity in securities and other markets; (vii) longer settlement periods for transactions; (viii) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; (ix) difficulty in enforcing contractual obligations and legal rights, which may be costly and slow; (x) the risk of nationalization or expropriation of assets or confiscatory taxation; (xi) social, economic and political commodities prices; and (xii) potentially higher rates of inflations or deflation. International conventions and treaties may also impact certain assets of the Adviser, on behalf of certain Client Accounts. Certain non-U.S assets and/or income received a Client Account from sources within some countries may be reduced by withholding and other taxes imposed by such countries.

Hedging Transactions. The Adviser, on behalf of certain Client Accounts, utilizes financial instruments, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of a Client Account's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Client Account's unrealized gains in the value of a Client Account's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Client Account's portfolio; (v) hedge the interest rate or currency exchange rate on any of a Client Account's liabilities or assets; (vi) protect against any increase in the price of any asset the Adviser anticipates purchasing on behalf of a Client Account at a later date or (vii) for any other reason that the Adviser deems appropriate.

The success of the Adviser's hedging strategy will depend, in part, upon the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many assets change as markets change or time passes, the success of the Adviser's hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Adviser, on behalf of certain Client Accounts, may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Client Account than if it had not engaged in such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Client Account from achieving the intended hedge or expose a Client Account to risk of loss. The Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Client Account's portfolio holdings.

Currency Exposure Risk. Investments in foreign currency forwards, futures, and options, as well as securities 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, capital appreciation and political developments. The Adviser may try to hedge these risks, but there can be no assurance that it will implement a hedging strategy, or if it implements one, that it will be effective.

Index Risk. The Adviser, on behalf of certain Client Accounts, invests in securities the value of which may be affected by a designated rate or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. This introduces additional risk factors related to the movements in specific indices or interest rates which may be difficult or impossible to hedge, and which also interact in a complex fashion with prepayment risks.

To the extent that a Client Account's portfolios is invested in derivatives of various mortgage-backed securities, the prepayment risks, credit risks, interest rate risks and hedging risks associated with such securities may be substantially magnified.

Foreign Exchange Markets. By trading in foreign exchange and investing in derivative instruments relating to international securities and such securities themselves, a Client Account will have exposure to fluctuations in currency exchange rates. It may, in part, seek to offset the risks associated with such exposure or to increase returns through foreign exchange transactions. Such transactions involve a significant degree of risk and the markets in which foreign exchange transactions are effected are volatile, specialized, and technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, maturity gaps, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. The foreign exchange transactions can result in a Client Account's returns being substantially better or worse than what returns would have been had the transactions not been entered into.

Systemic Risk – OTC and Derivative Counterparty Risk. World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a Client Account losing substantial value caused predominantly by liquidity and counterparty issues, which could result in a Client Account incurring substantial losses.

There is the possibility that the institutions, including prime brokers, other brokerage firms and banks, with whom the Adviser does business, or with whom securities may be entrusted for custodial purposes, will encounter financial difficulties that may impair the operational capabilities or the capital position of such brokerage firms or banks and that could adversely affect a Client Account. Brokers may trade with an exchange as a principal on behalf of a Client Account, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of a Client Account or certain assets of a Client Account (for example, the transactions which the broker has entered into on behalf of a Client Account as principal as well as the margin payments which a Client Account provides). In the event of such broker's insolvency, the transactions which the broker has entered into as principal could default and certain of the Client Account's assets could become part of the insolvent broker's estate, to the detriment of the Client Account. In this regard, a Client Account's assets may be held in "street name" such that a default by the broker may cause the Client Account's rights to be limited to those of an unsecured creditor.

Derivative and Option Investments. The Adviser, on behalf of certain Client Accounts, buys or sells (writes) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant

class and amount. A Client Account's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Client Account has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, without taking into account other positions or transactions a Client Account may enter into, the principal risks involved in options trading can be described as follows: when a Client Account buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the investment in the option (including commissions). A Client Account could mitigate those losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities for which it holds put options.

When the Adviser, on behalf of a Client Account, sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, the Client Account would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss suffered as a result of owning the security.

Swaps and certain options and other customized 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.

Futures Contracts. The Adviser, on behalf of certain Client Accounts, trades in futures contracts (and options on futures). Futures positions may become illiquid. For example, most commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Client Account from promptly liquidating unfavorable positions and subject such Client Account to substantial losses. In addition, the Adviser, on behalf of a Client Account, may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the U.S. Commodity Futures Trading Commission ("CFTC")) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks.

Margin on Futures and Leverage. In futures markets, margin deposits are typically low relative to the nominal value of the futures contracts purchased or sold. In the forward, currency and certain other derivative markets, margin deposits may be even lower or may not be required at all. Such low margin deposits are indicative of the fact that any futures contract trading typically is accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 5% of the price of a futures contract is deposited as margin, a 5% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested.

Swap Transactions. Depending on their structure, swap agreements may increase or decrease a Client Account's exposure to equity securities, long-term or short-term interest rates, non-U.S. currency values, corporate borrowing rates or other reference assets. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Client Account's portfolio. The most significant factors in the performance of swap agreements is the change in the individual equity values, the specific interest rate, the currency value, and other reference assets that determine the amounts of payments due. If a swap agreement calls for payments by a Client Account, such Client Account must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Client Account.

Swap transactions are not traded on exchanges and are not subject to the same type of government regulation as exchange markets. As a result, many of the protections afforded to participants on organized exchanges and in a regulated environment are not available in connection with these transactions. The swap markets are "principals' markets," in which performance with respect to a swap contract is the responsibility only of the counterparty to the contract, and not of any exchange or clearinghouse. As a result, a Client Account is subject to the risk of the inability or refusal to perform with respect to swap contracts on the part of the counterparties with which the Client Account trades. There are no limitations on daily price movements in swap transactions. Speculative position limits are not applicable to swap transactions, although a Client Account's swap counterparties may limit the size or duration of positions available to the Client Account as a consequence of credit considerations. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade. Participants could refuse to quote prices for swap contracts or quote prices with an unusually wide spread between the price at which they are prepared to buy and the price at which they are prepared to sell. If an event of default or an additional termination event were to occur with respect to a Client Account under an ISDA master agreement governing the Client Account's swap transactions, the relevant swap counterparty, other swap counterparties and/or prime brokers may terminate all transactions with the Client Account at significant losses to the Client Account.

Trading in swaps and other derivative instruments can permit a high degree of synthetic leverage. Accordingly, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by a Client Account and could cause the Client Account's net asset value to be subject to wider fluctuations than would be the case if derivative instruments that provide leverage were not used. Thus, like other leveraged investments, a derivatives trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

Enhanced Regulation of Swaps. Subject to exceptions for certain commercial end-users engaged in hedging activity, the U.S. Wall Street Transparency and Accountability Act of 2010 (the “WSTAA”), as implemented through regulations adopted by the CFTC, (i) requires certain liquid, standardized swaps to be cleared through a derivatives clearing organization (a “DCO”) and, if made available for trading through a designated contract market or swap execution facility to be so traded, (ii) requires margin to be exchanged for all uncleared, over-the-counter swap transactions, (iii) subjects traders with substantial positions in swaps over certain thresholds to registration and regulation requirements as a “major swap participant” or “swap dealer” (depending on the type and amount of trading activity at issue) and (iv) imposes position limits on swaps that are “economically equivalent” to any of the 25 physical commodity futures contracts that are subject to federal speculative position limits (i.e., that have identical material contractual specifications, terms and conditions as any of those futures contracts). Due to the requirements imposed by the WSTAA, Client Accounts may experience increased transaction costs to pay for the clearing, execution, and segregation obligations. In addition, margin requirements may increase due to new margin requirements imposed by DCOs with input from the CFTC, which may limit Client Accounts’ ability to engage in leverage and limit their returns. The application of position limits to swap contracts may also limit Client Accounts’ ability to concentrate in any particular contract or exposure to an underlying commodity and may negatively impact their ability to take advantage of current market trends or conditions. Any tightening in the market for swaps may significantly impact the investment returns of Client Accounts.

