

Item 1 COVER PAGE



Carlson Capital, L.P.
Form ADV Part 2A – Disclosure Brochure
March 31, 2024

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This brochure provides information about the qualifications and business practices of Carlson Capital, L.P. (“Carlson”). If you have any questions about the contents of this brochure, please contact us at (214) 932-9600 or compliance@carlsoncapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Carlson is available on the SEC’s website at www.adviserinfo.sec.gov. Carlson is registered with the SEC as an investment adviser. Being a “registered investment adviser” or describing Carlson as being “registered” does not imply a certain level of skill or training.

THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.

Item 2 MATERIAL CHANGES

The last update to Carlson's Form ADV Part 2 (this "Brochure") was in September 2023. A summary of material changes since the last annual update of this Brochure is as follows:

- Item 4 was amended to remove references to Carlson's New York, NY office location, which has been closed as of September 2023.
- As of the date of this Brochure, Black Diamond Clean Energy Offshore, Ltd. has deregistered with the Cayman Islands Monetary Authority as of December 27, 2023. The entity has also received confirmation from the Cayman Islands Authority that it will be dissolved on April 30, 2024. Black Diamond Clean Energy Offshore, Ltd. transferred all of its assets and liabilities to Black Diamond Clean Energy L.P.

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Item 4 ADVISORY BUSINESS

Carlson and predecessor advisory affiliates have managed funds under the name “Carlson Capital, L.P.” since 1993, and has been registered with the SEC as an investment adviser since 2001 and with the Commodity Futures Trading Commission as a commodity pool operator and commodity trading advisor since 1998. Clint D. Carlson and his immediate family members are the principal owners of Carlson, and certain employees also have ownership interests in Carlson and certain affiliated vehicles. Carlson’s total regulatory assets under management were approximately \$2.0 billion as of December 31, 2023. All assets are managed on a discretionary basis.

Carlson’s principal office is located in Dallas, TX. Carlson Capital UK LLP (“Carlson UK”), an affiliate of Carlson, maintains an office in London, United Kingdom. Carlson UK and a predecessor advisory affiliate have been authorized and regulated as investment advisers with the United Kingdom Financial Conduct Authority (“FCA”), previously known as the Financial Services Authority, since 2001. Carlson UK acts as a sub-adviser to Carlson, its only client. Please see Item 10 (Other Financial Industry Activities and Affiliations) below.

Carlson currently provides discretionary investment advisory services to: (i) each of the Black Diamond Funds® (collectively, the “Funds”), the names of which are set forth in Item 10 (Other Financial Industry Activities and Affiliations) below; and (ii) certain managed accounts (collectively, the “Managed Accounts” and, together with the Funds, collectively, the “Clients”). Carlson also may offer co-investment opportunities as described, in more detail, below under Item 10 (Other Financial Industry Activities and Affiliations – Certain Conflicts of Interest).

The Funds

Carlson currently manages each Fund. Each Fund is generally part of a master-feeder structure in which the master fund is a Cayman Islands exempted company, the “onshore” feeder fund is a Delaware limited partnership and the “offshore” feeder fund is a Cayman Islands exempted company. The Fund groups also include an intermediate fund between the Cayman Islands-domiciled feeder fund and the master fund. Carlson Capital GP, L.P. (“CCGP”), an affiliate of Carlson, is the general partner of the Delaware-domiciled feeder funds. CCGP has delegated to Carlson the investment advisory authority of the Delaware-domiciled feeder funds.

As described more fully below, Carlson employs (or may employ) multiple strategies across the Funds, including equity relative value, equity long/short, event-driven, credit, overlay hedge, strategic, and other strategies. A brief description of each of the foregoing strategies can be found in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) below. Carlson’s core strategies combine quantitative analysis of historical and theoretical relationships between securities and related instruments with a fundamental analysis of the current macroeconomic environment as well as industry and company fundamentals. Carlson continually monitors global financial markets in an effort to uncover structural inefficiencies and investor biases toward certain types of risk. Once an opportunity has been identified, Carlson seeks to identify the reason that the inefficiency exists and the potential catalyst that will correct it. An appropriate hedge is then typically created in an effort to minimize risk.

The master funds advised by Carlson and their respective investment objectives and strategies are as follows:

Double Black Diamond. Double Black Diamond Offshore Ltd., a Cayman Islands exempted company (the “Double Black Diamond Master Fund”), is a diversified, multi-strategy fund. The Double Black Diamond Master Fund has a bias towards non-directional, relative value investment strategies that seek to identify, isolate, and exploit mispricings among related securities within industry sectors. However, the Double Black Diamond Master Fund expects certain strategies to take some directional market risk. The Double Black Diamond Master Fund employs two core strategies: equity relative value and event-driven. Carlson’s investment teams, organized by industry sector, employ deep fundamental analysis to develop investment theses. Carlson seeks to allocate capital opportunistically within and across strategies in an effort to position the Double Black Diamond Master Fund advantageously during various market environments, using moderate leverage to enhance an attractive risk-reward and low equity beta profile and maintain broad diversification.

Black Diamond. Black Diamond Offshore Ltd., a Cayman Islands exempted company (the “Black Diamond Master Fund”) has historically followed an investment objective that was similar to that of the Double Black Diamond Master Fund, but the Black Diamond Master Fund has in the past placed a greater emphasis on one or more strategies outside of the core strategies and has had greater directionality. As of the date of this Brochure, the Black Diamond fund group is in the process of being wound down and its remaining investors are limited to certain accounts associated with Clint D. Carlson and his family.

Black Diamond Arbitrage. Black Diamond Arbitrage Offshore Ltd., a Cayman Islands exempted limited company (the “Arbitrage Master Fund”), is a single-strategy event-driven fund. Event-driven strategies center on investing in securities of companies facing a major corporate event. The Event-Driven team primarily focuses on companies involved in mergers or acquisitions, but may also seek investment opportunities driven by companies experiencing restructurings, bankruptcies, spin-offs, or significant litigation. This strategy is research intensive and requires continual review of announced and anticipated events. The goal is to uncover securities with a favorable risk-reward ratio based on the probability that the desired event will occur. An appropriate hedge is then typically developed in an effort to minimize exposure to market risk and attempt to ensure that, if events unfold as anticipated, the investment will generate the expected returns.

Black Diamond Clean Energy. Black Diamond Clean Energy, L.P. a state of Delaware limited partnership (the “Clean Energy Fund”), has an investment strategy focused on three specified themes, consistent with the general goal to invest in companies whose business activities Carlson believed would have a material impact on a net carbon neutral future: pure play investments, companies engaged in a credible and timely transition to a carbon neutral future, and carbon credits / offsets. As of the date of this Brochure, positions held within the Clean Energy Fund are limited / investors are limited to certain accounts associated with Clint D. Carlson and his family.

The Managed Accounts

Carlson also provides discretionary investment advisory services to separately Managed Accounts pursuant to specific investment guidelines and restrictions as set forth in the investment advisory agreement with the relevant Managed Account.

There can be no assurance that the investment objectives of any Client will be achieved.

Carlson’s management of each Client, and the terms of any investment in such Client, are governed exclusively by the terms of that Client’s governing documents (“Governing Documents”), including, without limitation, its offering memorandum (if any), limited

partnership agreement (if any), memorandum and articles of association (if any), investment advisory or similar agreement (if any), and/or indenture (if any). On occasion, Fund investors may request restrictions applicable to investing in certain securities and Carlson may agree to apply those restrictions to a Fund. Such restrictions may have an adverse impact on a Fund's performance. All discussions in this Brochure of the Clients, their investments, the strategies Carlson pursues in managing the Clients' portfolio, the fees and expenses borne by the Clients, and all other terms of each, are qualified in their entirety by reference to the Governing Documents.

Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and Item 10 (Other Financial Industry Activities and Affiliations) below.

Item 5 FEES AND COMPENSATION

Management Fees

The Funds: Generally, Carlson is paid asset-based fees ("Management Fee") at an annual rate of between 0% to 2.0% of the net asset value of each Fund investor's investment in a Fund. Securities of each Fund are issued in more than one series certain of which have a different Management Fee applicable to it.

Management Fees charged to the Delaware-domiciled feeder funds are generally calculated and payable in advance as of the first business day of each calendar quarter. In the event an investor is admitted to a Delaware-domiciled feeder fund subsequent to the first day of a quarter or withdraws from a Delaware-domiciled feeder fund prior to last day of a quarter, the Management Fee paid to Carlson with respect to such investor will be prorated to reflect the number of months in the calendar quarter during which such investor was a limited partner in the feeder fund. Management Fees charged to the Cayman Islands-domiciled feeder funds are generally calculated and payable in arrears as of the end of each month before accrual of any Performance Allocation (as described below).

The Management Fee charged to a Fund is generally not negotiable. Carlson may, however, waive or reduce the Management Fees charged to certain investors, and has waived Management Fees for investors in the Funds that are affiliated with Carlson and its affiliates, including, without limitation, their respective partners, employees, and similar persons. Carlson may pay and has paid all or part of the Management Fees to third parties for services rendered in connection with the placement of interests and/or shares in the feeder funds or for other services.

The Managed Accounts: The amount and terms of payment of any management fees payable by the owners of the Managed Accounts to Carlson vary and are established in the Governing Documents of the Managed Accounts. Depending on the structure, size of investment and other factors, Managed Accounts may and in certain instances do offer more favorable fee terms than an investment in other Clients.

Performance Allocation and Fees

The Funds: CCGP generally receives a special allocation of profits or a "Performance Allocation," each year with respect to each of the Funds. The amount of the Performance Allocation may and has historically varied between Funds and series offered. As of the date of this Brochure, the amount of the Performance Allocation is equal to 20% of each limited partner's or shareholder's share of the net profits (including realized and unrealized gains) of each feeder fund, if any (after taking into account

expenses of the feeder fund, including any Management Fees). In certain instances, the Performance Allocation is subject to achievement of a “hurdle” rate, which may be based on the absolute outperformance of an index. In addition, the Performance Allocation may be subject to being reduced by the amount of any Management Fees paid. The Performance Allocation is generally calculated and applied on an annual basis and is accrued on a monthly basis based on the net profits (or losses) of each Fund. Although the Performance Allocation is accrued on a monthly basis, it is not credited to CCGP until the occurrence of a crystallization event, which is generally the end of each calendar year, the withdrawal or redemption of a limited partner or shareholder from a feeder fund, a transfer of an investment in a feeder fund that results in a change of a majority in interest of the beneficial ownership of the investment (unless the transferor and transferee have the same investment adviser exercising investment discretion over the transfer on behalf of both the transferor and transferee) and/or the conversion of an investment in a feeder fund to another series that results in a change in the manner in or rate at which the Performance Allocation is made or to another feeder fund in a different Fund group. The Performance Allocation is allocated to CCGP as general partner of each Delaware-domiciled feeder fund and special shareholder of each Cayman Islands-domiciled intermediate fund. In the case of each Delaware-domiciled feeder fund, the Performance Allocation is calculated and applied separately for each memorandum account established by the fund for each capital contribution by a limited partner. In the case of Cayman Islands-domiciled feeder funds, the Performance Allocation is calculated and applied separately for each sub-series of shares created by the fund for each subscription by a shareholder.

The Performance Allocation is calculated in accordance with each Fund’s Governing Documents and is subject to a high-water mark or loss carry-forward, which generally requires that prior un-recouped net losses be made up before the Performance Allocation is credited. As noted above, certain Performance Allocation calculations include a “hurdle” rate, which may be based on the absolute outperformance of an index and, therefore, result in a Performance Allocation being made even if a particular memorandum account or series has not achieved absolute gains. In the case of a partial withdrawal, partial redemption, partial transfer of an investment in a feeder fund that results in a change of a majority in interest of the beneficial ownership of the transferred investment (unless the transferor and transferee have the same investment adviser exercising investment discretion over the transfer on behalf of both the transferor and transferee), partial conversion of an investment in a feeder fund to another feeder fund in a different Fund group, or distribution in respect of an investment in a feeder fund, the amount of net losses that must be recouped will generally be reduced in proportion to the amount withdrawn, redeemed, transferred, converted or distributed, as applicable.

The Performance Allocation is generally not negotiable. Carlson may, however, in its sole discretion, waive or reduce the Performance Allocation made with respect to any limited partner or shareholder in the feeder funds, and has waived the Performance Allocation for partners, employees and similar persons of Carlson and its affiliates. Carlson may pay and has paid all or part of the Performance Allocation to third parties for services rendered in connection with the placement of interests and/or shares in the feeder funds or for other services.

The Managed Accounts: The amount and terms of payment of any performance fees or allocations payable to Carlson by the owners of the Managed Accounts vary and are established in the Governing Documents of the Managed Accounts. Depending on the structure, size of investment and other factors, Managed Accounts may and in certain instances do offer more favorable fee terms than an investment in other Clients.

Series S Carried Interest

Double Black Diamond Master Fund has an investment in SWKH Holdings Corporation (“SWKH”). Each of the feeder funds in the Double Black Diamond fund complex have issued Series S limited partnership interests or shares (as applicable, the “Series S Interests”). The Series S Interests track the performance of the SWKH investment, any assets received in connection with any transfer of such investment; and any hedging positions maintained by Double Black Diamond Master Fund in respect of the foregoing positions (collectively, the “SWKH Investment”). CCGP is entitled to receive a “carried interest” equal to 20% of the profits (above a preferred return) earned by investors in the Double Black Diamond feeder fund from the performance of the SWKH Investment (the “Series S Carried Interest”). The Series S Carried Interest is allocated to CCGP as general partner of the Delaware-domiciled Double Black Diamond feeder fund and special shareholder of the Cayman Islands-domiciled Double Black Diamond intermediate fund. In the case of the Delaware-domiciled Double Black Diamond feeder fund, the Series S Carried Interest is calculated and applied separately for each memorandum account established by the Double Black Diamond feeder fund relating to Series S Interests.

The Series S Carried Interest is allocated to CCGP after a feeder fund investor has received distribution proceeds in respect of the SWKH Investment (the “SWKH Proceeds”) equal to the initial value of the SWKH Investment on the date of issuance of the Series S Interests *plus* an 8% preferred return, compounded annually, on the remaining value of the Series S Interests. The Series S Carried Interest is only allocated when a Double Black Diamond feeder fund makes distributions (whether in cash or in kind) of SWKH Proceeds.

The Series S Carried Interest is generally not negotiable. Carlson may, however, in its sole discretion, waive or reduce the Series S Carried Interest made with respect to any limited partner or shareholder in the feeder funds, and has waived the Series S Carried Interest for partners, employees and similar persons of Carlson and its affiliates. Carlson may pay and has paid all or part of the Series S Carried Interest to third parties for services rendered in connection with the placement of interests and/or shares in the feeder funds or for other services.

Withdrawal Fees

Substantial withdrawal fees may apply to limited partners and/or shareholders in the feeder funds who withdraw or redeem, as applicable, all or a portion of their limited partnership interests and/or shares from a feeder fund prior to the expiration of any applicable lock-up period. Managed Accounts may also be required to pay withdrawal, early termination or other similar fees under certain circumstances and as established in the Governing Documents of the Managed Accounts.

Expenses

The types of expenses borne by a Client are set forth in the Governing Documents of such Client. Additional information on expenses of each Fund are also available to investors upon written request and, in the case of the Funds, in the Funds’ annual audit.

If any of the expenses below are incurred jointly for more than one Client, such expenses will be allocated among the Clients in proportion to their respective net asset values, 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 Carlson determines to be equitable.