Credit Default Swaps. The Adviser, on behalf of certain Client Accounts, invests in CDSs. A CDS is a contract between two parties which transfers the credit risk associated with a particular debt instrument as it relates to the issuer’s failure to pay principal or interest on time in respect of such referenced debt instrument or files for bankruptcy. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of CDS termination.

In the manner described above, CDSs can be used to hedge a portion of the default risk on a single bond or a portfolio of bonds and loans. CDSs can be used to implement the Adviser’s view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, a Client Account may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Client Account to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Client Account may also “purchase” credit default protection irrespective of whether the Client Account owns the referenced instrument if, in the judgment of the Adviser, there is a high likelihood of credit deterioration.

Swap transactions 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 CDS 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.

If a Client Account and its affiliates enter into too large of credit default swaps, it may be required to register as a swaps dealer or securities-based swaps dealer and become subject to significant compliance costs.

Enhanced Regulation of Short Sales and Credit Default Swaps. Short sales and credit default swaps are subject to the provisions of the EU Regulation on Short Selling and certain aspects of Credit Default Swaps (the “Short Selling Regulation”). The Short Selling Regulation imposes restrictions and disclosure requirements for persons taking short positions in EU shares and sovereign bonds and prohibits entering into uncovered credit default swaps in relation to EU sovereign debt (i.e., where the investor does not have an exposure that it is seeking to hedge either to the sovereign debt itself or to assets or liabilities whose value is correlated to the sovereign debt). In addition, the Short Selling Regulation permits the competent authorities of EU member states to prohibit or restrict short sales, limit sovereign credit default swaps, and impose emergency disclosure requirements, among other things, during times of stressed markets. Competent authorities may also restrict short sales of individual financial instruments which have suffered a significant fall in price in a single day.

The provisions of the Short Selling Regulation may hinder a Client Account’s investment program by preventing it from taking positions that the Adviser considers favorable. They may also result in overvaluations of certain financial instruments due to restrictions on market efficiency. In addition, the emergency powers granted to competent authorities during times of stressed markets and with respect to individual financial instruments may adversely affect a Client Account by preventing it from taking hedging positions or other positions that the Adviser considers to be in its best interests. The imposition of emergency measures under the Short Selling Regulation could, therefore, result in substantial losses to a Client Account.

Illiquid Investments. The Adviser, on behalf of certain Client Accounts, invests in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments). The Adviser, on behalf of certain Client Accounts, also makes investments in privately held companies or special purpose entities, provided that it is allowed under the applicable regulation. There may be no trading market for these securities and instruments, and the Adviser might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, a Client Account may be required to hold such securities despite adverse price movements. In addition, if the Adviser makes a short sale of an illiquid security or instrument, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position.

Equity-Related Instruments in General. The Adviser uses equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk, and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

PACE Financing. The Adviser, on behalf of certain Client Accounts, invests in securities issued by a private company with a business model that depends upon legislative approval of a developing form of municipal financing (i.e., Property Assessed Clean Energy (“PACE”) financing). PACE financing may be unable to expand into other markets unless such a form of municipal financing is adopted in such markets, and there can be no guarantee that any market will continue to support the program. Even if other states adopt this form of municipal financing, there can be no guarantee that the program will have success. PACE financing primes the first-lien mortgage. The Federal Housing Finance Agency (“FHFA”)

as conservator of Fannie Mae and Freddie Mac owns or insures many first-lien mortgages. To date, the FHFA has issued a directive stating that they will not purchase mortgages that have a PACE assessment on the underlying property. If FHFA took a more aggressive stance against PACE programs and its supporting legislation, it could negatively impact the private company's business model.

PACE bonds are originated on the private company's balance sheet using leverage, with the intention of selling risk through securitization. If there is a disruption in the securitization market or on its leverage, the private company will be exposed to the asset risk and could have cash flow constraints on its balance sheet. PACE financing is dependent upon a contract with participating Joint Power Authorities and Cities. It is possible that the municipalities will not renew the existing contracts or enter into new contracts. The Adviser, on behalf of certain Client Accounts, may also invest directly in securitizations of PACE financing. Each PACE assessment is serviced by the appropriate county. Generally, the collected assessments are comingled with the county's general fund, and it is unclear what would occur to such collections in the event of a bankruptcy. There are both PACE and non-PACE products that compete in the municipal financing market.

Litigation Finance. Client Account investments may require an evaluation of the outcome and timing of a dispute resolution process. Regardless of the amount of research and other due diligence that may be performed, predicting the outcome of litigation or other dispute resolution processes is inherently uncertain and depends on a variety of circumstances that may be unrelated to the legal merits of the substantive claims of the parties, including uncertainty regarding the application of law to particular facts, disputed factual records and testimony, unforeseen procedural issues, uneven quality of advocacy, misapplication of settled law by a judge or jury, or settlement dynamics in which the motivations of the parties may be unrelated, in whole or in part, to the merits of the dispute. Since the expenditures in this type of investment generally do not involve the acquisition of any assets having any residual value, an unfavorable outcome typically will result in a complete loss of a Client Account's investment.

Other Litigation Situations. The Adviser, on behalf of certain Client Accounts, invests in companies involved in litigation or restructuring on the basis of the Adviser's assessment of the likely outcome of such litigation and/or the impact of the bankruptcy process on the company. The Adviser, on behalf of certain Client Accounts, also invests in companies that are likely to be subject to reorganization, including as a result of a major litigation involving such company. Predicting the outcome of litigation or restructuring is speculative by nature and could involve lengthy delays following an appeal or an indirect attack on the outcome. The Adviser may invest in issuers which were — as entities, at the senior management level or both — the subject of criminal and administrative proceedings. These investments involve a particularly high degree of risk and uncertainty due to the unpredictability (and often politically motivated and discretionary) outcome of such proceedings and the risk of government cancellation of franchises and licenses necessary for continued operations.

Special Situations. The Adviser, on behalf of certain Client Accounts, invests in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing workouts, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time 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 or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client Account may be required to sell its

investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by a Client Account of its entire investment in such companies.

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

Counterparty Risk. Transactions entered into by the Adviser on behalf of certain Client Accounts involve credit risk to the extent that its market counterparties are unable or unwilling to fulfill their contractual obligations. These obligations may occur from investments in swaps, "synthetic" or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities. This risk also includes the risk of settlement default. The Adviser will use its best efforts to enter into such transactions with established, rated, and reputable counterparties.

Convergence Risk. The Adviser, on behalf of certain Client Accounts, pursues 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 mis-pricings underlying the Adviser's trading positions were to fail to converge toward, or were to diverge further from, the Adviser's expectations, a Client Account may incur a loss.

Interest Rate Risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. 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.

Real Estate Risks. The Adviser, on behalf of certain Client Accounts, may in the future engage in direct holding of real estate properties. Such investments will be subject to the risks inherent in the ownership and operation of real estate and real estate related businesses and assets. These risks include, but are not limited to, those associated with the burdens of ownership of real property, general and local economic climate, local real estate conditions, changes in supply of or demand for competing properties in an area (as a result, for instance,

of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property taxes, changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks and war and other factors which are beyond the control of the Adviser. There is no assurance that there will be a ready market for resale of real estate investments because real estate investments will generally not be liquid. Lack of liquidity may result from the absence of an established market for such investments, as well as legal or contractual restrictions on their resale.

Capital Structure Investment Conflicts and Other Accounts. Certain Client Accounts invest in a broad range of asset classes throughout the capital structure. These investments may include investments in loans and debt securities, preferred equity securities and common equity securities. As a result, a Client Account may invest in securities or other instruments of an issuer (or affiliated group of issuers) in which other Client Accounts invest in or have an interest in different parts of the capital structure. If the issuer becomes insolvent, restructures, or suffers financial distress, there may be a conflict between the interests of a Client Account and those other Client Accounts insofar as the issuer may be unable (or in the case of a restructuring prior to bankruptcy may be expected to be unable) to satisfy the claims of all of its creditors and security holders (which may include certain other Client Accounts that enter into loan agreements with certain entities in the capital structure). Certain Client Accounts and other Client Accounts may have competing claims for the assets of such issuers. Moreover, such investments or other interests in the capital structure may impact the investment made or interest in a different part of the structure.