Expenses related to an investment position will generally be allocated in proportion to the size of the position held by Clients. Other expenses incurred for or in respect of Clients will typically be allocated in proportion to their respective net asset values or, where applicable, such other equitable basis that reflects the Client's net exposure. Carlson believes that allocation of expenses in such manner is more objective than other methodologies and generally aligns expenses with the relative benefits received or expected to be received by the Clients participating in the expense. Notwithstanding the foregoing, such allocations may result in instances where a Client is paying a disproportionate portion of an expense relative to the benefits actually received.

Although Carlson will typically be entitled to the reimbursement of Fund organizational expenses, Carlson may elect to pay such expenses without reimbursement in certain circumstances.

Carlson and/or its affiliates pay all of their respective ordinary office overhead expenses, including, but not limited to, overhead expenses such as rent, supplies, stationery, office furniture and fixtures, employee insurance, payroll taxes, and the compensation of its personnel. Each Client pays or reimburses Carlson and its affiliates for all other costs and expenses associated with such Client's operations as set forth in the Governing Documents of each Client. Notwithstanding the foregoing, in certain circumstances, Carlson has agreed to reimburse a Client for a portion of certain operating expenses of the Client.

The Funds: In general, expenses borne by a Fund may include, without limitation:

- organizational and initial offering costs including, but not limited to, legal, accounting, printing, marketing, and comparable expenses;
- expenses related to investment transactions and positions for the Fund's account, including brokerage commissions and custody charges, interest and commitment fees on loans and debit balances and other borrowing costs, borrowing charges on securities sold short, bank service fees, costs of outside appraisers, pricing services, software and services related to execution, reconciliation and transfer of positions and cash, portfolio financing and cash management, accountants, attorneys or other experts or consultants engaged by the Fund, Carlson, CCGP, or any of their affiliates, reasonable investment-related travel expenses, clearing and settlement charges and any other expenses related to the purchase, sale, transmittal, settlement, exercise of rights, votes and other corporate actions or holding of investments (directly or indirectly through derivative instruments), and expenses in connection with proposed transactions (including transactions that fail to close);
- legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against, any regulatory examination or other review of, or any request for information from the Fund, Carlson, CCGP, or any of their affiliates in connection with the affairs of the Fund or its affiliates;
- costs of research and data services and corporate access, hardware, software, and other technical and telecommunications services and equipment used in the investment and risk management process;

- insurance costs, including the *pro rata* share of the Fund's portion of the cost of obtaining D&O and E&O insurance for personnel of Carlson;
- costs of communication with investors;
- costs of preparing and filing regulatory or registration filings of the Fund, Carlson, CCGP, or any of their affiliates relating to their respective activities relating to the Fund or its affiliates (including, for example, pursuant to the Alternative Investment Fund Managers Directive, 2011/61/EU ("AIFM Directive"), the United Kingdom Alternative Investment Fund Managers Regulation ("UK AIFM Regulations"), Form CPO-PQR, Form D and other blue sky filings, Form PF, Section 13 or Section 16 of the Exchange Act, trade and transaction regulatory reporting requirements, the UK Financial Services and Markets Act, and any other filing or registration with, or license obtained from, any U.S. federal, state or local, non-U.S. or multi-national governmental, regulatory, self-regulatory, or other authority necessary for, or incidental to, permitting Carlson or any of its affiliates to provide investment advisory or other services to the Fund or its affiliates);
- fees, expenses and other costs of legal counsel and other service providers to the Fund, Carlson, CCGP, or any of their affiliates (including tools and vendors that monitor regulatory reporting requirements) and other fees, expenses, and costs relating to their respective legal, regulatory, tax and compliance affairs (including any prospective advice about legal, regulatory, tax, accounting or other developments relevant to the Fund, Carlson, CCGP, or any of their affiliates), which in the case of Carlson or any of its affiliates are related to providing investment advisory or other services to the Fund or any of its affiliates (including for example, pursuant to the Investment Advisers Act of 1940, the Automatic Exchange of Financial Account Information – Common Reporting Standard, the AIFM Directive, the UK AIFM Regulations, the applicable anti-money laundering regulations of any jurisdiction, the U.S. Internal Revenue Code of 1986, the Companies Act of the Cayman Islands, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the European Market Infrastructure Regulation, the Employee Retirement Income Security Act of 1974, EU and UK regulations on position reporting, the Foreign Account Tax Compliance Act, Conduct Rules 5130 and 5131 of the Financial Industry Regulatory Authority, the EU General Data Protection Regulation and as such regulation forms part of the law of the United Kingdom, the Data Protection Act of the Cayman Islands, the Hiring Incentives to Restore Employment Act, the European Union Markets in Financial Instruments Directive (Directive 2014/65/EU), Markets in Financial Instruments Regulation (Regulation (EU) no 600/2014), or the Mutual Funds Act of the Cayman Islands and other applicable regulations and the rules and requirements promulgated thereunder), and other fees, expenses, and costs incurred by the Fund, Carlson, or any of their affiliates in connection with the engagement with and the offering of interests or shares in the Fund to prospective or current investors in various jurisdictions (as applicable) through local distributors or otherwise and the operations of the Fund or its affiliates (including but not limited to the preparation of any private placement memorandum, partnership agreement or memorandum and articles of association (as applicable), subscription agreement, investment advisory agreement, agreements with custodians, brokers and other counterparties, and service providers to the Fund and its affiliates, and side letter arrangements);
- third-party fees of anti-money laundering officers (as applicable), compliance services of the Fund and its affiliates;

- legal, accounting, auditing, and tax services and fees, including costs of the audit of the Fund's and its affiliates annual financial statements and the preparation of their respective tax returns;
- fees and expenses of the Fund's administrator, depositary institution services, proxy voting services and the Fund's and its affiliates' directors, including directors' registration fees (as applicable), as well as the fees and expenses of any other service provider to the Fund;
- expenses of the tax matters partner and partnership representative of the Fund and its affiliates (as applicable);
- taxes or similar amounts imposed on the Fund or any of its investors as a result of its or their earnings, investments, or withdrawals (which amounts will be assessed, where applicable to particular investors, directly against such investors' investments in the Fund);
- expenses arising in connection with the winding-up and termination of the Fund; and
- other ordinary operating and out-of-pocket expenses of the Fund and its affiliates.

Each Fund that is a feeder fund will bear its proportionate share of the operating expenses of the master fund of its Fund group.

Certain Cayman Islands-domiciled feeder funds may from time to time offer one or more series of shares for investment that are denominated in a currency other than U.S. dollars. These are referred to as "Non-USD Currency Series." The direct costs and expenses associated with converting the subscription funds received in respect of a Non-USD Currency Series into U.S. dollars ("Currency Conversions") and the direct expenses, profits, and losses associated with entering into currency hedges to reduce the effect of fluctuations in currency exchange rates between the currency of a Non-USD Currency Series and U.S. dollars ("Currency Hedges") will be allocated solely to such series. However, Funds that offer Non-USD Currency Series expect to incur costs and expenses indirectly associated with Currency Conversions and Currency Hedges, which may be borne by the Fund as a whole.

The Managed Accounts: The types of expenses borne by the owners of the Managed Accounts vary, but generally include a sub-set of the types of expenses borne by the Funds, and are established in the Governing Documents of the Managed Accounts.

Level of Trading Activity

Carlson may engage in a high level of trading activity on behalf of one or more Clients. As a result, higher commissions will be paid by such Clients in comparison to other Clients or third-party investment funds.

Administration Fees

Each Fund pays administrator fees and reimburses its administrator for all reasonable out-of-pocket expenses properly incurred by the Fund's administrator in the performance of its duties.

Sub-Adviser Fees and Expenses

A portion of the assets of certain Funds have been managed directly by, or invested in investment funds managed or sponsored by, other investment advisers selected by Carlson, to the extent Carlson considers the investment strategies offered by such advisers appropriate and consistent with the Fund's investment objectives. If a Fund's assets are managed directly by, or invested in investment funds managed or sponsored by, one or more third-party investment advisers, such Fund will pay fees and bear expenses associated with the investment advisory services of the sub-advisers managing assets for the Fund and the sub-funds in which it invests, in addition to the fees paid to Carlson and its affiliates and the expenses of such Fund, resulting in a layering of fees and expenses. While the exact fees charged by each sub-adviser may differ, such fees will generally consist of one or both of the following: (i) a fixed fee that is a percentage of the net assets of the Fund managed by the sub-adviser and/or (ii) a performance fee equal to a percentage of the total appreciation, if any, in the net asset value of the assets of the Fund managed by the sub-adviser. The fees and expenses payable by the Funds may be higher than those of other investment funds, particularly those that do not use any sub-advisers. Performance fees payable to the sub-advisers may create an incentive to make investments that are more speculative than would be the case in the absence of such performance fees.

Co-Investments

Carlson has periodically offered certain Fund investors and certain Managed Account holders the opportunity to co-invest in one or more investment opportunities alongside of a Client. In the future, Carlson may, in its sole and absolute discretion, offer additional co-investment opportunities as described in more detail below under Item 10 (Other Financial Industry Activities and Affiliations – Certain Conflicts of Interest). If any co-investor participates in a co-investment alongside a Client (indirectly through a co-investment vehicle established by Carlson or directly in the relevant investment), it is expected that such co-investor will bear its pro rata share of fees, costs, and expenses related to such co-investment if such co-investment is consummated. However, many co-investors are unwilling to agree to bear any fees, costs, or expenses related to an unconsummated co-investment. In such circumstances, the aborted co-investor's share of such fees, costs, and expenses may (if permitted by the relevant Client Governing Document) be borne by the Client that was intended to participate in such co-investment. Co-investment opportunities may be and have been entered into and/or exited at different points in time for different Clients based on the best interest of each such Client. Profit and loss generated from co-investment opportunities may and has differed among Clients.

If a co-investor participates in a co-investment through an investment vehicle or vehicles managed or advised by Carlson, it is expected it will generally bear its pro rata share of organizational costs and expenses of such vehicles. In addition, it is expected each co-investor will bear its pro rata share of fees, costs, and expenses related to consummated co-investments in which such co-investor participants. However, a co-investor may negotiate to limit the amount of fees, costs, and expenses borne by such co-investor, in which case other co-investors or (if permitted by the relevant Client Governing Document) other Clients may bear an outsized proportion of such fees, costs, and expenses.

Carlson may (or may not) in its discretion: (i) charge Management Fees, Performance Allocation, or other similar fees to a co-investor and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of such co-investment arrangements. Different co-investors in a co-investment may be subject to different fee arrangements.

Please see Item 10 (Other Financial Industry Activities and Affiliations) and Item 12 (Brokerage Practices) below.

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

As described in Item 5 (Fees and Compensation) above, Carlson or an affiliate generally receives performance-based allocations or fees with respect to each Client. Although each Client pays performance-based allocations or fees, Clients pay Carlson varying levels of management fees and/or performance-based allocations or fees, including some performance-based allocations or fees that are subject to performance hurdles and others that are not subject to such hurdles. Also, Carlson and its affiliates and their respective personnel (including Clint D. Carlson and his family) have different levels of proprietary interest in the Clients. As a result of these and potentially other factors, Carlson may therefore have an incentive to favor one Client over another. In order to alleviate potential conflicts of interest for Carlson and its affiliates that arise out of the varying fee arrangements and allocations, the allocation of investment opportunities among the Clients are made in accordance with Carlson's allocation policies and procedures as more fully described in Item 12 (Brokerage Practices – Order Aggregation and Allocation) and Item 10 (Other Financial Industry Activities and Affiliations) below.

Performance-based compensation arrangements may create an incentive for Carlson to recommend investments that are riskier or more speculative than would be recommended under a different compensation arrangement. The performance-based allocations or fees generally are calculated on a basis that includes unrealized gains as well as realized gains.

Item 7 TYPES OF CLIENTS

As noted in Item 4 (Advisory Business) above, Carlson provides investment advice to the Funds and the Managed Accounts.

Delaware feeder fund interests are only available to be purchased by U.S. taxable investors that are either: (i) both an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”) and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”); or (ii) a “knowledgeable employee” as such term is defined in Rule 3c-5 under the Investment Company Act, with respect to such Fund. In general, Cayman Islands feeder fund shares are only available to be purchased by persons that are either: (i) not a “U.S. Person” (as defined under Rule 902(k) promulgated under the Securities Act); or (ii) a U.S. Person that is either: (A) both an accredited investor and a qualified purchaser; or (B) a knowledgeable employee with respect to such Fund. Minimum Fund investments vary from \$1,000,000 to \$5,000,000, although such minimum amount may be and has been waived under certain circumstances at the sole discretion of Carlson. A higher minimum investment requirement may be and has been imposed on certain series of interests or shares in some feeder funds that may offer and has resulted in more favorable fee terms than other series of interests or shares offered, which in certain cases depends on the performance of the Fund.

The Managed Accounts generally are owned by large institutional investors. The eligibility requirements for opening a Managed Account vary from time to time, but generally a Managed Account holder must be both an accredited investor and a qualified purchaser. Minimum investment amounts for Managed Accounts are negotiable.

Additional details on investor eligibility requirements are set forth in each Client's Governing Documents.

Please see Item 4 (Advisory Business) above.

Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

Carlson's investment strategies are driven by various methods of analysis, including but not limited to, fundamental proprietary research, traditional security analysis, quantitative analysis, broker and research provider research and analyses, as well as the industry knowledge and expertise of Carlson's portfolio management teams.

Many investment strategies utilized by Carlson ordinarily attempt to reduce risk by hedging long positions with short positions and/or derivatives. For example, a purely long stock portfolio would be subject to the investment risks of its broad stock market exposure. Carlson believes that hedged investment strategies can significantly reduce market risk. As described in the Governing Documents of Clients, as applicable, and as described in Item 4 (Advisory Business) above, Carlson does not attempt to maintain a market neutral portfolio for all Clients and at times Carlson may cause a Client to take directional positions that may be affected by the condition of the market. In addition, Carlson may elect not to hedge certain positions and there can be no assurances that hedged strategies will be profitable in either up or down markets. Various market conditions may be materially less favorable to certain strategies than to others.

Investment Strategies

General

The principal investment strategies used by Carlson in managing Client assets are summarized below. One or more of these strategies may be allocated to a Client's account in accordance with the Client's Governing Document (including any applicable investment guidelines). Depending on market conditions, economic trends, and other factors, one or more investment strategies have been and are expected to be overweighted or underweighted relative to other investment strategies from time to time. Additionally, during certain times, one or more strategies have had or may have a nominal capital allocation or may not be utilized by one or more Clients. Investing in securities involves risk of loss that investors in a Client should be prepared to bear.

Equity Relative Value Strategies

Equity Relative Value strategies seek to identify equity securities and related instruments that are mispriced relative to other securities, groups of securities, or the overall market. Positions are set up in a hedged construct in an effort to isolate the discrepancy in value and minimize the market risk. Investments may represent a short-term or long-term fundamental view on the relative performance of a specific security, relative to other similar securities or the overall market. Equity Relative Value strategies seek to exploit the long market bias of many investors. Many investors typically think in terms of buying securities that will appreciate, not in terms of capturing the difference in the performance between two or more securities.

Equity Long/Short Strategies

Equity Long/Short strategies generally seek to profit from current, short-term, and medium-term situations where the anticipated price movement of an individual equity security is not highly correlated to, or as easily hedged by, other securities within the same sector. These investment strategies, which typically emerge when investor expectations fail to adjust efficiently to aspects of fundamental change and often complex events affecting a company, may include catalysts, fundamental developments, and/or defined timeframes for value realization. Carlson seeks to balance the investments in the overall portfolio among individual strategies in order to minimize exposures to the market, various “macro” themes, or significant sector rotations.

Event-Driven Strategies

Event-driven strategies center on investing in securities of companies facing a major corporate event. The Event-Driven team primarily focuses on companies involved in mergers or acquisitions, but may also seek investment opportunities driven by companies experiencing restructurings, bankruptcies, spin-offs, changes in management and/or corporate governance, or significant litigation, or companies that maintain dual share class structures. The strategy is research-intensive and requires continual review of announced and anticipated events. The goal is to uncover securities with a favorable risk-reward ratio based on the probability that the desired event will occur. An appropriate hedge is then typically developed in an effort to minimize exposure to market risk and attempt to ensure that, if events unfold as anticipated, the investment will generate the expected returns.

Credit Strategies

Credit strategies seek to profit by identifying attractive risk/reward opportunities between individual securities and across asset classes. The strategy has in the past and may continue to cover sovereign and corporate credit, CLOs, and emerging market securities. Types of trades may include directional, distressed and mispriced opportunities, capital structure arbitrage, and relative value. Each trade and sub-strategy is evaluated based upon its fit within the overall desired credit portfolio construct.

Overlay Strategies

Overlay strategies primarily include portfolio overlay hedges, initial public and secondary offering positions, and other opportunistic trades.

Strategic Investments

Carlson may also make strategic or controlling investments, typically in smaller public and private companies in industries where Carlson has deep research expertise and industry knowledge. Past examples have included: (a) Energy: investments in small capitalization, privately held companies in the North American oil and gas sector; and (b) Insurance: an equity investment in the holding company of a reinsurance group, which operated on the Lloyd’s of London reinsurance market and specialized in lines of business that included property and casualty. For example, the Double Black Diamond Fund group currently holds a substantial majority of the outstanding common shares of SWKH. Any future SWKH Investment will be allocated solely to the Series S Interests. Further information about Carlson’s investments in SWKH can be found on the SEC website.

Client Governing Documents do not generally include any limitation on the ability of Carlson to cause the Client to hold a substantial portion of Client assets in a particular strategic investment.

Other Strategies

Carlson may utilize and has utilized other complementary investment strategies in the past which generally have been variations of the strategies described above, but may be materially different from those strategies in the future without notice to investors. Examples of such other strategies include rates strategies, volatility strategies, and other strategies that seek to profit from macroeconomic, social, and political dislocations.

No Limit on Strategies that May be Pursued

Carlson generally maintains maximum flexibility in its trading and investment strategy in order to take advantage of what Carlson considers to be buying or selling opportunities for the Clients. There is, therefore, generally no limitation on the type of securities or financial instruments in which Carlson invests on behalf of the Funds or Managed Accounts, on the origin or nature of the issue of securities or financial instruments held by the Funds or Managed Accounts, or on the currency denomination of such securities or financial instruments. Additionally, Carlson has invested and may invest on behalf of certain Clients in restricted or illiquid securities that are not readily marketable. Notwithstanding the foregoing, Carlson may agree to limit the investments by a Managed Account to certain securities and instruments or agree not to invest in certain securities or instruments on behalf of a Managed Account or other Client.

Leverage

Borrowing, or leverage, generally is used to enhance returns. The amount of leverage used will vary with the number and quality of investment opportunities available to Clients and with the perceived risk level of each Client's portfolio and otherwise as described in the Governing Documents of such Client.

Risk Management

Carlson's overarching risk management philosophy regarding all Clients is the preservation of capital. It depends on the particular Client, but generally, as to the Funds and the Managed Accounts, Carlson attempts to minimize potential concentration risks associated with any single portfolio manager, any single investment strategy, position, or theme, and unintended residual market exposures, as applicable in accordance with the Governing Documents. Carlson generally diversifies its multi-strategy Funds in terms of both the number and sizing of portfolio managers, investment strategies, and positions, and employs portfolio hedging strategies to mitigate potential downside risk associated with unintended residual market exposures.

Carlson distinguishes risk measurement from risk management. Risk measurement often relies on aggregated quantitative data, while risk management is based upon more qualitative investment judgment around both risk and return, including risks that may be less quantifiable. Client portfolios are generally highly diversified yet very granular and are supported by systems and processes that emphasize internal transparency around decision making, improving the repeatability of investment processes, and institutionalizing investment judgment.

With respect to specific investments, Carlson's risk management philosophy is based upon a rigorous approach to trade construction. Individual positions are generally constructed on a bottom-up, fundamental basis. Carlson attempts to isolate the risks it is willing to bear, while hedging out other risks where Carlson believes it is appropriate to do so.

Carlson's systems offer significant internal transparency in terms of any individual portfolio manager's positions, transactions, and identified risk exposures. Carlson believes its systems provide a robust, efficient, and effective tool for its professionals to monitor guidelines, exposures, and risks.

The investment objectives and methods summarized above represent Carlson's current intentions. Depending on conditions and trends in financial markets and the economy in general, Carlson may pursue other objectives, employ other investment techniques or purchase any type of security or instrument that it considers appropriate and in the best interests of the Clients, whether or not described in this Item.

Certain Risk Factors

Investing in the Clients involves risk of loss as described in more detail below and is suitable only for investors prepared to bear such risk. The risk factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the offering memorandum or investment advisory agreement and related documents, as applicable, for the relevant Client, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. Although certain of the strategies employed by Carlson are intended to be market neutral, Clients may nonetheless be affected by the overall condition of financial markets. The following is a description of certain significant risks involved in Carlson's investment strategies. Not all of these risks will be equally relevant to a Client at any given time. Not every Client will invest in every instrument described below (either generally or at any given time). In certain circumstances, the descriptions below refer to the possibility that a Client "may" invest in particular type of instrument. Prospective investors should review the Governing Documents of a particular Client for more specific descriptions of the types of instruments in which such Client is authorized to (and does) invest.

General Risks:

An investment in the Clients involves a high degree of risk and is suitable only for investors who can bear the economic risk of the loss of their investment, who have limited need for liquidity in their investment, and who either are sophisticated investors in connection with financial and business matters or are represented by such a person. Prospective investors should carefully review the risks involved in investing in the Clients, and should evaluate the merits and risks of such an investment in the context of their overall financial circumstances. The risk factors set out below do not purport to be exhaustive and potential investors should review the Governing Documents of each Client carefully in their entirety and consult with their professional advisers before making an application for an investment in the Clients.

Past Performance Not Indicative

There can be no assurance that Clients will achieve their investment objectives. The past investment performance of the Clients may not be indicative of the future results of an investment. ***No assurance can be made that profits will be achieved or that substantial losses will not be incurred.***

Potential Loss of Investment

There is a risk that an investment in the Clients will be lost entirely or in part. The Clients are not a complete investment program and should represent only a small portion of an investor's portfolio management strategy. Each prospective investor must have enough knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in a

risky investment like the Clients, whose performance may be highly volatile. No guarantee or representation is made that the investment strategy of a Client will be successful, that the targeted return or risk will be achieved or maintained, or that the various investment strategies utilized or investments made through a Client will have low correlation with each other or with the markets generally.

Investment and Trading Risks in General

All securities investments risk loss of capital. Although Carlson employs certain strategies that are intended to be market neutral, this does not mean that the Clients will not be affected by the condition of financial markets. There can be no assurance that hedged strategies will be successful in up or down markets.

The Clients' investment program should be evaluated on the basis that there can be no assurance that Carlson's assessments of the short-term or long-term prospects of investments will prove accurate. If Carlson's evaluation of the anticipated outcome of an investment should prove incorrect, the Clients may experience substantial losses as a result of a decline in the market value of securities or other assets in which the Clients hold a long position or an increase in the value of securities or other assets in which the Clients hold a short position. International securities and commodities markets may not move in correlation with each other or in directions anticipated by Carlson, so that hedging and arbitrage activities may not be successful. Substantial competition from other market participants may render it difficult or impossible for the Clients to achieve intended results or promptly to effect transactions in volatile markets. The risk management techniques that may be utilized by Carlson may not protect Clients from significant investment losses.

Limited Liquidity

There is no public market for subscription interests in the Funds, and it is not anticipated that there will be any active secondary market for trading in such interests. The interests in the Funds are not registered so as to permit a public offering under the securities laws of any jurisdiction. The interests in the Funds will not be transferable to any other person without the prior written consent of Carlson or CCGP, as applicable. Accordingly, investors in the Funds may be able to dispose of their interests only by means of withdrawals at the time, and subject to the prior notice and other conditions and restrictions, described in the offering memoranda of the Funds. Consequently, these interests in the Funds may be illiquid investments. The risk of any decline in the net asset value of the interests during the period from the date of notice of withdrawal until the effective date of the withdrawal will be borne by the investor requesting a withdrawal. Carlson or CCGP, as applicable, may postpone the determination of a Fund's net asset value, or the right of an investor to withdraw from the Fund (in full or in part), or the payment of withdrawal proceeds (in full or in part) in certain circumstances as set forth in the Fund's Governing Documents.

Hedging

Clients generally utilize financial instruments such as forward contracts, options, futures, and swaps for hedging purposes or as part of its trading strategies. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but seeks to establish other positions designed to gain from those same developments, with the goal of moderating the decline in the value of the portfolio positions. Hedging transactions are also likely to limit the opportunity for gain if the value of the portfolio position should increase.

The success of the Client's hedging transactions is subject to the movements in the direction of securities prices and currency and interest rates. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. A Client may not seek to, or be able to, establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Client from achieving the intended hedge or expose the Client to risk of loss.

Event-Driven Strategies

Prices of securities of companies involved in merger or other extraordinary transactions may be volatile, and market movements may be difficult to predict. The profit that the Clients may make if a proposed transaction is consummated may be small in relation to the amount that the Clients may lose if the transaction is not completed. The success of an arbitrage opportunity may depend on such variables as shareholder approval of a merger, the outcome of litigation seeking to enjoin a transaction, approval of regulatory or tax authorities, or the absence of material adverse change to the business or financial condition of the companies involved in the transaction. A delay or failure to complete a transaction may result in losses to the Clients.

Financing and Leverage

The investment strategies utilized by a Client often include the use of borrowing funds and otherwise obtaining leverage exposures to finance instruments. Use of leverage for investment purposes entails significant risks. Use of leverage tends to magnify the gains or losses from investment activities and volatility, since the value of investments purchased using leverage may increase or decrease whereas the liabilities for such leverage generally remain fixed. Use of leverage also causes a Client to incur interest and other expenses. If securities pledged to brokers or other financial institutions to secure a margin account decline in value, the Client may be subject to a "margin call," pursuant to which it must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The prime brokers and dealers that provide financing to the Clients will determine the margin, haircut, and collateral valuation policies that will apply to the Clients from time to time. Changes by prime brokers and dealers in margin, haircut, financing, and valuation policies may result in margin calls, loss of financing, and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Clients will be able to maintain any financing, and at times, especially during distressed market conditions, brokers and dealers have substantially reduced the availability of credit. If a Client is unable to obtain financing on terms acceptable to Carlson, the Client may be forced to liquidate portfolio investments on a schedule that Carlson would not otherwise follow and incur significant losses.

Equity Securities

Clients generally may invest in long and/or short positions in equity securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices or in the prices of issuers in a particular market, geographic or industry sector, or by conditions affecting specific issuers, such as changes in earnings forecasts.

Short Sales

Clients generally engage in short sales, which involve a sale of a security that the seller does not own in the hope of purchasing the same security (or a security exchangeable therefor) at a later date at a

lower price, can result in profits when the prices of the securities sold short decline, and losses, which are theoretically unlimited, when such prices increase. The risk is heightened when the Client engages in short sales relating to highly volatile issuers.

Credit Investments

Clients generally may invest in bonds, loans, and other credit and credit-related instruments and derivatives. Credit securities generally fluctuate in value based upon broader market factors, such as changes in interest rates, and also based on developments affecting the perceived creditworthiness and ability of the borrower to repay the principal and interest owed with respect to the underlying indebtedness.

Options

Clients may invest in, or write, options. The purchaser of a put or call option runs the risk of losing the entire investment in a relatively short period of time if an option expires unexercised. The uncovered writer of a call option is subject to a risk of loss should the price of the underlying security increase, and the uncovered writer of a put option is subject to a risk of loss should the price of the underlying security decrease.

Convertible Instruments

Clients may invest in convertible instruments. A convertible instrument is a bond, debenture, note, preferred stock, or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both credit and equity investments. The Clients may invest in convertible instruments that have varying conversion values. If a convertible instrument held by a Client is called for redemption, the Client will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and will hold the stock to the extent Carlson determines that such equity investment is consistent with the investment objective of such Client.

Distressed Investments

Clients may invest in securities and obligations of bankrupt entities or entities experiencing financial difficulties that involve a substantial degree of risk. A Client may lose a substantial portion or all of its investment in such an entity or may be required to accept cash or securities with a value less than such Client's investment. It may be difficult to obtain information as to the true financial condition of entities experiencing significant financial or business difficulties. Investments in distressed companies also may be adversely affected by state and federal laws relating to fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy courts' discretionary power to disallow, subordinate, or disenfranchise particular claims. The market prices of instruments issued by distressed companies may be subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and ask prices of such instruments may be greater than normally expected. It may take a number of years for the market prices of such securities to reflect their intrinsic values. Some of such securities in a Client's portfolio may not be widely traded, and such positions may be substantial in relation to the market for such securities. Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Investments in distressed securities made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may involve substantial litigation.

Debt Investments

Clients generally may invest in debt securities or debt instruments. These types of investments are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (market risk). With bonds and other credit securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. The risk of debt securities varies significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. Debt investments in some companies may be riskier than investments in the stocks of others.

Loans

Clients have invested and may invest in loans. Loans include fixed and floating rate loans arranged through private negotiations between one or more financial institutions and a borrower. Although loans are traded among certain financial institutions, some of the loans that the Clients may invest in will be considered illiquid.

Loan Participations

Clients have invested and may invest in loan participations. Investment in loan participations involves certain risks in addition to those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default, and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have the voting rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan. A Client will acquire participations only if the seller of the participation is determined by Carlson to be creditworthy.

Bridge Financings

From time to time, a Client has lent and may lend to public or private companies, including companies in which the Client or another account managed by Carlson or one of its affiliates has an existing investment, on a short-term, unsecured basis or otherwise invest on an interim basis in such companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security. However, for reasons not always in the Client's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by the Client, and the Client may have difficulty in exiting the investment. Conversion of the Client's bridge financing into more permanent, long-term securities carries the risk that, even if the expected issuance or other refinancing or syndication occurs, an adequate market may not develop. In addition, the Client may be required to adhere to certain contractual obligations, such as lock-up agreements, which may prohibit the Client from selling such securities in certain circumstances.

Fraud

Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Client to perfect or effectuate a lien on the collateral securing the loan. The Client will rely upon the accuracy and completeness of representations made by the borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Prepayment Risk

The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans and other debt underlying certain of the Client's investments will be affected by a variety of factors including, the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. In general, "premium" financial instruments (i.e., financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster-than-anticipated prepayments, and "discount" financial instruments (i.e., financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since the Client's investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

Swaps and Derivatives

Clients have and are expected to continue to invest and trade in swaps and other "synthetic" or derivative instruments, including equity swaps, over-the-counter ("OTC") options, non-deliverable forward contracts, and other customized financial instruments issued by banks, brokerage firms, or other financial institutions, both for hedging purposes and as an alternative to direct investments in the underlying financial instruments. A swap is an agreement between a Client and a financial intermediary whereby cash payments periodically are exchanged between the parties based upon changes in the price of underlying financial instrument(s) (such as an equity security, a fixed-income security, an index of securities, a currency, or another asset or group of assets with a readily determinable value). For example, an interest rate swap involves one party agreeing to make periodic fixed payments to the other party in return for the other party agreeing to make periodic payments to the first party that vary with a variable interest rate indicator. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying financial instrument(s) because of the additional complexity and potential for leverage. Investing and trading in swaps and other derivative instruments may subject and has subjected Clients to additional costs associated with derivatives investing. To the extent the relevant swap or other derivative is not executed through a clearing agency, derivatives clearing organization or other centralized clearing platform, such swaps and other derivatives are subject to the risk of non-performance by the swap counterparty, and may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, operational, reputational, and other risks beyond those associated with the direct purchase or sale of the underlying financial instrument(s) to which their values are related. While recent regulatory changes have expanded the types of swaps and other derivatives cleared through a derivatives clearing organization or other centralized clearing platform, many swaps and other forms of derivative instruments are not

currently guaranteed by an exchange or clearing house or regulated by any U.S. or foreign governmental authority. In such circumstances, it is often not possible to dispose of or close out a swap or other derivative position without the consent of the counterparty, and a Client may not be able to enter into an offsetting contract in order to be able to cover its risk. Additional regulatory changes in the U.S. and other jurisdictions may significantly impact the trading of swaps and other derivatives in the future.