Under these circumstances, it may not be feasible for the Adviser to reconcile the conflicting interests of each Client Account in a way that protects each Client Account's interests. Additionally, the Adviser or its nominees may hold board or creditor committee memberships which may require them to vote or take other actions in such capacities that might be conflicting with respect to certain funds managed by the Adviser in that such votes or actions may favor the interests of one account over another account. Furthermore, the Adviser's fiduciary responsibilities in these capacities might conflict with the best interests of the investors. The Adviser has developed processes to address such conflicts of interest.

Epidemics, Pandemics and COVID-19. Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, beginning in January 2020, the highly transmissible and pathogenic novel coronavirus (COVID-19), which the World Health Organization declared to be a pandemic at such time. Additional outbreaks of COVID-19 as new variants emerge could lead to a continual decline in global economic growth resulting in prolonged unemployment and recession and interruptions to the supply chain. It is currently unknown when the world economy will "re-open" to its status pre-pandemic as uncertainty remains around the global distribution and long-term efficacy of vaccines in fighting new variants of the disease. The spread of COVID-19 may have an adverse impact on the Client Accounts. In consumer goods, for example, a delay in discretionary spending and travel plans because of concerns about the pandemic could result in decreased tenant occupancy rates with respect to certain real estate holdings of Client Accounts. With respect to the banking industry, and in particular, the consumer finance sector, any credit losses resulting from financial difficulties of borrowers impacted by COVID-19 may also translate into an increased risk of default under any holdings of a Client Account. The impact of government intervention in the areas of tenant eviction and

foreclosure remains fluid and it is uncertain how long such intervention will last. Any similar future outbreak or pandemic could have similar potential adverse effects on the global economy, the Adviser and/or its Client Accounts.

European Instability. Recent events, including the invasion of Ukraine by Russia, have interjected uncertainty into global financial markets, especially European markets. It is possible that any fallout from the Ukrainian conflict will have effects on other European countries as such countries address cross-border refugee movements and other potential threats. A number of countries including the United States and certain European nations have imposed sanctions on Russia and businesses affiliated with that country. The long-term impact of these sanctions remains unclear, although they may prove to limit potential investment opportunities and may impair cash flow that is material to an investment if third parties doing business with a company underlying an investment are sanctioned parties. The regulatory framework of sanctions is often complex and at times counter-intuitive, and transactions involving sanctioned parties can result in increased compliance expenses.

Cyber Security Breaches and Identity Theft. The Funds depends on the Adviser to develop or procure and utilize appropriate systems for the Funds' activities, and the Adviser and the Funds depend heavily upon computer systems to perform necessary business functions. The Adviser's information and technology systems and those of companies on which the Funds rely and in which the Funds invest are, just as with other companies, vulnerable to potential damage or interruption from cyber-attacks (such as computer viruses, malicious software, infiltration or tampering by unauthorized persons, ransomware demands and denial of service attacks), security breaches (such as physical and electronic break-ins), network failures, computer and telecommunication failures, ransomware demands, denial of service attacks, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented, and the Funds' portfolio companies likely will have implemented, various measures designed to manage risks relating to these types of events, if important systems are compromised, become inoperable for extended periods of time or cease to function properly, it likely would be necessary for the Adviser, the Funds and / or their portfolio companies to make a significant investment to fix or replace them. Middle market portfolio companies in particular may be more vulnerable to such risks as they are generally more limited with respect to their ability to expend funds on a sophisticated prevention and detection system. Investments of the Funds have involved and may in the future involve companies that have experienced cybersecurity events and that, given the rise of cybersecurity incidents, may become involved in future cybersecurity events. Cybersecurity events also could affect affiliates of the Adviser. The failure or inadequacy of these systems and / or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's, the Funds' and / or the Funds' portfolio companies operations and result in a failure to maintain capabilities essential to the Funds' operations and / or the security, confidentiality and privacy of proprietary or sensitive data and information processed and stored in, and transmitted through, the Adviser's, the Funds', any third party's on which a Fund relies or their downstream vendors' computer systems and networks, including investors' personal information. Such a failure could result in reputational harm to the Adviser, the Funds, the investors and / or the affected portfolio companies of the Funds, result in loss of business, increased costs and / or regulatory penalties, subject any such entity and its affiliates to legal claims and otherwise affect its business and financial performance. If a significant number of the Adviser's personnel were to be unavailable in the event of a disaster, the Adviser's ability to effectively conduct the Funds' business could be severely compromised. In addition, there are increased risks relating to the Adviser's reliance on its computer programs and systems if the Adviser's personnel are required to work remotely for extended periods of time as a result of events such as an outbreak of

infectious disease or other adverse public health developments (such as have persisted during the COVID-19 pandemic) or natural disasters, including an increased risk of cyber-attacks and unauthorized access to the Adviser's computer systems.

The Adviser's service providers are typically subject to the same electronic information security threats as the Adviser. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the Funds, including information normally made available to investors, may become inaccessible and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed. Notwithstanding the diligence that the Adviser performs on its service providers, the Adviser often is not in a position to verify the risks or reliability of their respective information technology systems.

The loss or improper access, use or disclosure of the Adviser's or a Fund's proprietary information may cause the Adviser or such Fund to suffer, among other things, financial loss, the disruption of their business, liability to third parties, regulatory intervention, or reputational damage. Any of the foregoing events could have a negative effect on the Funds.

Data Protection Risk. The Funds, the Adviser, their respective affiliates and / or service providers and, in due course, certain of the Funds' portfolio companies may each receive, store, process and use personal data, including through the use of third-party processors and cloud-based and other service providers. Legal requirements relating to the collection, storage, handling, and transfer of personal data continue to develop in different countries. Certain activities of the Adviser and the Funds and / or their respective affiliates may, for example, be subject to the EU's General Data Protection Regulation (the "GDPR"), the United Kingdom Data Protection Act 2018 (as amended), the California Consumer Privacy Act ("CCPA") or the Cayman Islands Data Protection Act (As revised) ("DPA") (together with other applicable laws, the "Privacy and Data Protection Laws"). While the Adviser and the Funds and their respective affiliates intend to comply with their privacy and data protection obligations under the Privacy and Data Protection Laws (where applicable), a breach of such laws could result in negative publicity and may subject the Funds to significant costs associated with regulatory sanctions, civil liability for claims in damages from data subjects or third parties, and other penalties. Under some Privacy and Data Protection Laws, it is an offense to not notify the appropriate regulator of a security breach of personal data, or to not notify the data subjects affected by the breach. Compliance with Privacy and Data Protection Laws requires implementing effective policies and procedures that reflect the applicable law and maintaining an ongoing and active monitoring program. The resources required for day-to-day operations and for dealing with exceptional circumstances may divert the Adviser's time and effort from other activities relating to the management of the Funds and entail substantial expense.

ESG. The Adviser seeks to consider material environmental, social, and governance ("ESG") issues during its investment process, as consistent with its fiduciary responsibility. The Environmental, Social and Governance Policy (the "ESG Policy") applies to the Adviser's business. The Adviser seeks to avoid certain investment opportunities that fail to adhere to certain responsible investment criteria or that pose undue ESG risks.

The Adviser has developed an ESG approach that focuses on managing material ESG risks and delivering sustainable, long-term value. This includes consideration of relevant ESG

issues early in the investment process and collaboration with investment professionals and third-party consultants to review ESG topics and identify ESG opportunities in the due diligence process. Post investment, the Adviser engages with portfolio companies to monitor key ESG focus areas.

The ESG Policy is not part of the Adviser's investment strategy, or the investment strategy of any Fund and does not represent any commitment to invest in companies on the basis of ESG. On a discretionary basis, the Adviser considers ESG and related factors as they may be relevant to a particular investment. However, the analysis and determination with regard to any particular ESG factor does not foreclose any investment opportunity from consideration by the Adviser.

The Adviser will not base any investment decision on the achievement of a particular ESG score in any area. The Adviser's consideration of ESG and related factors will assess the status of focus areas that the Adviser considers important as well as areas where improvements may be made.

In the process of evaluating ESG and related factors for any investment opportunity, the Adviser may depend on information that is incomplete or inaccurate, which could result in the Adviser incorrectly assessing ESG and related factors.

Social Unrest. Recent events concerning discrimination, race relations and inequality have led to protests, demonstrations, marches, and other forms of political and social activism on a local, regional, national, and international level as well as rioting in some instances. Such activism, which has ranged from peaceful to in some instances, violent, has resulted in curfews, the deployment of the national guard and other local and national interference, and could lead to increased political and social volatility and uncertainty, which was already heightened in wake of the COVID-19 pandemic. While the overall effect of such activism remains unknown, investors should note that this type of volatility and uncertainty could materially and adversely impact the securities and other assets in which the Funds invest.

General Economic and Market Conditions. Turmoil such as that experienced by the U.S. and global financial markets as a result of the ongoing COVID-19 pandemic, and those markets endured during the global financial crisis of 2008, illustrated the risk that the financial markets can experience uncertainty, volatility, and instability, potentially for protracted periods of time. Global financial markets have experienced considerable and prolonged declines in the valuations of equity and debt securities and periodic acute contraction in the availability of credit. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of the Fund's investments (including with respect to performing under or refinancing their existing obligations), its access to capital or leverage, its ability to effectively deploy its capital or realize investments on favorable terms or its overall performance.

The success of a Fund's activities will be affected by the continued economic volatility as well as general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in applicable laws and regulations (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, continued technology disruption, tax reform or other significant policy changes as well as national and international political,

environmental and socioeconomic circumstances (including wars, terrorist acts, security operations or public health considerations).

The Fund's investment strategy and the availability of opportunities satisfying the Fund's risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the financial markets and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast, or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made, or the beliefs and expectations currently held by the Adviser will prove correct and actual events and circumstances may vary significantly. The ability to realize investments depends not only on the investments and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance that a Fund will be able to exit from its investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any investment may not be sufficiently liquid to enable the Fund to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price.

Recent volatility in the global financial markets and political systems of certain countries may have adverse spill-over effects into the global financial markets generally and the U.S. in particular. Moreover, a recession, slowdown and/or sustained downturn in the global economies (or any particular segment thereof) or weakening of credit markets will adversely affect the Fund's profitability, impede the ability of the Fund's portfolio companies to perform under or refinance their existing obligations, and impair the Fund's ability to effectively exit investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Fund in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a particular portfolio company's capital structure.

Uncertain Geopolitical Events. International and / or local geopolitical events are likely to influence the issuers of, and markets for, instruments traded by the Funds. Geopolitical events, including, without limitation, national referenda, political elections, international violent and non-violent conflicts, political movements and reactions to national and international emergencies, can affect monetary policy, fiscal policy, international relations, currency valuations, legal systems and regulatory regimes, among numerous other things, in ways that could impact the Funds and / or their ability to operate and / or pursue its investment strategy.

Russian Invasion of Ukraine. On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). On February 22, 2022, the United States, United Kingdom, and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the United States, United Kingdom, European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and

other measures against Russia. Russia-backed separatist regions in Ukraine, and certain banks, companies, companies, government officials, and other individuals in Russia and Belarus, as well as a number of Russian Oligarchs. Further sanctions may be forthcoming, and the U.S. and allied countries have recently announced they are committed to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on the economy and business activity globally (including in the countries in which the Funds invest), and therefore could adversely affect the performance of the Funds' investments. Furthermore, given the ongoing nature of the conflict between the two nations and its ongoing escalation (such as Russia's recent decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Funds and the performance of their investments or operations, and the ability of the Funds to achieve their investment objectives.

Force Majeure Risk. Portfolio companies or assets owned by the Funds may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, civil unrest, acts of God, fire, flood, earthquakes, hurricanes and other natural disasters, including extreme weather events from possible future climate change, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, trade ware, cyber security breaches, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including a Fund's portfolio companies or a counterparty to a Fund or its portfolio companies) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a Fund or its portfolio companies of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds may invest specifically.

Cayman Islands Regulatory Oversight. Certain investment vehicles which may be related to the Funds and established in the Cayman Islands and most alternative vehicles and intermediate entities of the Funds established in the Cayman Islands, are or will be required to register and be regulated as a private fund under the Private Funds Law, 2020 (the "Private Funds Law") of the Cayman Islands. Once registered, the Cayman Islands Monetary Authority (the "Authority") will have supervisory and enforcement powers to ensure any such vehicle's compliance with the Private Funds Law. The Authority may take certain actions if it is satisfied that a regulated private fund is or is likely to become unable to meet its obligations as they become due, or is carrying on business fraudulently or otherwise in a manner detrimental to the public interest or to the interests of its investors or creditors, or is carrying on or is attempting to carry on business or is winding up of its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Authority include the power to require the substitution of the general partner of such vehicle, to appoint a person to advise such vehicle on the proper conduct of its affairs or to appoint a person to assume control of the affairs of such vehicle. There

are other remedies available to the Authority including the ability to apply to court for approval of other actions.

Risks Associated with the European Union. Following the credit crisis of 2007, the economies of certain Eurozone countries have suffered high unemployment, low or stagnant economic growth, a decline in the real value of living wages, large current account deficits, lack of competitiveness, high government borrowing relative to GDP, and higher interest rates on government bonds - reflecting a perceived risk of being unable to meet future financial obligations. While the devaluation of a nation's currency would be expected to stimulate competitiveness, reduce unemployment, increase GDP, and ultimately raise taxes to reduce a budget deficit, it is not within the control of individual Eurozone countries to devalue the Euro. Without reasonable prospects for growth, and the inability to devalue their national currency, some Eurozone countries have, or have been forced to, reduce public spending on the one hand, which has resulted in lower growth, higher unemployment and lower tax revenues, while at the same time attempting to introduce structural reforms to improve competitiveness over the longer term. Without the means to stimulate economic growth through currency devaluation, critics of the single currency question the suitability of the Euro to function in the diverse economies of the Eurozone and, if a single currency is unsuitable, the risk of the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro entirely. A particularly high level of government debt may be unsustainable for a country that has, and continues to endure, weak economic growth, high unemployment and has yet to implement or benefit from long-term economic reforms. A default on sovereign debt, although now a more remote risk than after the crisis, could have a material impact on economic conditions and market activity in the Eurozone and elsewhere in the European Union ("EU"). For example, default by a participating member state could result in, or contribute to, the defaulting member state ceasing to use the Euro as its national currency, or even provide a stimulus for one or more member states to withdraw from EU membership—any of which would likely have an adverse impact on a Fund. Moreover, any structural instability of the Eurozone would likely have negative implications for the global economy. A potential effect would be an immediate reduction of liquidity for particular investments in economically connected countries, thereby impairing the value of such investments. Volatility in the global credit markets may make it more difficult for issuers and borrowers to obtain favorable financing or refinancing arrangements that may be needed to execute a Fund's investment strategy. Uncertainty in the Eurozone could have an adverse effect on a Fund by affecting the performance of its investments and its ability to fulfill its investment objectives.

United Kingdom (the "UK") Withdrawal from the European Union. On January 31, 2020, the UK formally left the EU and entered into a transition period during which EU law continued to apply in the UK. This transition period expired on December 31, 2020, and EU law no longer applies in the UK. However, the UK and EU agreed an EU-UK Trade and Cooperation Agreement ("TCA") that has governed their trading relationship since January 1, 2021. Broadly, the TCA provides for zero tariffs and zero quotas on all goods that comply with 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.

The TCA does not provide for continued access by UK firms to the EU single market (the “Single Market”), adversely affecting financial service firms, although there is the possibility that, in time, the UK may obtain a recognition of equivalence from the EU in certain financial sectors, which would enable varying degrees of access to the EU market. Similarly, notwithstanding zero tariffs and zero quotas on goods, market access for those firms that conduct cross-border 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 vis-à-vis the EU for tax and VAT purposes, and other sources of friction have the potential to impair the profitability of a business, require it to adapt, or even relocate to operate through an establishment in the EU. Understanding and preparing for these new arrangements may result in increased operational and compliance burdens for a Fund.

It will continue to take some time to observe the many and varied effects on UK and EEA businesses and asset value in those regions 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 TCA on the day-to-day operations of those businesses that engage in the cross-border trade of goods or services between member states of the EU and the UK may be a continued source of currency fluctuations or have other adverse effects on international markets, international trade and other cross-border cooperation arrangements.