Credit Default Swaps

Clients may invest in credit default swaps and other credit derivatives. These transactions generally provide for the transfer from one counterparty to another of certain risks inherent in the ownership of a financial asset, such as a bank loan or a high-yield debt security. Such risks include, among other things, the risk of default and insolvency of the obligor of such asset; the risk that the credit of the obligor or the underlying collateral will decline, or that credit spreads for like assets will change (thus affecting the market value of the financial asset). The transfer of credit risk pursuant to a credit derivative may be complete or partial, and may be for the life of the related asset or for a short period. Credit default swaps and other credit derivatives may be used as a risk management tool for a pool of financial assets, providing the Client with the opportunity to gain exposure to one or more reference obligations without actually owning such assets in order, for example, to reduce a concentration risk or to diversify the Client's portfolio. Conversely, credit default swaps and other credit derivatives may be used to reduce the Client's exposure to an owned asset without selling it in order, for example, to maintain relationships with clients, to avoid difficult transfer restrictions, manage illiquid assets, or hedge declining credit quality of the financial asset.

The use of leverage will significantly increase the sensitivity of the market value of the credit default swaps or other credit derivatives to changes in the market value of the reference obligations. The reference obligations are subject to the risks related to the credit of the underlying obligors. These risks include the possibility of a default or bankruptcy of the obligors or a claim that the pledging of collateral to secure a loan constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the obligors or nullified under applicable law.

Interest Rate Swaps

Clients have invested and may invest in interest rate swaps. An interest rate swap is a bilateral agreement that requires each party to make periodic payments to the other party, the amounts of which are determined on the basis of a stated fixed or floating rate of interest, a specified notional principal amount, and the actual number of days during the period divided by the actual number of days in the year. Typically, one party agrees to make payments in an amount equal to a fixed rate of interest multiplied by the notional principal amount, while the other party agrees to make payments in an amount equal to a particular floating interest rate multiplied by the notional amount. The payment obligations of the parties might also be based on two different floating rates.

A party to an interest rate swap may be required to deposit margin or collateral with the counterparty in order to secure its obligations. The required margin or collateral may only be a fraction of the notional value of the swap, resulting in a high degree of leverage. Interest rate swaps may extend over significant periods of time and generally require payments to be made on a periodic (e.g., semi-annual) basis. Such transactions are entered into by each party acting as principal and typically may not be transferred or terminated without counterparty consent. As a result, interest rate swaps have limited liquidity. By entering into a swap, a party assumes the risk of adverse interest rate or exchange rate

fluctuations, which could result in the party being obligated to make payments to its counterparty over a significant period of time.

Interest Rate Caps and Floors

Clients have invested and may invest in interest rate caps and floors. Similar to interest rate swaps, interest rate caps and floors are bilateral agreements in which the two parties agree to pay or receive payments on a notional principal amount. The purchaser of an interest rate cap receives payments from the seller to the extent that the cap's underlying rate or other variable is greater than a specified strike rate. Conversely, the purchaser of an interest rate floor receives payments from the seller to the extent that the floor's underlying rate or other variable is less than a specified strike rate. Interest rate caps and floors are subject to risks associated with the implied and realized volatility of interest rates and, in some cases, risks associated with implied and realized correlations, as well as risks similar to those described above with respect to interest rate swaps.

Volatility Swaps

Clients have entered and may enter into volatility swaps. In a volatility swap, the counterparties agree to make payments in connection with changes in the volatility (i.e., the magnitude of change over a specified period of time) of an underlying reference instrument, such as a currency, rate, index, security, or other financial instrument. For example, a Client may enter into a volatility swap in order to take the position that the reference instrument's volatility will increase over a particular period of time. If the reference instrument's volatility does increase over the specified time, the Client will receive payment from its counterparty based upon the amount by which the reference instrument's realized volatility level exceeds a volatility level agreed upon by the parties. If, however, the reference instrument's volatility does not increase over the specified time, the Client will make a payment to the counterparty based upon the amount by which the reference instrument's realized volatility level falls below the volatility level agreed upon by the parties.

Variance Swaps

Clients have used and may use variance swaps, a form of volatility swaps. A variance swap is an agreement by two parties to exchange cash flows based on the measured variance of a specified underlying asset. One party agrees to exchange a "fixed rate" or strike price payment for the "floating rate" or realized price variance on the underlying asset with respect to the notional amount. At inception, the strike price chosen is generally fixed at a level such that the fair value of the swap is zero. As a result, no money changes hands at the initiation of the contract. At the expiration date, the amount paid by one party to the other is the difference between the realized price variance of the underlying asset and the strike price multiplied by the notional amount. A receiver of the realized price variance would receive a payment when the realized price variance of the underlying asset is greater than the strike price and would make a payment when that variance is less than the strike price. A payer of the realized price variance would make a payment when the realized price variance of the underlying asset is greater than the strike price and would receive a payment when that variance is less than the strike price.

Options on Swaps

Clients have bought and sold, and may buy and sell, options on swaps ("swaptions"). An option on swap is a contract that gives the purchaser of the contract the right (but not the obligation) to enter

into a new swap agreement, or to shorten, extend, cancel, or otherwise modify an existing swap agreement, at a designated time in the future on specified terms. In return, the purchaser pays a premium to the seller of the contract. Options on swaps are generally subject to the same risks involved in a Client's use of options. The purchaser of the contract is subject to the risk of losing the premium that it has paid should it decide to let the option expire unexercised. The seller of the contract receives the premium and bears the risk of unfavorable changes on the underlying swap. Depending on the terms of the particular option agreement, a Client will generally incur a greater degree of risk when it writes (i.e., sells) an option on a swap than it will incur when it purchases an option on a swap.

Spread Trading and Arbitrage

A part of Carlson's investment operations has involved and may involve spread positions between two or more securities or derivatives positions, or a combination of the foregoing. Carlson's trading operations also may involve arbitraging between two securities, between the security and security options markets, between derivatives and securities or options, between two derivatives, or any combination of the above. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably, thereby causing a loss to the position.

Illiquid Investments

Certain securities and other assets acquired by certain Clients have not been and may not be readily marketable at acquisition or have become or may become illiquid (e.g., due to the relevant issuer becoming distressed). Certain Clients have invested or may invest in "restricted" or non-publicly traded securities, securities traded on non-U.S. exchanges, securities that are acquired directly from companies in private placements that are not registered under U.S. securities laws, or securities traded off established exchanges on an OTC basis. A Client may not be readily able to dispose of such non-publicly traded or less-liquid securities, and in some cases, may be prohibited from disposing of such securities for a specified period of time. An exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Currency forward contracts and other derivative instruments not traded on regulated exchanges may be entered into with banks, brokerage firms, and other counterparties, may not be assigned without the consent of the counterparty, and may result in losses in the event of a default or bankruptcy of the counterparty.

Effect of Regulatory Requirements

The ability of a Client to transact in financial instruments it holds may be impacted by regulatory requirements, which has required and may also require that certain holdings be publicly disclosed. The Clients (separately or together) may own more than a certain percentage of a class of securities of an issuer, as a result of which one or more of the Clients could be limited in transacting in such securities (or corresponding swaps and other derivative instruments) for a period of time. One or more of the Clients and/or Carlson or its affiliates have received and may receive non-public information regarding an issuer, which would restrict the Clients' ability to trade in the securities of the issuer (or corresponding swaps and other derivative instruments). These and other regulatory requirements may cause the Clients to be unable to transact in securities of an issuer (or corresponding swaps and other derivative instruments) when doing so would otherwise be in their best interests. For example, such a "lock-up" period may require the Clients to hold a security or other financial instrument when its value is declining, resulting in losses.

Futures

Clients have traded and may trade futures. Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract held by a Client may result in substantial losses to the Client. The prices of futures contracts and options used for hedging purposes may not correlate with price movements of the underlying securities being hedged. Although the Clients generally seek to only purchase or sell commodity futures contracts if there is an active market for each such contract, no assurance can be given that a liquid market will exist for the contracts at any particular time. Futures exchanges and boards of trade may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Futures contract prices could move to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses.

Futures exchanges may impose position accountability limits (the “Position Accountability Limits”) with respect to certain futures contracts traded on each particular futures exchange. Position Accountability Limits are triggers that would bring the Clients’ position(s) to the attention of the exchange. Through the application of Position Accountability Limits, exchanges can prohibit an investor from holding a position of more than a specific number of futures contracts. Under the rules of a futures exchange, if the Clients (separately or together) hold a certain number of futures contracts approaching the Position Accountability Limits, the Clients may be required by the futures exchange to limit or decrease their holdings of such futures contracts pursuant to the futures exchange’s Position Accountability Limits. If the Clients are required to either limit or decrease their holdings of such futures contracts, or if an exchange lowers its Position Accountability Limits, the Clients’ returns may be adversely impacted. As noted, such limitations may arise due to aggregation of the Clients’ holdings.

Non-U.S. Investments

Clients generally invest in both U.S. and non-U.S. securities denominated in non-U.S. currencies and/or traded outside of the U.S. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the U.S. or non-U.S. governments, U.S. and non-U.S. withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, and economic or political instability in non-U.S. countries. In certain periods of market distress different countries may impose, and have imposed, a number of restrictions on trading, including bans on short selling, which may negatively impact the Clients’ investments.

There may be less publicly available information about certain non-U.S. issuers than would be the case for comparable issuers in the U.S., and certain non-U.S. issuers may not be subject to accounting, auditing, and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. issuers. Securities markets outside the U.S., while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these non-U.S. markets are less liquid and their prices more volatile than securities of comparable U.S. companies. Settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets, which may result in delays that cause one or more Clients to miss attractive investment opportunities.

There also may be less extensive regulation of the securities markets in particular countries other than in the U.S.

Additional costs may be incurred in connection with non-U.S. investment activities. Non-U.S. brokerage commissions generally are higher than in the U.S. Expenses also may be incurred on currency exchanges when a Client changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization, and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions.

Exchange Rate Risks

Clients have invested and may invest in financial instruments denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined by reference to currencies other than the U.S. dollar. While the Clients intend to hedge against certain fluctuations in exchange rates between the U.S. dollar and the currencies in which the Clients' investments are denominated or by which the price of such investments are determined, the Clients expect to take some directional exchange rate risk. To the extent a Client does not fully hedge against fluctuations in exchange rates between the U.S. dollar and the currencies in which the Clients' investments are denominated or by which the price of such investments are determined, the value of their assets will fluctuate with the exchange rates between the relevant currencies. An increase in the value of the U.S. dollar compared to the other currencies in which a Client makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of such Client's financial instruments in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of a Client's financial instruments denominated in other currencies. Further, it is possible that a currency hedge will fail to protect a Client fully from fluctuations in currency exchange rates. Currencies of emerging market countries may be less liquid than currencies of developed countries, which may adversely affect a Client's ability to enter or exit an investment when it desires to do so.

Currency Hedges

If a Client (for example, a Cayman Islands-domiciled feeder Fund) offers a series of shares for investment that is denominated in a currency other than U.S. dollars (a "Non-USD Currency Series"), Carlson expects to seek to enter into currency hedges to reduce the effect of fluctuations in currency exchange rates between the currency of the Non-USD Currency Series and U.S. dollars ("Currency Hedges") as it deems appropriate. Currency Hedges aim to reduce, not eliminate, currency risk. The Non-USD Currency Series will not be completely hedged, and there can be no assurance that any such Currency Hedges will be effective. A Client will incur costs (which could be significant at times) when effecting Currency Hedges. Any direct costs associated with Currency Hedges entered into in respect of a particular Non-USD Currency Series will be allocated to such Non-USD Currency Series and will, therefore, impact the net asset value of the shares of such Non-USD Currency Series, which will likely negatively impact the return of the Non-USD Currency Series. Additionally, there is expected to be indirect costs associated with Currency Hedges that could impact the net asset value per share of all series. For example, certain instruments used in Currency Hedges may require the maintenance of margin with the counterparty to the Currency Hedge, which would increase financing costs to a Client if the Client's borrowings increase due to the margin requirements.

Carlson is not obligated to enter into Currency Hedges in respect of any Non-USD Currency Series. There may be circumstances in which Carlson determines not to conduct any Currency Hedges in respect of a Non-USD Currency Series in whole or in part for a certain period of time, including, without limitation, when Carlson determines, in its sole and absolute discretion, without notice to investors of such Non-USD Currency Series (or any other investor), that Currency Hedges are not practicable or possible or may materially and adversely affect the Client or any of its investors. As a result, the currency exposure of investors of a particular Non-USD Currency Series could go fully or partially unhedged for that period of time. Carlson's determination not to adjust any Currency Hedges entered into in respect of a particular Non-USD Currency Series to take into account the exposure of such Non-USD Currency Series to exchange rate fluctuations or investment results could result in that Non-USD Currency Series being under hedged (i.e., not fully protected from exchange rate fluctuations, which could leave the Non-USD Currency Series exposed to exchange rate fluctuations on the portion of the net asset value of such series in excess of the hedged amount) or over hedged (i.e., having Currency Hedges that reference an amount of the currency in excess of the net asset value of such Non-USD Currency Series, which could result in a Non-USD Currency Series being overexposed to gains and losses associated with Currency Hedges as compared to the net asset value of such Non-USD Currency Series). Increased volatility in exchange rate fluctuations or the return of the underlying portfolio assets of the Client would likely magnify the extent of the Non-USD Currency Series being under hedged or over hedged.

Currencies

Clients generally trade currencies for hedging purposes. Currency markets are highly volatile, and currency trading is highly leveraged. Governments from time to time intervene, directly and by regulation, in the currency markets, with the specific intention of influencing the exchange rates. Currency markets are also, in general, highly interest rate sensitive, and may also be affected by trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. The Clients may invest in currencies of emerging market countries, which may be less liquid than currencies of developed countries.

Forward Currency Contracts

Clients have invested and may invest in forward currency contracts with banks, financial institutions, or dealers acting as principal. Forward currency contracts may not be liquid in all circumstances, so that in volatile markets, to the extent a Client wishes to do so, it may not be able to close out a position by taking another position equal and opposite to such position on a timely basis or without incurring a sizeable loss. Closing transactions with respect to forward currency contracts usually are effected with the currency trader who is a party to the original forward contract and generally require the consent of such trader. There can be no assurance that the Clients will be able to close out their respective obligations.

There are no limitations on daily price moves in forward contracts. Banks and other financial institutions with whom Clients may maintain accounts may require margin deposits with respect to such trading. Banks are not required to continue to make markets in forward contracts. There have been periods during which certain banks have refused to quote prices for such forward contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Trading of forward contracts through banks is not regulated by any U.S. governmental agency. The Clients will be subject to the risk of bank failure and the inability of, or refusal by, a bank to perform with respect to such contracts.