Investors should also be aware of the ongoing disagreements between the UK government and the EU regarding the Northern Ireland Protocol (“NIP”). The NIP is part of the arrangements put in place as part of the TCA to address cross-border trade in goods between Great Britain, Northern Ireland, and the EU. The UK government has subsequently raised concerns as to the manner in which the NIP has been interpreted and implemented and has indicated it may take action to suspend and/or override aspects of the NIP. The European Commission has stated it would take retaliatory measures in response to UK government actions.

The present uncertainty could, therefore, adversely affect a Fund, the performance of its investments and its ability to fulfil its investment objectives (especially if its investments include, or expose it to, businesses that have historically relied on access to the Single Market for their customers or that have historically relied on sourcing goods, materials or labor from the Single Market). In particular, the continued uncertainty may adversely impact portfolio companies with operations in or doing business in or having services or other significant relationships in or with, the UK or the EEA, including with respect to opportunity, tax treatment, regulation, value, or exit.

CFIUS; Non-U.S. National Security Regimes. The actions of the Committee on Foreign Investment in the United States (“CFIUS”), an inter-agency committee authorized to review transactions that could result in control of a U.S. business by a foreign person, may adversely impact the prospects of a portfolio company in the context of mergers

with, or acquisitions by, a foreign person. CFIUS may recommend that the President block transactions, or CFIUS may impose conditions on transactions, certain of which may materially and adversely affect a Fund's ability to execute its investment strategy. In addition, the CFIUS process will continue to evolve. In particular, a set of reform measures known as the Foreign Investment Risk Review Modernization Act ("FIRRMA") was enacted into law, which broadens the jurisdiction of CFIUS with respect to certain investments. Such legislation could impact the ability of non-U.S. limited partners to participate in a Fund's investments, which may impair a Fund's ability to execute its investment strategy. FIRRMA could expand the ability of CFIUS to review a Fund's acquisition or disposition of certain investments. The reforms enacted by FIRRMA will include (i) a requirement of mandatory disclosures to CFIUS of all transactions in which a foreign government owned or controlled entity proposes to acquire a substantial interest in a U.S. business active in critical infrastructure, critical technologies, or that has access to sensitive personal data of U.S. citizens, and (ii) jurisdiction for CFIUS to review any investment (other than truly passive investment) by a foreign person in the same types of companies regardless of the percentage ownership interest of the foreign person. While the precise contours of CFIUS's expanded jurisdiction will be defined by the formal regulatory rule-making process, FIRRMA will increase the number of transactions involving a Fund that would be subject to CFIUS review and investigation and the timing and substantive risks described above. The outcome of CFIUS's process may be difficult to predict, and there is no guarantee that, if applicable to an investment, the decisions of CFIUS would not adversely impact a Fund's investment in such entity. A Fund's governing agreements contain certain provisions that may require certain limited partners to be excluded from participating in an investment, for example where their participation is at risk of jeopardizing such Fund's ability to successfully acquire, hold, operate, sell, transfer, exchange, pledge or dispose of a prospective investment in light of legal, regulatory or other similar considerations.

A Fund's investments outside of the United States may also face delays, limitations, or restrictions as a result of notifications made under and/or compliance with similar legal regimes outside of the United States and related rapidly changing agency practices. Other countries continue to establish and/or strengthen their own national security investment clearance regimes, including in response to U.S. encouragement of other countries to impose CFIUS-like regulations on foreign investment in certain sectors and assets on national security grounds, which could have a corresponding effect of limiting a Fund's ability to make investments in such countries. In particular, as of April 2019, the European Union has adopted and implemented an EU-wide mechanism to screen foreign investment on national security grounds, which could impede, restrict, and/or delay a Fund's investments with a nexus to the European Union. As a result of such regimes, a Fund may incur significant delays and costs or be altogether prohibited from making a particular investment, all of which could adversely affect a Fund's ability to meet its investment objectives. Heightened scrutiny of foreign direct investment worldwide may also make it more difficult for a Fund to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for an investment in a portfolio company. As a result, the above laws may prevent, delay, impede or restrict syndication or sale of Fund assets to certain buyers.

OFAC and FCPA Considerations. Economic sanction laws in the United States and other jurisdictions may prohibit the Adviser and the Adviser's professionals and the Funds from transacting with or in certain countries and with certain individuals and companies. For example, in the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities, and individuals. These entities and individuals include specially designated nationals, sanctions evaders and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <http://www.treas.gov/ofac>. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may significantly restrict the Funds' investment activities in certain emerging market countries. Other jurisdictions maintain different and/or additional economic and trade sanctions. Furthermore, if after subscribing to the Funds an investor is included on a sanctions list, the Funds may be required to cease any further dealings with the investor's Interest until such sanctions are lifted or a license is sought under applicable law to continue dealings. In addition, there may be an adverse impact on the Funds, including with respect to making new investments and causing this investor to withdraw from the Funds and may create a risk that certain service providers or vendors will be less likely to do business with the Funds as a whole and in such an event, there may be an adverse impact on the Funds.

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities. The Adviser and the Funds are committed to complying with the FCPA and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Funds may be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for the Funds to act successfully on investment opportunities and for investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has continued to broadly enforce the UK Bribery Act of 2010 (the "UK Bribery Act"), which in some ways is broader in scope than the FCPA and applies to private and public sector corruption and holds companies liable for failure to prevent bribery unless they have adequate procedures in place to prevent bribery. While the Adviser has developed and implemented a stringent compliance program designed to ensure strict compliance by the Adviser, its personnel, and senior advisors with the FCPA and the UK Bribery Act, even reasonable compliance programs may not prevent all instances of violations. In addition, in spite of the Adviser's policies and procedures, affiliates of portfolio companies, particularly in cases where the Funds do not control such portfolio company, and third-party consultants, managers and advisors may engage in activities that could result in FCPA or UK Bribery Act violations. Any determination that the Adviser has violated the FCPA, the UK

Bribery Act, or other potentially applicable anti-corruption laws or anti-bribery laws could subject the Adviser to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Adviser's business prospects and/or financial position, as well as a Fund's ability to achieve its investment objective and/or conduct its operations. The Funds may incur costs and expenses associated with engaging external counsel or other third-party consultants or professionals in connection with inquiries or investigations relating to FCPA or other applicable anti-corruption laws or anti-bribery laws.

Financial Services Industry Risk Factors

Financial services companies operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. Failure to comply with any of these laws, rules or regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties, fines, suspension or expulsion, and termination of deposit insurance, which may have material adverse effects. In order to comply with banking laws, rules and regulations, the Funds may be required to invest in a manner that may not be as advantageous as the manner of making investments that are not subject to such laws, rules and regulations.

There continues to be significant discussion regarding enhancing governmental scrutiny and/or increasing the regulation of the private investment fund industry. On July 21, 2010, then-President Obama signed into law the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). A key feature of the Dodd-Frank Act is the potential extension of prudential regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") to nonbank financial companies that are not currently subject to such regulation but that are determined to pose risk to the U.S. financial system. The Dodd-Frank Act defines a "nonbank financial company" as a company that is predominantly engaged in activities that are financial in nature. The Financial Stability Oversight Council (the "FSOC"), an interagency body created to monitor and address systemic risk, has the authority to subject such a company to supervision and regulation by the Federal Reserve (including capital, leverage and liquidity requirements) if it determines that such company is systemically important, in that it poses a risk to the U.S. financial system. The Dodd-Frank Act does not contain any minimum size requirements for such a determination by the FSOC, and it is possible that it could be applied to private funds, particularly large, highly leveraged funds, although no such funds have been designated as systemically important by the FSOC to date.