Investments in Secured Loans

The assets of the portfolio of the Clients may include secured debt, which involves various degrees of risk of a loss of capital. The factors affecting an issuer's secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of an issuer. For example, some secured loans may permit other secured obligations (such as overdrafts, swaps, or other derivatives made available by members of the syndicate to the company), or involve secured loans only on specified assets of an issuer (e.g., excluding real estate). Issuers of secured loans may have two tranches of secured debt outstanding, each with secured debt on separate collateral. Furthermore, the liens referred to herein generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of Chapter 11 filing by an issuer, the U.S. Bankruptcy Reform Act of 1978, as amended, authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides what the presiding bankruptcy judge considers to be "adequate protection" which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on the Clients' collateral would adversely affect the priority of the liens and claims held by the Clients and could adversely affect the Clients' recovery on the affected loans. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk.

ABS and MBS

Clients may invest in asset-backed securities ("ABS") and mortgage-backed securities ("MBS"). The investment characteristics of ABS and MBS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS and ABS will be affected by a variety of factors, including the prevailing level of interest rates as well as the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic, and legal factors. In general, any factors that increase the attractiveness of selling a mortgaged property or refinancing a mortgage loan, enhance a borrower's ability to sell or refinance, or increase the likelihood of default under a mortgage loan would be expected to cause the rate of prepayment in respect of a pool of mortgage loans to accelerate. Particular investments may experience outright losses, as in the case of an interest only security in an environment of faster actual or anticipated prepayments. Also, particular investments may underperform relative to hedges that a portfolio manager may have constructed for these investments, resulting in a loss.

In contrast, any factors having an opposite effect would be expected to cause the rate of prepayment of a pool of mortgage loans to slow. At any one time, a portfolio of MBS 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.

Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying MBS are effectively nonrecourse 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 MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS 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.

Especially in the case of a mortgage-backed security related to commercial mortgage loans, the rate of principal payments on the loans in the related pool will also be affected by the nature and extent of any restrictions on prepayments that are set forth in the mortgage loans, and the extent to which such provisions may be enforced. Such restrictions may include a prohibition on prepayments for specified periods of time and/or requirements that principal prepayments be accompanied by the payment of prepayment penalties or be subject to yield maintenance premiums.

The rate of prepayment on a pool of mortgage loans is likely to be affected by prevailing market interest rates for mortgage loans of a comparable type, term and risk level. When the prevailing market interest rate is below a mortgage coupon, a borrower generally has an increased incentive to refinance its mortgage loan. Even in the case of adjustable rate mortgage loans, as prevailing market interest rates decline, and without regard to whether the mortgage rates on such loans decline in a manner consistent therewith, the related borrowers may have an increased incentive to refinance for purposes of either: (i) converting to a fixed rate loan and thereby "locking in" such rate or (ii) taking advantage of a different index, margin, or rate cap or floor on another adjustable rate mortgage loan. Therefore, as prevailing market interest rates decline, prepayment speeds would be expected to accelerate.

In the case of a mortgage-backed security related to multifamily or commercial loans, prevailing market interest rates, the outlook for market interest rates and economic conditions generally may cause some borrowers to sell their properties in order to realize their equity therein, to meet cash flow needs or to make other investments. In addition, some borrowers may be motivated by U.S. federal and state tax laws (which are subject to change) to sell their properties prior to the exhaustion of tax depreciation benefits.

ABS which represent an interest in a pool of assets such as credit card receivables, automobile loans, or home equity loans, have yield and maturity characteristics corresponding to their underlying assets. The risk of each ABS depends both on the underlying assets and the legal structure of such security. (For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws.) Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass-through structures. Through collateralized debt obligations, the Clients may invest in these and other types of ABS that may be developed in the future. ABS present certain risks that are not presented by MBS.

Primarily, these securities do not have the benefit of the same security interest in the related collateral. There is a possibility that recoveries on repossessed collateral may not, in some cases, be available to

support payments on these securities. Further, unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain ABS include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing, or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of ABS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Clients would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of loans that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of ABS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.

The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees, or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans, or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Collateralized Loan Obligations

CLOs are pools of loans, the debt service on which is repackaged into cash flows payable on different tranches of debt collateralized by each pool. Payments on such debt are dependent on payments on the underlying loans. CLOs may involve substantial organizational, syndication, and ancillary fees. An investor's investment in a CLO may be subordinate in right of payment to other securities sold by the CLO and not readily marketable. Depending upon the default rate on the collateral of the CLO, an investor may incur substantial losses on its investment.

CLO securities are subject to various structural risks, including risks relating to the capital structure of the issuer thereof and the collateral management arrangements relating thereto. The capital structure of a CLO may be highly leveraged (which will affect the CLO securities of different seniorities in different ways), and the underlying instruments will generally contain various triggers and remedies, which may adversely affect the return of an investment in the CLO.

CLO securities are secured primarily by loans (including commercial loans and eligible synthetic securities whose reference obligations consist of commercial loans), which are subject to liquidity, market value, credit, interest rate, reinvestment, and certain other risks. These risks could be exacerbated to the extent that the loans are concentrated in one or more particular types of loans.

Credit Ratings

Credit ratings of structured finance products and other debt instruments and investments represent the rating agencies' opinion regarding their credit quality and are not a guarantee of future credit performance of such securities. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. Therefore, the ratings assigned

to securities by rating agencies may not fully reflect the true risks of an investment. Further, in prior years, many highly rated structured securities have been subject to substantial losses.

Use of Models and Software Programming

The success of certain systematic trading models developed by Carlson will depend on their ability to accurately predict future market prices, and upon the continuation of past correlations among the market prices of specific securities, markets generally, and the factors used in the models. These models may be inaccurate for a variety of reasons, including, but not limited to, erroneous underlying assumptions and estimates in respect of certain data, or other defects in inputs and the models, or because future events may not necessarily follow historical norms. To the extent that such models, or the assumptions underlying them, are not correct, the Clients may sustain losses. Even if the same correlations continue to exist in the future, they may not exist over the period of any particular investment. Carlson has broad discretion to modify, add, or delete specific trading models without notice to investors.

Carlson's systematic approach to the investment process requires programming of software. Mistakes are periodically made in such programming. In addition, technical issues periodically arise in computer hardware or software utilized by Carlson in managing a Client's portfolio. Although Carlson engages in substantial efforts to mitigate the risk and effect of such mistakes, mistakes of such type may affect a Client's portfolio and investment returns. Prospective investors should understand that hardware and software errors and their ensuing risks are an inherent risk of investing with a process-driven, systematic investment manager such as Carlson. Moreover, Carlson generally does not expect to disclose to investors hardware or software errors Carlson detects.

Level of Trading Activity

Clients may engage in a high level of trading activity. As a result, higher commissions may have to be paid by such Clients in comparison to other Clients or third party investment funds.

Securities Lending

Clients generally borrow and/or lend securities in the ordinary course of its business. The supply of securities that can be borrowed fluctuates from time to time. The Clients may be subject to losses if a security lender demands return of the borrowed security and an alternative lending source cannot be found or if a Client is otherwise unable to borrow securities that are necessary to hedge its positions. If a securities lender were to demand the return of a loaned security and no replacement loan were obtained, one or more of the Clients may be forced to close out their respective short sale positions regardless of the market conditions. Such an event could adversely affect the valuation of the assets of such Clients.

To the extent that Clients lend securities as part of their investment program, parties that borrow securities from the Clients may not be able to return these securities on demand (possibly causing the Clients to default on their obligations to other parties) and may also default on the payment obligations owed to the Clients in connection with such securities loans. In addition, assets pledged by the borrower as collateral for the borrowed securities may decline in value. The Clients may lose the entire value of the securities they lend to defaulting borrowers.

Counterparty Creditworthiness

Clients are expected to rely on the creditworthiness of a counterparty when they engage in uncleared OTC transactions. Clients generally are not limited in the amount of their respective assets that may from time to time be subject to the risk of non-performance by a counterparty. The Clients may at certain times have a material portion of their assets exposed to the credit risk of a particular custodian, futures clearer, broker, clearinghouse, exchange, or counterparty. Such a concentration could magnify the risks to the Clients of a failure of one or more of such custodians, futures clearers, brokers, clearinghouses, exchanges, or counterparties.

Brokerage and Custodial Risks

There are risks involved in dealing with the custodians or prime brokers who settle trades and hold assets for the Clients. Although Carlson monitors the prime brokers and custodians used by the Clients and believes that they are appropriate custodians, there is no guarantee that the Clients' prime brokers and custodians will not become bankrupt or insolvent. While U.S. laws seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of the Clients' assets, the Clients would not incur losses due to their assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

The Clients, their prime brokers, or their custodians may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Clients. The Clients' prime brokers and custodians may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Clients as a result of the bankruptcy or insolvency of any such sub-custodian. The Clients may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a Client by a custodian may not be available to the Clients. Under certain circumstances, including certain transactions where the Clients' assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of one of the Clients' prime brokers or custodians, or where the Clients' assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Clients and the Clients could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Clients to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Clients may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or timing problems associated with enforcing the Clients' rights to their assets in the case of a bankruptcy or insolvency of any such party.

Trade Errors

On occasion, Carlson experiences errors with respect to trades it makes on behalf of its Clients. A trade error is generally considered a transaction executed in a manner that was not intentional. The Funds ordinarily absorb any losses, and benefit from any gains, resulting from trade errors, absent Carlson's willful misconduct or gross negligence. In the case of Managed Accounts, the standard of care is negotiated on an account-by-account basis and set forth in the applicable Governing Documents. Trade error costs can be significant, including market losses resulting from the position

incorrectly acquired as well as the additional brokerage costs of closing out or reversing the error. The opportunity cost (lost profits) of not having made the trade intended to be made is not considered a trade error cost. Carlson determines whether a trade error occurred with respect to a Client in its sole discretion and notice of a trade error will generally not be provided to any Clients (unless specifically requested by an investor in a Client), although certain Managed Accounts are entitled to notice pursuant to their Governing Documents. Carlson has a conflict of interest in determining whether a trade error has occurred, as well as whether the costs of such trade error should be absorbed by the Client or Carlson. Carlson determines in good faith whether or not a given trade error is required to be reimbursed under the applicable standard of care. The Chief Compliance Officer of Carlson ensures that Carlson maintains appropriate documentation regarding all trade errors, including the resolution and reimbursement decisions.

Cybersecurity Risks

Carlson, its service providers, its counterparties and other market participants on whom Carlson relies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Clients or their investors, despite the efforts of Carlson, its service providers, its counterparties, and other market participants on whom Carlson relies to adopt technologies, processes, and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity, and availability of information belonging to the Clients or their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Carlson, its service providers, its counterparties, and other market participants on whom Carlson relies or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers, or other users of systems to disclose sensitive information in order to gain access to Carlson's data or that of its investors. A successful penetration or circumvention of the security of Carlson's systems or the systems of Carlson's service providers, counterparties, or other market participants on whom Carlson relies could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the Clients, Carlson, their service providers, their counterparties, and other market participants on whom Carlson relies to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. Similar types of operational and technology risks are also present for many Portfolio Companies (as defined below), which could have material adverse consequences for such investments, and may cause the Clients' investments to lose value.

Fees and Expenses of Sub-Advisers

To the extent a portion of the assets of a Client is managed directly by, or invested in investment funds managed or sponsored by, one or more third-party investment advisers, such Client will pay fees to such sub-advisers and will bear its respective share of the expenses of such sub-advisers in addition to the fees paid to Carlson and its affiliates and the expenses of such Client, resulting in a layering of expenses. The fees and expenses payable by the Clients may be higher than those of other investment funds, particularly those that do not use any sub-advisers. The Clients may be required to pay an incentive fee based upon profits generated by one sub-adviser even though another sub-adviser or the Client as a whole may have realized a loss. Performance fees payable to the sub-advisers may

create an incentive to make investments that are more speculative than would be the case in the absence of such performance fees.

Limited Regulatory Oversight

Although Carlson is registered with the SEC as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended (“Advisers Act”), the Funds are not registered under the Investment Company Act. Accordingly, certain protections provided by the Investment Company Act (which, among other things, require investment companies to have a certain number of disinterested directors and regulate the relationship between the adviser and the investment company) do not apply to the Funds.

Reliance on Carlson and Key Personnel

Carlson has complete discretion in investing the Clients’ assets. Each Client’s success depends, to a great extent, on Carlson’s ability to identify successful investments and strategies. The departure, death, or disability of a principal or other key personnel of Carlson or the withdrawal of Carlson could have a material adverse effect on the investment results of the Clients. In addition, no assurance can be given that Carlson will be able to retain its key personnel or to engage new personnel with comparable investment management skills.

Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act

The Clients may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Clients from their banks, dealers, and counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Clients. Market disruptions may from time to time cause dramatic losses for the Clients, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. Market disruptions may and have resulted from any number of causes, including but not limited to, the revelation of underlying weaknesses in the economy (e.g., credit crisis, subprime mortgage meltdown, etc.), political action and policy changes (e.g., central bank monetary policy, trade negotiations and changes to tariffs, withdrawal from pacts or agreements with other countries, implementation of sanctions, etc.), natural disasters, threats of or actual war, and other events.

The global financial markets have in recent periods, as well as in prior years, gone through pervasive and fundamental disruptions. Market disruptions during the Great Recession of 2008 led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. Additionally, as one would expect given the complexities of the financial markets and the limited time frame within which governments felt compelled to take action, certain interventions were unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

In response to the Great Recession of 2008, the U.S. enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), which established a comprehensive framework for the regulation of markets, market participants, and financial instruments that were previously unregulated

and substantially altered the regulation of many other markets, market participants, and financial instruments.

Risk of Natural Disasters, Epidemics/Pandemics, Terrorist Attacks, and War

Countries and regions in which the Clients invest, where Carlson has offices, or where the Clients or Carlson otherwise do business are susceptible to natural disasters (e.g., fire, flood, earthquake, storm and hurricane), epidemics/pandemics, or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic/pandemic could, directly or indirectly, adversely affect and severely disrupt the business operations, economies, and financial markets of many countries (even beyond the site of the natural disaster or epidemic/pandemic) and could adversely affect the Clients' investment program or Carlson's ability to do business.

Many investment opportunities are experiencing significant volatility and may be materially impacted by geopolitical events, economic events and other market events in an unpredictable manner, heightening the risk of loss.

In addition, terrorist attacks, civil unrest or acts of war, or the fear of or the precautions taken in anticipation of such attacks, unrest, or acts of war, including global sanctions regimes, could, directly or indirectly, materially and adversely affect certain industries in which the Clients invest, or could affect the countries and regions in which the Clients invest, where Carlson has offices, or where the Clients or Carlson otherwise do business. Other acts of war (e.g., war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition of industries or countries in which the Clients invest or the currency in which investments are made or valued.

Carlson has a business continuity plan and disaster recovery plan to mitigate the effects of these types of events. Carlson's business continuity plan generally requires Carlson's employees to work and access information technology, communications, or other systems, remotely. The failure of these systems and/or the plans for any reason could cause significant business interruptions in Carlson's, its affiliates', the Clients', and/or a Portfolio Company's operations.

LIBOR Replacement

As of June 30, 2023, the London Interbank Offered Rate ("LIBOR") permanently ceased as a floating rate benchmark.

The Secured Overnight Financing Rate ("SOFR") replaced LIBOR. There is no assurance that SOFR, as modified by an applicable spread adjustment, will be the economic equivalent of U.S. dollar LIBOR. SOFR-based rates will differ from U.S. dollar LIBOR, and the differences may be material.

The discontinuation of LIBOR and the SOFR replacement have affected, and will continue to affect, the financial markets generally and may also affect a Client's operations, finances and investments.

Legal, Regulatory, and Political Uncertainties

Carlson and its affiliates are subject to a variety of governmental regulations in the U.S. and other jurisdictions that have resulted and may in the future result in additional compliance costs and other

burdens and otherwise impact the performance of a Client. It is difficult to predict what changes in regulations may be instituted in the future, in addition to those changes already proposed or adopted in the U.S. or other jurisdictions.