The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity funds and hedge funds and other provisions that affect the private equity industry, either directly or indirectly. Included in the Dodd-Frank Act is the so-called "Volcker Rule," which takes the form of Section 13 of the U.S. Bank Holding Company Act of 1956. Among other things, the Volcker Rule (as amended by the Reform Act) prohibits any "banking entity" (generally defined as any insured depository institution, subject to certain exceptions including for depository

institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets or significant trading assets and liabilities, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law, and any affiliate or subsidiary of the foregoing entities), as principal, from sponsoring or acquiring or retaining an ownership interest in a private equity fund or hedge fund that is not subject to the provisions of the Company Act in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the Company Act, to avoid being treated as “investment companies” under the Company Act. The Volcker Rule also requires certain nonbank financial companies that have been designated as systemically important by the FSOC and subject to supervision by the Federal Reserve (as discussed above) to comply with additional capital requirements and comply with certain other quantitative limits on such activities, although such entities are not expressly prohibited from engaging in proprietary trading or sponsoring or investing in such funds. Potential investors that are “banking entities” should consult their bank regulatory counsel prior to making an investment. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or on the Adviser or the Funds, specifically. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on the Adviser or otherwise impede the Funds’ activities.

The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or on the Adviser or the Funds, specifically. For example, on May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the “Reform Act”) was signed into law. Among other regulatory changes, the Reform Act, together with implementing regulations adopted by U.S. federal regulatory agencies in July 2019, amends various sections of the Dodd-Frank Act, including by modifying the so-called “Volcker Rule” to exempt depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets and significant trading assets and liabilities. Also in 2019, U.S. federal regulatory agencies adopted certain targeted amendments to the Volcker Rule regulations to simplify and tailor certain compliance requirements relating to the Volcker Rule. In June 2020, U.S. federal regulatory agencies adopted additional revisions to the Volcker Rule’s current restrictions on banking entities sponsoring and investing in certain covered hedge funds and private equity funds, including by adopting new exemptions allowing banking entities to sponsor and invest without limit in credit funds, venture capital funds, customer facilitation vehicles and family wealth management vehicles (the “Covered Fund Amendments”). The Covered Fund Amendments also loosen certain other restrictions on extraterritorial fund activities and direct parallel or co-investments made alongside covered funds. The Covered Fund Amendments are expected therefore to expand the ability of banking entities to invest in and sponsor private funds. The ultimate consequences of the Reform Act and these regulatory developments on the Funds and their activities remain uncertain. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on the Adviser, or otherwise impede, the Funds’ activities.

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 the general partner's clawback by actual, potential or hypothetical taxes applicable to the general partner, borrowing from a private fund, making 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 legal 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 actions (including public regulatory sanctions). The Clients are expected to bear (either directly or indirectly through its portfolio entities) 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 transaction (including fees paid to third parties engaged by the Adviser or its Clients to perform or assist with such actions or processes), which fees, costs and expenses could be expected to be material. For these reasons, the Private Fund Adviser Rules could have a material negative impact on the operations and financial performance of the Adviser's entities and the private funds that they manage.

In May of 2022, the SEC proposed amendments to rules and reporting forms to promote consistent, comparable, and reliable information for investors concerning investment advisers' incorporation of environmental, social, and governance (ESG) factors (the "ESG Proposed Rule"). The ESG Proposed Rule seeks to categorize certain types of ESG strategies broadly and require advisers to provide census type data in Form ADV Part 1A

and provide more specific disclosures in adviser brochures based on the ESG strategies they pursue.

The SEC Proposed Rule and ESG Proposed Rule, if adopted, may result in material alterations to how the Adviser operates its business and/or the Funds, as well as the Adviser's implementation of the Fund's investment strategy, and there can be no assurance that such alterations will not have a material adverse effect on the Adviser, its affiliates, the Funds, their portfolio investments and/or the limited partners. To the extent permitted under the applicable governing agreement of each Fund, the incremental costs of compliance by the Adviser, its affiliates and/or Fund with any new SEC rules may be borne by the Funds, which may be significant.

In February 2023, the SEC proposed extensive amendments to the custody rule for SEC-registered investment advisers. If adopted, the amendments would require, among other things, the adviser to: obtain certain contractual terms from each advisory client's qualified custodian; document that privately-offered securities cannot be maintained by a qualified custodian; and promptly obtain verification from an independent public accountant of any purchase, sale or transfer of privately-offered securities. The amendments also would apply to all assets of a client, including real estate and other assets that generally are not considered securities under the federal securities laws.

The scope and timing of any final rules and amendments with respect to these proposals is unknown. If adopted, even with modification, these rules and amendments would be expected to significantly increase compliance burdens and associated regulatory costs and complexity and reduce the ability to receive certain expense reimbursements or indemnification in certain circumstances. This, in turn, would be expected to increase the need for broader insurance coverage by fund managers and increase the costs and expenses charged to the Funds and their investors. In addition, these amendments could increase the risk of exposure of the Funds, the General Partners and 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 its Funds' reputation, and to negatively impact the Funds in conducting their business (thereby materially reducing returns to Funds investors). Further, as described above, as these amendments could impose limitations regarding preferential treatment of investors in private funds, the General Partners and their affiliates could potentially be prohibited from complying with certain side letter provisions and thereby deprive the Funds investors of the previously negotiated benefits of such agreements.

In order to comply with banking laws, rules and regulations, the Funds may be required to invest in a manner that may not be as advantageous as the manner of making investments that are not subject to such laws, rules and regulations.

Regulatory Risk; Government, Agency, and Rate Risk. The credit industry is subject to comprehensive U.S. and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, decreased revenues, restrictions and delays that could materially and adversely affect the portfolio companies and the prospects of the Credit Funds. Such investments may also involve an

ongoing commitment to or from a government agency and may derive a significant portion of their revenues from regulated tariffs or other usage or throughput-related fees. The nature of these obligations exposes the owners of portfolio companies and energy and natural resources related investments to a higher level of regulatory control and political risk than typically imposed on other businesses.

In addition, investments in businesses and/or assets relating to renewable energy currently enjoy support from national, state, and local governments and regulatory agencies designed to finance or support the financing development thereof. There can be no assurance that government support for renewable energy will continue, or that favorable legislation will pass. To the extent any tax credits, other favorable tax treatment or other forms of support for renewable energy are changed, the Credit Funds' investments relating to renewable energy may be negatively impacted.

Sovereign Risk. The rights of certain portfolio companies to operate, deliver or sell credit or related services may be granted by or derive from approval by governmental entities and are subject to special risks, including the risk that the relevant governmental entity will exercise sovereign rights and take actions contrary to the rights of a Credit Fund or the relevant portfolio company or project under the relevant agreement.

Terrorist Activities. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for electricity and could affect the financial results of the Credit Funds. Further, the United States government has issued public warnings indicating that credit assets might be a specific target of terrorist organizations. The investments of the Credit Funds may involve significant strategic assets having a national or regional profile. The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Any terrorist attacks that occur at or near such assets would likely cause significant harm to employees, property and, potentially, the surrounding community, and may result in losses far in excess of available insurance coverage. As a result of the terrorist attacks on September 11, 2001, insurers significantly reduced the amount of insurance coverage available for liability to persons other than employees for claims resulting from acts of terrorism, war, or similar events. A terrorist attack on an credit-related asset that is not owned by a portfolio company may also have adverse consequences for all credit-related assets of that type or in the same vicinity, including those owned by a portfolio company, and may result in a portfolio company being forced to increase preventative security measures or expand its insurance coverage, adversely affecting the profitability of the investment therein.

For additional information regarding the foregoing or the risks and conflicts with respect to any Fund or investment vehicle sponsored or managed by the Adviser, please see the confidential private placement memorandum, if applicable, or subscription documents of the applicable Fund or investment vehicle.

Item 9. Disciplinary Information

There have been no legal or disciplinary events involving the Adviser or any of its management persons that are material to the Adviser's investment advisory business.

Item 10. Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered and does not have an application pending to register as a broker-dealer.
- B. The Adviser is not registered, and does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. The Funds rely upon an exemption from registration as a commodity pool.

Partnership Expenses may include the fees, costs, and expenses of an affiliated Broker Dealer in connection with the provision of Broker Dealer Services to the Fund. There may be no limitation on the amount of such fees, costs and expenses that may be borne by the Fund. With respect to any service provided by an affiliated Broker Dealer to the Fund, there can be no assurances that a third party would not have provided better or more cost effective services. In addition, any such fees and payments will be retained by such affiliated Broker Dealer and will not benefit the Fund or the Limited Partners. The fee potential inherent in a particular investment or transaction could be viewed as an incentive for the General Partner to seek to refer, allocate or recommend an investment or transaction to the Partnership. In addition, the General Partner may be incentivized to structure an investment in a manner that would create an opportunity for a fee to be received by an affiliated Broker Dealer when an alternative structure would have given rise to a more favorable transaction for the Partnership.