The legal, tax, and regulatory environment for alternative investment funds, investment advisers, the instruments they utilize and the markets in which they trade are continuously evolving. In addition to legal, regulatory, and tax changes, there may be other unanticipated changes, including political developments. Such uncertainty may be detrimental to the efficient functioning of the financial markets and the success of certain products and strategies. Any changes to current regulations or any new regulations could have a material adverse effect on a Client (including by reducing the attractiveness of the Client's investment strategies, imposing material costs on the Client, reducing investment opportunities, or requiring a significant restructuring of the manner in which the Client, Carlson, or its affiliates are organized or operated).

Uncertainty of Certain Tax Positions; Risk of Audit; Tax Reform

The Funds will be required to file tax returns with the U.S. Internal Revenue Service ("IRS"), and may be required to file tax returns or make other filings in other jurisdictions. The Funds may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the IRS, an investor might be found to have a different tax liability for that year than that reported on its U.S. federal income tax return. In addition, the tax returns or other filings made by the Funds may be audited, and adjustments may be made to such returns as a result of such an audit. If an audit results in an adjustment, investors may be required to file amended returns (which may themselves be audited) and to pay back taxes with respect to prior periods. In addition, interest and penalties, which may be non-deductible, may be asserted and imposed on tax deficiencies as the result of an audit. An audit of the tax returns of the Funds could also result in an audit of the returns of individual investors. Any audit of an investor's return could result in adjustments to income and deductions. Generally, upon an IRS audit, the tax treatment of Fund items will be determined at the Fund level, and such treatment generally will be binding on the individual investors. Current investors in the Funds may bear the economic effect of taxes, interest, and penalties imposed on the Funds by taxing authorities with respect to income received by the Funds in earlier periods. The legal and accounting costs incurred in connection with any audit of a Fund's tax return will generally be borne by the Fund and its investors.

Absent an election by a Fund that is classified as a "partnership" for U.S. federal income tax purposes, the Fund will be required to determine and pay any underpayment of tax (including interest and penalties) resulting from an adjustment of the Fund's items of income, gain, loss, deduction, or credit at the Fund level without the benefit of investor-level tax items that could otherwise reduce tax due on any adjustment and, where the adjustment reallocates any such item from one investor to another, without the benefit of any decrease in any item of income or gain (or increase in any item of deduction, loss or credit). The cost of such imputed underpayment of tax (and any interest and penalties) will be borne by investors in the year of adjustment, without any Fund or investor-level tax deduction or credit for the Fund's payments, rather than by those who were investors in the taxable year to which the adjustment relates.

Risks of Diminished Liquidity

Investment funds and other investors engaged in strategies similar to or overlapping with that of the Clients have recently experienced periods of substantial illiquidity with respect to MBS and other credit securities. The inability of investors to sell these securities could lead to a potential inability to meet

margin calls or fund redemptions, which in turn can lead to the collapse of a portfolio as dealers cut credit lines and investors withdraw capital, further reducing the creditworthiness of the Clients. In addition, certain provisions of Dodd-Frank and their implementation, including the Volcker Rule, have imposed greater constraints on liquidity, particularly in the bond and credit markets.

Concentration Risk

Except as otherwise provided under their Governing Documents the Clients are generally not subject to any material concentration or diversification restrictions and may hold a limited number of concentrated investment positions. Such concentration may result in the investment portfolio of the Clients being subject to larger and more rapid changes in value than would be the case if the Clients were required to maintain a more widely diversified portfolio.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN CARLSON'S METHODS OF ANALYSIS AND INVESTMENT STRATEGIES USED IN FORMULATING INVESTMENT ADVICE OR MANAGING ASSETS.

Please see Item 10 (Other Financial Industry Activities and Affiliations), Item 11 (Code of Ethics, Participation in Client Transactions and Personal Trading), and Item 12 (Brokerage Practices) below.

Item 9 DISCIPLINARY INFORMATION

Pursuant to the requirements in Finland to disclose net short positions in Finnish issuers, Carlson UK sent a public notification of a net short position in the issued share capital of a Finland-listed company on January 31, 2014. Thereafter, Carlson UK closed/covered the entire net short position in the issued share capital of the company on February 7, 2014. Inadvertently, and due to an administrative oversight in the calendaring of the reporting to the Finnish Financial Supervisory Advisory Authority ("FIN-FSA"), on February 8, 2014, Carlson UK did not report that it had in fact closed out its entire net short position in the company the prior trading day. As a result, Carlson UK received an administrative penalty in the amount of €30,000 and settled the matter in February 2016. In order to guard against future irregularities in reporting, Carlson's Compliance Department instituted a process whereby two employees are responsible for verifying all the foreign reporting manually in addition to monitoring the automated reports. Additional details regarding the events described above can be found in Carlson's Form ADV Part I, which can be accessed through the SEC website at <http://www.sec.gov>.

Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Carlson is registered as a commodity pool operator and commodity trading advisor with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). CCGP has delegated to Carlson its commodity pool operator authority. While registered with the CFTC, Carlson has claimed certain exemptions with respect to activities on behalf of certain of the Funds. Pursuant to CFTC regulations and NFA rules, certain employees of Carlson are registered with the NFA as associated persons and designated as principals.

CCGP is the general partner of the Delaware-domiciled feeder funds and, in accordance with SEC guidance, is considered a registered investment adviser under Carlson's registration. CCGP has delegated to Carlson the investment advisory authority for such Funds.

Carlson relies in part upon investment advice received from Carlson UK, a United Kingdom limited liability partnership. As described in Item 4 (Advisory Business) above, Carlson UK is an affiliate of Carlson and an FCA-authorized and regulated investment adviser. Carlson UK is not registered with the SEC as an investment adviser because it meets the requirements to be treated as a “participating affiliate” of Carlson, which is its only client. Carlson UK personnel who provide advisory services to Carlson are subject to Carlson’s Advisers Act compliance policies and procedures and code of ethics as well as its own policies and procedures. No Carlson Client incurs any additional management or performance fees or allocations as a result of Carlson UK’s services. The relationship between Carlson and Carlson UK is evidenced in a Participating Affiliate Agreement dated March 29, 2018.

As further discussed below, the Funds may under certain circumstances invest, and certain Funds have invested, a portion of their assets in one or more of the other Funds to the extent that Carlson considers the investment appropriate and consistent with the investment objectives of the investing Fund and Carlson’s investment allocation policies and procedures. Any management or performance fees or allocations charged by Carlson or an affiliate on assets invested in a Fund by another Fund may be (in whole or in part) and has been waived or reimbursed to the extent received.

The following list of Funds is as of March 31, 2024.

Black Diamond Partners, L.P.
Black Diamond Ltd.
Black Diamond Intermediate Ltd.
Black Diamond Offshore Ltd.
Black Diamond Arbitrage Partners, L.P.
Black Diamond Arbitrage Ltd.
Black Diamond Arbitrage Intermediate Ltd.
Black Diamond Arbitrage Offshore Ltd.
Black Diamond Clean Energy, L.P.
Black Diamond Clean Energy Offshore Ltd.
Double Black Diamond, L.P.
Double Black Diamond Ltd.
Double Black Diamond Intermediate Ltd.
Double Black Diamond Offshore Ltd.

Certain Conflicts of Interest

The non-exhaustive information contained below describes certain potential material conflicts of interest relating to Carlson’s advisory business and relationships to related persons described above that may impact a Client. Carlson attempts to address or mitigate these conflicts through its policies and procedures and, as it determines appropriate, use of the Compliance Committee as described below. Each prospective investor in a Client must have enough knowledge and experience in financial and business matters to be capable of evaluating the potential material conflicts of interest that may arise in connection with the operation of such Client. No list of potential conflicts of interest can be expected to be full and complete. Each prospective investor should review the relevant Governing Documents in their entirety and discuss any proposed investment with his, her, or its investment, tax, accounting, legal, and other advisers prior to making any such investment.

Other Clients and Services

Carlson and its affiliates act, and may in the future act, in one or more capacities, including without limitation, as general partner, manager, director, administrator, trustee, custodian, investment adviser

in relation to, or be otherwise involved in, the Clients, or other funds or other investment vehicles, or accounts that have investment objectives or strategies that are similar, overlapping, or meaningfully different to those of one or more Clients. Current Clients and other funds or other investment vehicles, or accounts that may be advised by Carlson in the future, may hold either the same or opposite positions and may trade in advance of, or contemporaneously with, one or more other Clients, which would in the ordinary course of their business raise potential conflicts of interests with such Clients as further described below. There are no limitations on the investment objectives and strategies that may be pursued by Carlson or its affiliates on behalf of clients that may be advised by Carlson or its affiliates in the future.

Management of Multiple Clients

In providing services to a Client, Carlson gives advice and recommends securities which may be identical to, or differ from, advice given to, or securities recommended for, other Clients, even though their investment objectives may be similar or overlapping. Certain Clients pay higher fees to Carlson and are subject to different expenses than other Clients (please see Item 5 (Fees and Compensation) and Item 6 (Performance-Based Fees and Side-By-Side Management) for more information). Additionally, Carlson or its affiliates typically retain ownership interests in the Funds. This creates conflicts of interest as Carlson is incentivized to favor a higher fee paying Client over a lower fee paying Client (including a Client whose performance-based fee is not subject to a hurdle) or a Fund in which Carlson or its affiliates hold a greater ownership interest. Such conflicts of interest may result in Carlson allocating investments to certain Clients even if such investment opportunities are otherwise appropriate for other Clients. To mitigate these conflicts, Carlson has adopted allocation policies and procedures as described immediately below. Additionally, Carlson may cause and has caused accounts managed by it, including but not limited to the Clients in which Carlson or an affiliate may own an interest, to enter into transactions with each other. Please see Item 11 (Participation in Client Transactions) for more information. The performance of the Clients has varied, and any other accounts managed in the future by Carlson are expected to vary.

Allocation of Investment Opportunities and Aggregation of Trade Orders

In the ordinary course of its activities, Carlson buys or sells for one Client the same securities as those traded by another Client. Carlson has the sole authority to determine how investment and trading opportunities are allocated among the Clients, even though, as described above, it faces conflicts of interest in making such allocations. Please see Item 12 (Brokerage Practices – Order Aggregation and Allocation) for additional information regarding Carlson’s procedures concerning the allocation of investment opportunities and how conflicts are addressed.

Carlson may and generally does aggregate orders of the Clients. Such aggregation of orders, however, does not always benefit one or more particular Clients with regard to the price or quantity executed.

Additionally, situations arise in which the activities of Carlson or one or more of the Clients disadvantage one or more of the other Clients, such as the inability of the market fully to absorb orders for the purchase or sale of particular financial instruments placed by Carlson for all the Clients at prices and in quantities that would be obtainable if the same were being placed only for one Client. At other times, Clients may seek to sell, and sometimes do sell, investments that are also held by other Clients at different times. For example, a Client in liquidation or wind-down, or with a different strategy or withdrawal terms, sells an investment before another Client seeks to sell such investment, which, depending on factors such as the size and liquidity of the investment, could adversely affect the market value of the investment that is still held by the latter Client. Additionally, to the extent

Clients buy or sell investments at different times, one Client's trading activity, depending on factors such as the size and liquidity of the investment, could adversely affect the execution prices obtained by another Client.

Please see Item 12 (Brokerage Practices – Order Aggregation and Allocation) for additional information as to our practices concerning the aggregation of investment opportunities and how potential conflicts are addressed. Carlson attempts to address or mitigate these conflicts through its policies and procedures and, as Carlson determines appropriate, use of the Compliance Committee as described below.

Investments in other Investment Vehicles

A portion of the assets of certain Clients may be, and has been, managed directly by, or invested in, investment funds managed or sponsored by, other investment advisers selected by Carlson, to the extent Carlson considers the investment strategies offered by such advisers appropriate and consistent with the Clients' investment objectives. Where appropriate, a portion of the assets of certain Clients may also be, and has been, invested in other investment vehicles managed by Carlson, its affiliates, a Portfolio Company in which one or more Clients have an investment, or affiliates of such a Portfolio Company. Such investments may include initial capital or follow-on investments in private funds or other commingled investment vehicles, "co-investment," "overflow," or "side car" vehicles, collateralized debt obligations, collateralized loan obligations, or other structured or special investment vehicles. For example, Carlson may cause, and in the past has caused, a Client to make an investment in another Carlson-managed investment vehicle in order to permit such investment vehicle to launch or achieve sufficient scale.

The portion of the assets of any Fund allocated to investment advisers that are not controlled by or under common control with Carlson generally will not exceed 10% of the net assets of the Fund at the time of the allocation. However, the Fund Governing Documents do not specifically limit the ability of Carlson to invest a greater portion of a Fund's assets in a third-party investment adviser.

If Carlson or an affiliate controlled by or under common control with Carlson receives fees or allocations of performance-based compensation from an investment vehicle in which a Client holds an investment, Carlson will seek to waive or otherwise rebate such fees to the relevant Client to the extent that such fee is attributable to the investment by Clients in such vehicle. Carlson and its affiliates will be entitled to retain any fees paid by any such investment vehicle that are not attributable to the investment by Clients in the vehicle. Even with such waiver or rebate, such investments present a conflict of interest to the extent that Carlson benefits if the investment by a Client contributes to making the investment vehicle more viable, marketable, or profitable.

Carlson attempts to address or mitigate these conflicts through its policies and procedures, including its Code of Ethics, and, as Carlson determines appropriate, use of the Compliance Committee as described below.

Investments in and Loans to Portfolio Companies

A portion of the assets of a Client may be, and has been, invested in portfolio companies that are majority-owned or wholly-owned by the Client or one or more other Clients (each, a "Portfolio Company"). Such investments may be in the form of equity or debt investments and may include loans made by a Client to a Portfolio Company (see below). There is generally no limitation on the types of investments that a Client may make in a Portfolio Company. For example, the Black

Diamond Funds own a substantial majority of the outstanding common equity of SWKH. The ability of these Funds to exit from such investment is materially limited by various regulatory, contractual, and other considerations.

Certain Clients have provided (and may, from time to time, provide) loans or other extensions of credit (each, a “Portfolio Company Loan”) to one or more Portfolio Companies in which the Clients or another Client have an existing investment. A Portfolio Company Loan may be of any duration, may be made on a secured or unsecured basis, and may have a floating or fixed interest rate or other economic terms. It is generally expected that a Portfolio Company Loan will only be made by a Client if the Client holds another interest in the relevant Portfolio Company (or another entity in a group of entities), though that may not always be the case. The terms of a Portfolio Company Loan will generally take into account the actual or potential benefit to a Client and any other Clients that have another investment in the Portfolio Company. This may result in the Portfolio Company Loan having more favorable terms for the Portfolio Company than terms which would be provided by a lender in an arm’s length transaction. For example, the interest rate or repayment schedule on a Portfolio Company Loan may not (when viewed in isolation) adequately entirely reflect the risk associated with the Portfolio Company Loan.

In certain cases, a Portfolio Company Loan has been (and may, from time to time, be) made to a Portfolio Company in which a Client or one or more other Clients have a controlling position (either alone or collectively) and a Client, one or more other Clients, Carlson or its affiliates have obtained certain rights associated with a non-passive investment (“Control Rights”). Even if a Portfolio Company has provided Control Rights that would not necessarily be provided to a third-party lender, such Portfolio Company Loan may involve a high degree of economic risk and is likely to be highly illiquid. In addition, if a Client or one or more other Clients has a controlling interest in a Portfolio Company, some jurisdictions hold that a controlling owner owes certain fiduciary duties to the minority owner. This may increase the risk of legal claims against a Client in the event that the terms of a Portfolio Company Loan were determined to be unfavorable to minority owners.

Carlson attempts to address or mitigate these conflicts through its policies and procedures, including its Code of Ethics, and, as Carlson determines appropriate, use of the Compliance Committee as described below.

Performance Allocation, Series S Carried Interest and Management Fee

As noted above, the Performance Allocation and Series S Carried Interest allocable to Carlson and its affiliates creates an incentive to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement. Additionally, since the valuation of Client assets impacts the Performance Allocation allocable (and Management Fees payable) to Carlson and its affiliates and impacts the compensation of certain employees, Carlson may also have an incentive to inflate the valuation of certain Client assets. These incentives increase when the Performance Allocation is payable only upon exceeding a “hurdle” rate, benchmark, and/or high-water mark or loss carry-forward, and the performance of Client accounts is below any such hurdle, benchmark, and/or high-water mark or loss carry-forward. Since the Performance Allocation is calculated on a basis that includes unrealized appreciation of assets, it generally will be greater than if such Performance Allocation were based solely on realized gains. Certain Clients hold investments for which a market quotation is not readily available. Such investments may be, and have been, valued, including as a basis for determining the amounts payable to Carlson and its affiliates, in part based on information provided by Carlson. With respect to certain Clients, the terms of the Performance Allocation, the Series S Carried Interest and the Management Fee were established without negotiation

with any third party. Carlson attempts to address or mitigate these conflicts through its policies and procedures, including its Code of Ethics and its valuation policy and procedures, and, as Carlson determines appropriate, use of the Compliance Committee as described below.

Co-Investment Opportunities

Carlson has periodically offered certain persons the opportunity to co-invest in one or more investment opportunities alongside of a Client. In the future, Carlson may, in its sole and absolute discretion, offer such co-investment opportunities to other persons. Co-investors may be current or former investors in an existing Fund, current or former owners of a Managed Account, direct or indirect participants in any of the foregoing persons, strategic partners of Carlson or its affiliates, other entities controlled, or under common control with, Carlson, or a Client or persons with whom Carlson or its affiliates are seeking to develop a business or other relationship.

There are no limits placed on Carlson's ability to allocate co-investment opportunities in any manner that Carlson may choose. Carlson may (but is not required to) take into account those factors that it deems relevant under the circumstances, including: (i) whether a prospective co-investor has expressed an interest in participating in co-investment opportunities (including, for example, by election in such co-investor's side letter or investment advisory agreement, if applicable); (ii) the character or nature of the co-investment opportunity (e.g., its size, structure, geographic location, relevant industry, tax characteristics, risk and return characteristics, and any contemplated minimum commitment threshold); (iii) the level of demand for participation in such co-investment opportunity; (iv) the ability of a prospective co-investor to analyze or consummate a potential co-investment opportunity on an expedited basis; (v) whether a prospective co-investor has previously declined to participate in a co-investment opportunity (and the number of times such prospective investor has previously declined); (vi) whether or not the prospective co-investor is willing to pay performance compensation and management fees in respect of the co-investment; (vii) the size of a prospective co-investor's investment in a Client or in past or current co-investment opportunities; (viii) whether Carlson is required to offer such co-investment opportunity to such prospective co-investor (e.g., pursuant to such co-investor's side letter, investment advisory agreement or the Governing Documents of the applicable Client) or other fiduciary considerations; (ix) the strategic value of a prospective co-investor to the co-investment opportunity; and (x) legal, regulatory, and tax considerations. The relevance of each of these factors will vary depending on the co-investment opportunity with no single factor consistently outweighing the others. Notwithstanding the foregoing, Carlson may in the future update or develop additional policies and procedures to address the allocation of co-investment opportunities without notice to, or the consent of, Clients or investors in any Client. Such policies and procedures may differ from Carlson's current practice.

Generally, no Client (or direct or indirect beneficial owner thereof) has any priority right to receive any co-investment opportunity, though nothing prohibits Carlson from providing a Client (or a direct or indirect beneficial owner thereof) any such rights.

If any co-investor participates in a co-investment alongside a Client (indirectly through a co-investment vehicle established by Carlson or directly in the relevant investment), it is expected that such co-investor will bear its pro rata share of fees, costs, and expenses related to such co-investment if such co-investment is consummated. However, many co-investors are unwilling to agree to bear any fees, costs, or expenses related to an unconsummated co-investment. In such circumstances, the aborted co-investor's share of such fees, costs, and expenses may (if permitted by the relevant Client Governing Document) be borne by the Client that was intended to participate in such co-investment.

If a co-investor participates in a co-investment through an investment vehicle or vehicles managed or advised by Carlson, it is expected it will generally bear its pro rata share of organizational costs and expenses of such vehicles. In addition, it is expected each co-investor will bear its pro rata share of fees, costs, and expenses related to consummated co-investments in which such co-investor participants. However, a co-investor may negotiate to limit the amount of fees, costs, and expenses borne by such co-investor, in which case other co-investors or (if permitted by the relevant Client Governing Document) other Clients may bear an outsized proportion of such fees, costs, and expenses.

Carlson may (or may not) in its discretion: (i) charge Management Fees, Performance Allocation, “carried interest” or other similar fees or allocations to a co-investor and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of such co-investment arrangements. Different co-investors in a co-investment may be subject to different fee arrangements.

Carlson attempts to address or mitigate any conflicts of interest that arise in connection with allocating co-investment opportunities and managing the holding and disposition of such investments, through its policies and procedures, and, as Carlson determines appropriate, use of the Compliance Committee as described below.

Other Activities

Carlson and its affiliates engage, and may in the future engage, in other activities, and Carlson and its affiliates will determine how much time and attention they will devote to the affairs of the Clients.

Clint D. Carlson and certain other employees or other representatives of Carlson from time to time serve as members of the board of directors or creditors committee of Portfolio Companies, and have been given access for other reasons to confidential information relating to companies in which the Clients invest. As a result, the Clients are, under certain circumstances, prohibited for a period of time from engaging in transactions with respect to the debt or securities of such Portfolio Companies. Such activities may also limit the amount of time that such representatives of Carlson may devote to Carlson and its Clients. Certain employees of Carlson also may and do from time to time receive compensation directly from a Portfolio Company for such service. Receipt of such compensation and/or service on a board creates a conflict of interest between a board member’s personal interests, the interests of the Clients, and the interests of the Portfolio Company and its other shareholders. While Carlson has compliance policies and procedures designed to mitigate and monitor conflicts of interests relating to the outside activities of employees of Carlson, such as serving as a member of the board of directors of a Portfolio Company, such policies and procedures may not be effective and may, in certain circumstances, limit the ability of a Client to dispose of an investment in the relevant Portfolio Company at a time that Carlson would otherwise deem to be advantageous for such Client.

Clint D. Carlson is the interim Chief Executive Officer of EnPower, Inc. as well as the investment manager of Funds at Carlson. A Carlson fund may have investments in EnPower, Inc.

Other activities by Carlson and its affiliates on behalf of a Client may adversely affect one or more other Clients. Carlson and its affiliates and certain Clients may have, and have had, economic interests in, or other relationships with, issuers (including securitization vehicles) or special purpose vehicles in whose obligations or securities another Client may invest or in which such other Client may have an economic interest. A Client may make, and has made, investments in an issuer’s securities that may rank *pari passu*, senior or junior to an investment by another Client in such issuer’s securities, and Clients may have different rights, preferences, or privileges with respect to an issuer. In such cases,

Carlson or its affiliates may be required by its fiduciary obligations on behalf of a Client to take actions that are not in the best interests of another Client.

Carlson or its affiliates manage multiple Clients that pursue similar or overlapping strategies. To the extent that Carlson manages a Fund and a Managed Account pursuant to a similar strategy, or one that overlaps, the Managed Account has access to detailed information about their accounts, including current portfolio holdings, which Carlson does not customarily make available to investors in Funds. Such Managed Accounts (or their investors) are generally able to take action, including more timely action, with respect to their accounts that investors in a Fund with similar or parallel strategies cannot take. For example, holders of Managed Accounts generally have the ability to terminate their accounts immediately and may choose to liquidate their positions without regard to the effect such liquidation would have on other Clients, which may trade pursuant to a substantially similar strategy or otherwise have overlapping positions with such account.

Carlson and its affiliates and their employees may and do, but are not required to, invest in certain Clients at any time and from time to time. As a result of Carlson's position as the investment manager of a Client, such affiliated investors possess information relating to a Client which they would not otherwise possess, and none of Carlson, its affiliates or any employee of the foregoing have any obligation to disclose such information to any investor in such Client. Such information includes, but is not limited to, knowledge about the performance or prospective performance of investments made by the Client or withdrawals or redemptions, as applicable, made or proposed to be made by one or more investors in a Client or a related Client (including withdrawals or redemptions by affiliated investors).

An affiliated investor in a Client will generally not be charged fees or allocations payable or allocable to Carlson or an affiliate but, other than in the case of CCGP, generally will be subject to the same rights and obligations, including withdrawal rights, as those of unaffiliated investors in such Client. Therefore, to the extent permitted by applicable law, an affiliated investor may, in its sole discretion, withdraw all or a substantial amount of its investment in a Client without notice to, or the consent of, the other investors in such Client, which may result in liquidations of the Client's investments to fund such withdrawals prior to the most opportune time to effect such liquidations from a pricing standpoint. Such withdrawals may have a material adverse effect on the Client's investment portfolio and its performance.

Carlson attempts to address or mitigate these conflicts through its policies and procedures, including its policies and procedures regarding outside business activities and its Code of Ethics, and, as Carlson determines appropriate, use of the Compliance Committee as described below.

Different Investors

Investors in a Client or in Clients that are part of the same Fund group may have conflicting investment, tax, or other interests with respect to their investment. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Client, the structuring or the acquisition of such investments, or the timing of disposition of investments. In selecting and making investments, Carlson generally considers the investment and other objectives of the Client and its direct and indirect investors as a whole, and not the investment or other objectives of any particular investor or group of investors individually; provided that, Carlson may agree to take into consideration certain principles of investment adopted by certain investors with respect to certain Clients. In addition, on occasion, investors may request restrictions applicable to

investing in certain securities and Carlson may agree to apply those restrictions to a Client. Such restrictions may have an adverse impact on a Client's performance.

Side Letters

Carlson and its affiliates, without prior approval of, or notice to, any Client or investor in any Client, have entered into and may enter into additional side letters or other agreements with certain investors in Clients that have the effect of establishing rights under, or altering or supplementing, the terms of, any such investor's investment in a Client or require the Client, Carlson, or their affiliate to take or refrain from taking certain actions. Rights affected include or relate to fees, allocations, carried interest, reporting and transparency, and liquidity and could pertain to any other matter related to the Client, Carlson, or their affiliates. Such side letters or other agreements may, and do, establish terms that are more favorable to an investor than those available to others, and, absent a contractual obligation, neither the Client, Carlson, nor any of their affiliates are under any obligation to offer such rights or benefits to any other investor.

Existing and future side letters or other agreements that Carlson has entered into or may enter into with a limited number of investors who are not otherwise affiliated with Carlson, and who have generally been invested with Carlson for over ten (10) years or have generally invested a very large amount with Carlson, generally provide one or more of the following terms: (i) a waiver or reduction of withdrawal/redemption fees (if any) and/or the right to withdraw/redeem interests/shares or exchange interests/shares for a different existing series of interests/shares that offer better liquidity upon the occurrence of a violation of certain laws or other extraordinary events; (ii) notification of certain events (such as the occurrence of certain litigation, regulatory or criminal proceedings, departure of certain principals of Carlson, changes of certain service providers, or material changes to an investment strategy, certain policies of Carlson or the Client's Governing Documents); (iii) additional representations (such as acknowledgements of an investor's regulatory status, or compliance with certain laws); (iv) preferential access to certain information about the Client's investments (such as performance estimates, data required for an investor's regulatory reporting, reports provided to a third-party risk aggregator, portfolio holdings, or due diligence reviews); or (v) other provisions that generally have no material impact on any other investors in the Client.

Disclosure of Additional Information

From time to time, investors and prospective investors in a Client may and do contact Carlson or its affiliates with questions concerning the Client or their investment in it. In addition, certain investors may and do periodically contact Carlson or its affiliates with due diligence or similar questions, or meet with Carlson or its affiliates as part of a periodic due diligence or similar review process. Depending upon the nature and timing of such questions, Carlson's or its affiliates' responses may and sometimes do result in the possession of information by certain investors that is not then possessed by other investors and which may not ultimately be received by investors who do not conduct similar reviews or seek similar information, and may and sometimes does provide the recipient greater insights into the activities of a Client than is included in standard reports distributed to investors. When Carlson provides such information, it does so without an obligation to inform other Fund investors or to update any such information provided.

Service Providers Discounts and Related Conflicts

Certain advisors, vendors, or other service providers to the Clients may, and in certain instances do, also provide goods or services to, or have business, personal, financial, or other relationships with,

Carlson, its affiliates, and their employees. Such advisors, vendors and service providers may include accountants, administrators, lenders, bankers, brokers, attorneys, consultants, and investment or commercial banking firms (“Service Providers”). Such Service Providers may be, and have been, investors in one or more Clients, sources of investment opportunities to Clients, co-investors with Clients, or commercial counterparties of Clients. Additionally, Carlson, its affiliates, and their employees may have family members or relatives that are employees of, investors in, consultants to, or otherwise have business relationships with, a Service Provider or an affiliate thereof, including relationships where such family members or relatives receive financial benefits from the Service Provider or an affiliate thereof. Service Providers may be asked to support, and have supported, charitable causes which Carlson, its affiliates and their employees also support or with which they are otherwise affiliated. These relationships may influence Carlson or its affiliates in deciding whether to select or recommend such a Service Provider to perform services for a Client. Notwithstanding the foregoing, Carlson will only select a Service Provider to perform services for a Client to the extent Carlson or an affiliate thereof has determined that doing so is appropriate for the Client given all surrounding facts and circumstances and is consistent with Carlson’s responsibilities under applicable law, provided, however, Carlson will not necessarily seek out the lowest-cost option when engaging such Service Providers as other factors or considerations may prevail over cost.

In certain circumstances, Service Providers or their affiliates may charge different rates or have different arrangements for services provided to Carlson or its affiliates as compared to services provided to a Client. In certain circumstances, such different arrangements result in Carlson or its affiliates paying more favorable rates, or being subject to more favorable arrangements, than those to which the Clients are subject. Carlson has no obligation to obtain similar benefits (e.g., rate reductions or discounts) for the Clients.

Carlson attempts to address or mitigate these conflicts through its policies and procedures, and, as Carlson determines appropriate, use of the Compliance Committee as described below.

Compliance Committee

Carlson has established a Compliance Committee which meets at least on a quarterly basis to, among other things, consider issues that raise potential or actual conflicts of interest. Membership of the Compliance Committee includes Carlson’s Chief Compliance Officer and Clint D. Carlson, among others. The Compliance Committee’s responsibilities include reviewing certain actual and potential conflicts of interest, making determinations regarding Carlson’s response to identified conflicts, and reviewing disclosure of certain actual or potential conflicts of interest to Clients and underlying investors in the Clients, as appropriate. The Compliance Committee seeks to resolve conflicts in the best interests of Clients in keeping with Carlson’s fiduciary duties.

Item 11 CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Carlson has adopted a Code of Ethics (the “Code”) and Compliance Manual that contains policies and procedures reasonably designed to, among other things, alleviate possible conflicts of interest, prevent the misuse of material non-public information, ensure the propriety of its employees’ personal trading activity, and instill a culture of compliance with the U.S. federal securities law and the highest standards of business conduct.