- C. The Adviser does not recommend or select other investment advisers for the Funds.

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

- A. The Adviser has adopted a Code of Ethics (the “Code”) to ensure that the Adviser fulfills its role as a fiduciary to the Funds. The Code requires that employees of the Adviser act in the best interests of the Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. Employees of the Adviser are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Adviser or appropriate party of any actual or suspected violations of such laws by Adviser, its employees, or affiliates. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of the Adviser’s employees. The Code requires that employees pre-clear all private personal securities transactions and, subject to specific provisions outlined in the Code, personal securities transactions of certain public securities as well. In addition to the pre-clearance requirement, the Code generally only allows employees to invest via managed accounts, ETFs, Treasury bonds, municipal bonds, and other co-mingled vehicles. The Code requires employees to report all securities transactions on at least a quarterly basis and provide the Adviser with a summary of securities holdings on at least an annual basis. The Code also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, includes restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-

clearance and reporting of political contributions. Employees are required to provide a written certification to the Adviser as to their compliance with the Code on an annual basis. Upon written request to the Adviser's Chief Compliance Officer, the Adviser will provide a copy of the Code to any Client or investor, or prospective Client or investor.

- B. The Adviser, or its related persons, may recommend to Funds, or buy or sell for Fund accounts, securities in which the Adviser or a related person has a material financial interest. Such transactions introduce a potential conflict of interest between the interests of the Funds and the interests of the Adviser or its related persons. For example, a potential conflict of interest could arise in that the interested related person could benefit from such a purchase or sale of the applicable securities by the Funds. The Adviser's Code outlines certain trading policies and procedures in order to mitigate any potential conflicts of interest.

Certain advisors and other service providers, (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) of the Fund, the Adviser, its related persons or their portfolio companies (or certain affiliates of such advisors and other service providers) provide goods or services to or have business, personal, political, financial or other relationships with the Adviser or its related persons. Certain employees of the Adviser or its related persons have indirect ownership interests in certain service providers to the Fund and/or other the Adviser entities. Such advisors and service providers (or affiliates thereof) may be investors in the Fund, affiliates of the Adviser or the General Partner, sources of investment opportunities, co-investors, or counterparties therewith. These relationships may influence the Adviser or the General Partner in deciding whether to select or recommend such a service provider to perform services for the Fund or a portfolio company (the cost of which will generally be borne directly or indirectly by the Fund or such portfolio company, as applicable). The Adviser-affiliated service providers, which are generally expected to receive competitive market rate fees (as determined by the Adviser) with respect to certain investments, provide services to the Fund and/or its Portfolio Companies in a variety of foreign exchange transactions and trust and custodial services. Notwithstanding the foregoing, investment transactions for the Fund that require the use of a service provider will generally be allocated to service providers on the basis of the Adviser's judgment as to best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the General Partner believes to be of benefit to the Fund. In certain circumstances, advisors and service providers, portfolio companies, or their affiliates, will, in certain circumstances, charge different rates or have different arrangements for services provided to the Adviser or their affiliates as compared to services provided to the Funds or their portfolio companies, which in certain circumstances may result in more favorable rates or arrangements than those payable by the Funds or such portfolio companies. The Adviser and/or its affiliates also utilize discounted products and services provided by portfolio companies. In addition, the Adviser and its employees receive certain intangible and/or other benefits resulting from activities on behalf of the Funds. For example, credit cards used to incur Fund expenses, hotel chains, airlines, and other merchants may provide reward programs (including "miles" or points), and in each case such benefits and/or amounts will generally be used for the benefit of the Adviser, employees, and/or the Funds even though the cost of the

underlying service may be borne by the Funds and will not offset Management Fees payable by the Funds.

The Adviser will make determinations of market rates (i.e., rates that fall within a range that the Adviser has determined is reflective of rates in the applicable market and certain similar markets, though not necessarily equal to or lower than the median rate of comparable firms) for services provided by affiliates of the Adviser to the Funds based on its consideration of a number of factors, which are generally expected to include the Adviser's experience with non-affiliated service providers as well as benchmarking data and other methodologies determined by the Adviser to be appropriate under the circumstances. In respect of benchmarking, while the Adviser often obtains benchmarking data regarding the rates charged or quoted by third parties for services similar to those provided by the Adviser affiliates in the applicable market or certain similar markets, relevant comparisons may not be available for a number of reasons, including, without limitation, as a result of a lack of a substantial market of providers or users of such services or the confidential or bespoke nature of such services (e.g., different assets may receive different services). In addition, benchmarking data is based on general market and broad industry overviews rather than determined on an asset-by-asset basis, and benchmarking may also be conducted only on a periodic basis (e.g., every few years) rather than on an ongoing or regular basis. As a result, benchmarking data does not take into account specific characteristics of individual assets then owned or to be acquired by a Fund, or the particular characteristics of services provided. For these reasons, such market comparisons may not result in precise market terms for comparable services. In certain circumstances, the Adviser can be expected to determine that third party benchmarking is unnecessary, either because the price for a particular good or service is mandated by law or because in the Adviser's view no comparable service provider offering such good or service exists or because the Adviser has access to adequate market data to make the determination without reference to third party benchmarking. Any benchmarking is not expected to be memorialized in formal reports but rather conducted on an informal basis.

The Adviser or its affiliates may from time to time engage in transactions with prospective and actual investors and co-investors that entail business benefits to such investors. Such transactions may be entered into prior to or coincident with an investor's admission to a Fund (or commitment to co-invest) or during the term of their investment. The nature of such transactions can be diverse and may include benefits relating to a Fund, other Funds, and their respective portfolio companies. Examples include the ability to co-invest alongside the Adviser's funds and recommendations to underwriters for allocations in initial public offerings or loans to co-investors (or joint venture partners) by the Adviser or a Fund. The Adviser works to minimize the potential conflicts of interest by attempting to ensure the terms of the transaction are on an arm's-length basis and are generally no less favorable to the Fund than would be obtained in a transaction with an unaffiliated party.

- C. From time to time, certain related persons of the Adviser, including their personnel, invest in securities of a company in which a Fund has a pre-existing investment. Such transactions introduce a potential conflict of interest between the interests of the applicable Fund and the interests of the Adviser or its related persons. A potential conflict

of interest could arise in that the interested related person could benefit from the Fund's ownership of, or subsequent sale of, the applicable security. Any such investment would be made in accordance with the Adviser's personal securities trading policy, as provided in the Adviser's Code, to ensure any potential conflicts of interest are managed accordingly.

Item 12. Brokerage Practices

- A. As noted above, the Adviser primarily invests in private securities, and the trading of public securities. As a result, the Adviser's transactions on behalf of Clients may or may not involve a broker-dealer. The Adviser, seeks efficient transaction execution consistent with the Adviser's fiduciary duty to Clients. In some cases, the Adviser utilizes one or more investment banks for portfolio company sales and may invest in companies that are using an investment bank to run their sale process. If a broker-dealer is used for Client transactions, the Adviser will evaluate (or will engage a third-party consultant to assist the Adviser in evaluating) the broker-dealer based on several factors, which will, depending on the circumstance, include price, reputation and ability to execute the relevant transaction(s). The Adviser has a fiduciary duty to seek to achieve "best execution" for its Clients. This does not necessarily entail seeking to achieve the lowest possible price; rather, seeking to achieve best execution involves a qualitative evaluation by the Adviser of all factors the Adviser deems relevant under the circumstances, including the full range and quality of brokerage services available.
1. Neither the Adviser nor any Advisory Affiliate utilizes soft dollar arrangements in connection with brokerage transactions; however, the Adviser and the Advisory Affiliates may, from time to time, have access to research provided by the broker-dealers used for transactions.
 2. The Adviser does not consider, in selecting or recommending brokers or dealers, whether the Adviser, its Clients or related persons receive Client referrals from such broker-dealer or other third party.
 3. The Adviser does not routinely recommend, request, or require that a Client directs the Adviser to execute transactions through a specified broker dealer.
- B. To the extent the Adviser is presented with investment opportunities that fall within the investment objective of one or more Funds and/or similar vehicles or arrangements, except as otherwise provided in the applicable Fund governing documents, the Adviser will allocate all or a portion of such opportunities (including related co-investment opportunities) to one or more of the Funds and/or similar vehicles or arrangements (including, without limitation, an allocation of 100% of such an opportunity to such other Fund and/or vehicles or 100% of such opportunity to the Fund) on a basis that the Adviser reasonably determines in good faith to be fair and reasonable taking into account all factors the General Partners deem relevant, including the requirements of one or more Funds and/or vehicles, the sourcing of the transaction, the nature of the investment objective, investment focus, mandate or policies, target return profile, projected hold period, focus of each such other the Adviser investment fund and/or vehicle, the relative amounts of capital available for investment, the nature and extent of involvement in the

transaction on the part of the respective teams of investment professionals for the Funds and each such other investment fund and/or vehicle and other considerations deemed relevant by the Adviser in good faith (including, for example, various characteristics of a prospective investment, such as the country or countries in which it operates or intends to operate). The Adviser is able to make certain privately negotiated equity and equity-related investments outside the Fund. The Adviser may establish in the future other investment funds, managed accounts and/or other similar investment vehicles and/or arrangements which have overlapping mandates and characteristics with the Funds.

- C. There may be circumstances where an amount that would have otherwise been invested by the Funds is instead offered to co-investors (e.g., due to a determination by the investment committee of the General Partners that allocating such portion to co-investors is in the Funds' best interests, for instance in order to increase diversification), and with limited exceptions, there is no guarantee for any limited partner that it will be offered any co-investment opportunities. The General Partners expect that there will be opportunities for one or more strategic investors (which may consist of third parties and Limited Partners that are not affiliates of the General Partner) with respect to investments of the Funds, which will reduce the amount of co-investment that may otherwise have available to other limited partners that are not such strategic investors and may reduce the amount that would otherwise have been invested by the Fund. Investors should note that while the General Partners may offer co-investment opportunities in its sole discretion, it is not expected to offer co-investment with respect to all investments made by the Funds. As a general matter, the General Partners, in determining the allocation of discretionary co-investment opportunities in its sole discretion, generally expect to take into account various facts and circumstances deemed relevant by the General Partner. Such factors are likely to include, among others, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, whether a potential co-investor's investment would be beneficial in consummating the Funds' investment (including where an investor can invest or commit to invest a significant amount of capital in a short period of time under circumstances where the General Partners determine in good faith that it is not practicable to offer all limited partners the opportunity to co-invest in the transaction), successfully operating a portfolio company or its assets, disposing of the investment or otherwise adding value to the Funds' investment because of certain skills or attributes of such investor (including know-how), whether a potential co-investor has a history of participating in co-investment opportunities with the Adviser, the size of the potential co-investor's interest to be held in the underlying portfolio company as a result of the Funds' investment (which is likely to be based on the size of the potential co-investor's capital commitment and/or investment in the Funds), whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of the Adviser, the Funds or other funds or co-investments, the ability of a co-investor to fund their capital commitment on an expedited basis, the overall size of a co-investor's commitments to Funds, vehicles and accounts, the expected amount of negotiations required in connection with such co-investor's commitment and such other factors that the Adviser deems relevant under the circumstances. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the Adviser in consultation with other participants in the relevant transactions, such as a co-sponsor. Investors should also note that limited partners are not required to participate in co-investments offered by the General Partners. In addition, subject to the terms of the

governing documents of the Funds, officers, employees, advisors, operating executives, and affiliates may co-invest with the Fund. The Adviser may or may not charge management fees, one-time funding fees and/or carried interest in respect of co-investments, as it determines in its sole discretion. The allocation of co-investment opportunities will in many or all cases involve a benefit to the Adviser including, without limitation, fees or carried interest from the co-investment opportunity, capital commitments to the Funds and capital commitments to other Funds. Co-investment opportunities may be offered to some and not other Limited Partners, and the consideration of the factors set forth above may result in certain Limited Partners receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. Co-investors generally will not share in broken deal expenses (such as reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) for unconsummated transactions in which such co-investment vehicle would have participated if the relevant transaction had been consummated. In addition, in the General Partner's sole and absolute discretion, co-investment opportunities are expected to be allocated to the Adviser's directors, officers, employees, operating executives, operating partners, partners, members, similar consultants, advisors, senior advisors and affiliates up to a percentage of the relevant investment.

Item 13. Review of Accounts

- A. The private equity or debt transactions will be negotiated on terms that are in the best interest of the Funds and that are consistent with the investment guidelines, restrictions and procedures set forth in the governing documents. The Adviser will consider, among other things, the following qualitative factors: (i) an experienced and capable management team with realistic plans to increase enterprise value over a reasonable time period and (ii) an expected return on the investment that is commensurate with its risk.

The Adviser will utilize a process of sharing investment ideas, implementing investment decisions and reviewing current investments through a series of ongoing meetings held among members of the Investment Committee. The Investment Committee will be comprised of senior professionals of the Adviser and have primary responsibility for reviewing all investments and making decisions on whether to acquire or dispose of Fund investments.. Meetings of the Investment Committee are held as needed to discuss current as well as prospective investments of the Funds.

- B. The Adviser reviews the Funds regularly, as described above. In addition, the Adviser has a valuation committee which is responsible for reviewing the fair value of the Funds' investments. The valuation committee meets, at a minimum, quarterly and consists of senior members of the Adviser and is chaired by its senior operations professional.
- C. Investors are provided with regular reports which generally include quarterly statements and annual audited financial statements, as discussed in Item 15 of this brochure.

Item 14. Client Referrals and Other Compensation

- A. No one, other than the Adviser's Clients, provide an economic benefit to the Adviser for providing investment advice or other advisory services to the Clients.

- B. From time to time, the Adviser, the Advisory Affiliates and/or the Funds may compensate one or more placement agents for referrals of Fund investors. Such placement agents will, in certain circumstances, also seek to do business with, and earn fees or commissions from, affiliates of the Adviser, the Advisory Affiliates and/or the Funds' portfolio companies.

Item 15. Custody

All Fund cash and securities of which the Adviser or its affiliates are deemed to have custody will generally be maintained with a qualified custodian, as defined in Rule 206(4)-2 under the Advisers Act (which includes U.S. registered broker-dealers) ("Qualified Custodian"), unless an exception is available. In accordance with Rule 206(4)-2 under the Advisers Act, each applicable Fund, among other steps, will distribute independently audited financial statements of the Fund to its respective investors not later than 120 days after the end of the Funds' fiscal year.

Item 16. Investment Discretion

The Adviser accepts discretionary authority to manage investments on behalf of its Clients through the investment advisory agreements with such Clients. The Funds or the Adviser may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the applicable Fund's limited partnership agreement with respect to such investors.

Item 17. Voting Client Securities

The Adviser will have discretion to cast votes with respect to proxies of public companies and as such has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. The policies address a broad range of issues and are generally consistent with the objective of maximizing long-term investment returns for the Funds. Each vote will be cast in the best interests of the relevant Fund and in accordance with the specific policies and procedures. The Adviser may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a Funds' interests are better served.

If the Adviser believes that a particular proposal presents a material conflict of interest, the Adviser will determine how to vote that proposal taking into consideration various factors including the investment objectives and strategies of the relevant Fund and any procedures set forth in the governing documents of the relevant Fund. In casting votes, the Adviser believes that a material conflict of interest between the Fund and the Adviser does not arise solely as a result of the Adviser's involvement with the particular portfolio company (i.e., an Adviser representative serving as an officer or director of a particular portfolio company). The Adviser will document the factors considered in determining how to vote a proposal that presents a material conflict of interest.

Investors of the Funds may request a copy of these policies or information regarding the historical voting record of any Fund in which such investor has made an investment by contacting the Adviser's Chief Compliance Officer.

Item 18. Financial Information

- A. The Adviser does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and therefore has not included a balance sheet.
- B. The Adviser does not believe that there are any conditions that are reasonably likely to impair the Adviser's ability to meet contractual commitments to Clients.
- C. The Adviser has never been the subject of a bankruptcy petition.