Each employee has access to the Code and the Compliance Manual, is provided with initial and on-going training on the policies and procedures contained in the Code and the Compliance Manual, and is required upon commencement of employment, and at least annually thereafter, to sign a written acknowledgement of receipt, understanding, and agreement to abide by the Code and the Compliance Manual. Employees are also provided with any updates or amendments to the Code and the Compliance Manual on an on-going basis.

The Code is available to all current or prospective investors or Clients upon request to the Compliance Department or Investor Relations Department at 2100 McKinney Avenue, Suite 1900, Dallas, TX 75201 or via compliance@carlsoncapital.com or investorrelations@carlsoncapital.com.

Material, Non-Public Information

From time to time, Carlson or its affiliates may come into possession of material non-public information. This may occur, for example, where an employee or other representative of Carlson or its affiliates is a director or officer of a company or such affiliated person becomes otherwise aware of material non-public information. In the event that Carlson or its affiliates are in possession of material non-public information, Carlson will place the issuer or security on its restricted list and will be unable to use such information for the benefit of any of the Clients. Carlson's possession of such information may, therefore, cause the Clients to be prohibited from trading the securities of the issuer until such time as the information is made public.

In an effort to monitor potential and actual conflicts of interests, the Code requires employees to disclose to the Compliance Department all familial and certain other close personal relationships. Such relationships are required to be disclosed at the commencement of employment and certified to on a quarterly basis.

As noted above, certain employees or other representatives of Carlson serve as members of the board of directors or creditors committee of Portfolio Companies. Certain of such employees also may and do from time to time receive compensation directly from a Portfolio Company for such service. Receipt of such compensation and/or service on a board creates a conflict of interest between a board member's personal interests, the interests of the Clients, and the interests of the Portfolio Company and its other shareholders. Carlson has established procedures intended to address the possible conflicts of interest that board membership may present, including requiring authorization from Carlson's Chief Compliance Officer prior to an employee serving as a board member. Please see Item 10 (Other Financial Industry Activities and Affiliations – Certain Conflicts of Interest) for more information.

Personal Investment Transactions

Carlson and its affiliates may recommend or effect transactions on behalf of the Clients in securities that their employees may buy or sell for their personal investment accounts. Carlson has adopted and implemented personal investment policies and procedures, described generally below, as part of its Code, which seek to ensure that employee personal investment transactions do not create a potential or actual conflict of interest.

Carlson's personal investment policies and procedures require that employees (as well as members of their household and any other individuals over whose account(s) the employee has, either directly or indirectly, beneficial ownership, control, trading authority, or influence) receive Compliance Department approval prior to engaging in most personal investment transactions, including private

placements. With the exception of certain transactions, employees are limited in the number of personal investment transactions they may enter into per a calendar quarter. Certain personal investment holdings are also subject to a minimum holding period.

Carlson's personal investment policies and procedures generally prohibit investment personnel who cover (or are part of a portfolio management team a member of which covers) an investment sector on behalf of Carlson's Clients to enter into personal investment transactions that would be deemed to be part of such investment sector. Investment personnel who are generalists and do not cover a specific sector on behalf of Carlson's Clients are prohibited from entering into personal investment transactions in single-name securities. All employees are further prohibited from entering into personal investment transactions in any single-name security in which a Carlson Client has an existing order at the time of Compliance Department review and transactions in any single-name security for a period of time after which Carlson has traded the security on behalf of any Client.

All employees must report their personal investment accounts and applicable holdings to the Compliance Department at the commencement of their employment; report the opening of new accounts; and certify to their personal investment accounts and applicable holdings on at least an annual basis. Employees must also certify to certain of their personal investment transactions on a quarterly basis. Employee personal investment transactions are monitored by the Compliance Department in order to ascertain compliance with the Code, any pattern of conduct that may evidence actual or potential conflicts with the principles and objectives of the Code, and other inappropriate behavior.

Outside Activities

Employees must obtain approval from Carlson's Compliance Department prior to participation in outside business activities, including serving on boards of companies or creditors' committees.

Participation in Client Transactions

Carlson and its affiliates and their respective employees own significant investments in many of the Clients. Carlson does not generally invest directly on its own behalf in investments outside of the Clients. To the extent the consent of a Fund is required under Section 206(3) of the Advisers Act with respect to any proposed transaction to be entered by the Fund, Carlson will obtain the consent of the Fund for such proposed transaction by obtaining the consent of a committee of the Board of Directors of the Fund (which with respect to a Delaware-domiciled feeder fund is the Board of Directors of the master fund) who are independent from, and unaffiliated with, Carlson and its affiliates or such other independent representative of the Fund as appointed by such Directors with the consent of Carlson or in any other manner that complies with the Advisers Act.

Carlson may engage, and has engaged, in transactions between two or more Clients (a "cross transaction"), when consistent with the investment objectives and policies of each Client involved, including accounts in which Carlson and its affiliates and their employees are investors or in which such persons may have a financial interest due to performance-based compensation allocable to Carlson or an affiliate by such Client. When doing so, Carlson will generally seek to execute the transaction at the current market price of the security using current sales data (generally the closing price on a principal exchange), or a mid-market price, in each case, as determined by Carlson. Carlson does not charge any commission or other fee in connection with a cross transaction, although there will be, and has been, fees charged by third parties, such as the executing broker, to the Clients when cross transactions are executed through the market. No brokerage commission, fee (except for any

third party customary transfer fees), or other remuneration shall be paid in connection with any direct cross transactions between Clients that are not executed through the market.

All cross transactions require prior Compliance Department approval. In addition, the Compliance Department receives alerts that are designed to identify potential cross transactions to further confirm such transactions are being properly approved, documented, and supported.

Please see Item 10 (Other Financial Industry Activities and Affiliations – Certain Conflicts of Interest) for more information regarding these potential conflicts of interest.

Item 12 BROKERAGE PRACTICES

Selection of Brokers-Dealers

Carlson has complete discretion in selecting brokerage relationships and negotiating commissions. Carlson's objective in selecting a broker-dealer is to seek the best overall terms available under the prevailing circumstances and to ensure that best execution standards are met. Carlson evaluates each of its brokerage relationships utilizing a variety of factors, including but not limited to, access to securities offered for sale and the ability to source liquidity by the broker, the ability of the broker to achieve prompt and reliable executions at favorable prices, the services of the sales trader and the operational efficiency with which transactions are effected, the financial strength, integrity, and stability of the broker, including the ability to commit capital, trading ideas, the quality, comprehensiveness, and frequency of available research and related services considered to be of value provided or paid for by the broker, electronic trading capabilities, any special expertise or capabilities of the broker, including the ability to understand Carlson's investment strategies, reliability and fairness in resolving any trade breaks or errors, and the competitiveness of commission rates in comparison with other brokers satisfying Carlson's other selection criteria. Carlson is not required to weigh any of these factors equally, and depending on the relevant transaction, one or more factors may significantly outweigh the other factors.

Subject to compliance with applicable law and its duty to seek best execution, Carlson may direct and has directed brokerage transactions to brokers that have referred investors to Carlson and the Funds. Directing brokerage to broker-dealers in recognition of past or future referrals creates an incentive to effect more brokerage transactions with brokers who refer investors than might otherwise occur if referrals did not occur. Please see Item 14 (Client Referrals and Other Compensation).

Carlson and its affiliates may have other business arrangements with brokerage firms used to execute transactions for the Clients. Brokerage firms and their affiliates may be investors in the Funds, and have provided and may provide financing or other services to Carlson or other accounts managed by Carlson.

Carlson's Code contains a "Gifts and Entertainment Policy" that requires employees to disclose all gifts and entertainment (except entertainment of de minimis value) received from brokerage firms that conduct or seek to conduct business with Carlson and places restrictions on the value and types of gifts and entertainment employees may receive without prior Compliance Department approval. Carlson strictly prohibits the consideration of factors such as the receipt of gifts and entertainment when selecting brokers to execute transactions for the Clients. Carlson's determination to use certain brokers for the Clients who trade similar strategies or otherwise have overlapping positions may be and have been influenced by the fact that certain Clients may only have counterparty relationships in

place with certain brokers, which can subject such Clients to the financing, margin, and other terms in place with such brokers.

Research and Other Soft Dollar Benefits

Carlson is permitted to cause a higher commission to be paid to a broker-dealer that provides or pays for research, brokerage, and other related services than might be charged by another broker-dealer for effecting the same transaction, provided that Carlson determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research, or investment management-related services and equipment, provided by such broker-dealer. Specifically, Carlson utilizes and may continue to utilize client commission arrangements or client commission sharing arrangements to obtain research, brokerage, and related services that fall within Section 28(e) of the Exchange Act. Under these arrangements, Carlson requests that a broker-dealer allocate a portion of total commissions paid to a pool of “credits” maintained by the broker-dealer that can be used to obtain research, brokerage, and related services. After accumulating a number of credits within the pool, Carlson then directs that those credits be used to pay appropriate parties in return for eligible research, eligible brokerage services, and related services. Carlson receives a benefit from these arrangements because it does not otherwise have to produce or pay for such research, brokerage, or other products or services to the extent it is responsible for such payments. Additionally, Carlson has an incentive to select or recommend a broker-dealer based on Carlson’s interest in receiving the research, brokerage, or other products or services, rather than on the Clients’ interests in receiving the most favorable execution based on other factors (such as lower commissions).

Research, brokerage, and related services provided by brokers or third parties to Carlson during its past fiscal year, included and continue to include, but are not limited to, exchange and market data, information and analyses concerning specific securities, companies or sectors, market, financial or economic studies and forecasts, statistics, and pricing services, reports concerning portfolio positions and risk parameters, discussions with research personnel, legal research and analysis and databases, software and other news, technical and telecommunications services, and equipment utilized in the investment management, execution, clearance, and settlement of securities transactions processes, and other functions incidental to effecting securities transactions, including certain post-trade services (including, for example, trading software, connectivity, and communication services between Carlson, brokers, and other custodians initiated from Carlson’s order management system or otherwise, electronic communication of allocation instructions and routing settlement instructions, post-trade matching of trade information, and short-term custody). Carlson does not receive any services from brokers that are outside the safe harbor for the use of brokerage commissions or “soft dollars” for “research and execution services” under Section 28(e) of the Exchange Act. To the extent a broker-dealer provides Carlson with products or services that are used both for purposes permitted under the safe harbor of Section 28(e) as well as purposes that are not permitted under Section 28(e) (“mixed-use items”), Carlson determines an allocation of the payment for the product or service between “soft dollars” and “hard dollars,” which are payable by Carlson or, in the event the product or service constitutes a Client operating expense, the Client. This allocation determination itself poses a conflict of interest for Carlson because of the inherent incentive to minimize expenses payable by Carlson to the extent Carlson is responsible for such expenses. In allocating costs for a particular mixed-use item, Carlson will make a good faith, fact-based analysis of how its employees use the product or service. Relevant factors might include, for example, the amount of time the product or service is used for eligible purposes versus non-eligible purposes, the relative utility (measured by objective metrics) to Carlson of the eligible versus non-eligible uses, and the extent to which the product is redundant in light of other products employed by Carlson for the same purpose; provided that Carlson

may consider any other factors it deems appropriate under the circumstances, with or without consideration of the foregoing.

Research, brokerage, and related services provided by brokers have been and may be used in servicing any or all of the Clients, and such research, brokerage, and related services may not necessarily be used by Carlson in connection with the Clients that paid commissions to the broker providing such products or services. The portion of soft dollar benefits allocated to Clients managed by Carlson or its affiliates will not always be proportionate to the soft dollar credits generated by such Clients or the costs of such soft dollar arrangements borne by such Clients. In addition, not every Client will receive soft dollar benefits on every transaction even though such Client(s) will pay the same commission rates on such transaction(s) as those Client(s) that do. During the past fiscal year, Carlson selected and reviewed brokers in accordance with its best execution policy and assessed and allocated costs for any “mixed use” products according to their use and reviewed its soft dollar arrangements in light of its soft dollar policies and procedures. Additionally, the allocation of brokerage commissions paid to each broker in return for research is reviewed by Carlson’s Best Execution/Soft Dollar Committee. Total commissions as well as “per share commissions” paid to each broker are also monitored by the Best Execution/Soft Dollar Committee.

In contrast to using Client commissions, Carlson UK utilizes a research payment account to obtain certain research and related services to the extent permitted and in compliance with FCA rules. Under this arrangement, Funds and Managed Accounts are allocated a research charge that is deposited into the research payment account pursuant to an annual research budget agreed to between Carlson and Carlson UK based on the assessed value of research, which is reviewed periodically, in order for Carlson UK to procure third party research to provide investment advisory services to Carlson for the benefit of certain of its Clients. The research charge paid by the Funds and Managed Accounts is generally determined by their pro rata allocation of the research budget, based on the anticipated amount of research consumed by investment teams associated with the applicable investment strategies employed by the Funds and Managed Accounts over time. The research charge allocated to the Funds and Managed Accounts is reviewed and adjusted periodically and is expected to vary from year to year based on a number of factors, which may include, without limitation, changes in the annual research budget and the anticipated level of research usage and strategy exposures relevant to the Funds and Managed Accounts. Certain Managed Accounts have to approve any changes to the research charge paid by such Managed Accounts.

Order Aggregation and Allocation

Carlson buys and sells investment securities conforming to the specific objectives and constraints of each Client, and determines the appropriate size and amount of each security to be held. Carlson has established aggregation and allocation procedures for portfolio investment opportunities in which more than one Client participates. The aggregation and allocation procedures are reasonably designed to assist Carlson to act in a manner it considers fair and equitable over time, taking into account all relevant facts and circumstances, in allocating investment opportunities among Clients.

Carlson may and generally does aggregate and place orders for more than one Client simultaneously. The proposed allocation of any order placed on behalf of more than one Client is ordinarily determined prior to placing the order. If all such orders are not filled at the same price, then Carlson generally causes each account to pay or receive the average of the prices at which the orders were filled for all accounts. If all orders placed cannot be fully executed under prevailing market conditions, then the securities traded may be allocated among the Clients in a fair and equitable manner, taking into account the size of the order placed for each Client account and any other relevant factors. Such

aggregation of orders does not always benefit one or more particular Clients with regard to the price or quantity executed. Please see Item 10 (Other Financial Industry Activities and Affiliations – Certain Conflicts of Interest) for more information regarding potential conflicts in connection with aggregation.

In general, if orders for an investment cannot be completely filled, the orders are allocated either pro rata among the Clients participating in an aggregated transaction, or on a basis other than pro rata if such other method of allocation is reasonable and does not result in an improper disadvantage or advantage to one participating Client as compared to another Client over time, taking into account all relevant criteria as described in further detail below.

Carlson generally determines which investment strategies are appropriate for each Client (which may be one strategy for single-strategy Clients). In accordance with Carlson's procedures, orders are generally assigned to an investment strategy and ordinarily allocated to each Client participating in that strategy based on the percentage of the strategy allocated to each such Client. Each Client's investment strategy allocation may be based on criteria as they relate to each specific Client, including but not limited to: (i) investment policies, guidelines, or restrictions; (ii) tax considerations; (iii) liquidity constraints; (iv) risk tolerances; (v) regulatory restrictions; (vi) available credit lines and counterparty arrangements; (vii) hedging activity; and (viii) other relevant factors. Not all factors may be relevant or weighted equally in connection with every investment opportunity. Under certain circumstances, orders are allocated using a different methodology than described above. In any case, Carlson seeks to make such allocations in a fair and equitable manner over time, consistent with Carlson's fiduciary obligations to its Clients and when applicable, in accordance with the Governing Documents and investment guidelines of such Clients.

Additionally, Carlson allocates investment opportunities among the Clients in a manner that it believes is consistent with any applicable laws, rules or regulations of which Carlson is aware that may restrict the ability of a Client or Fund investors to participate in a particular investment (e.g., investments in newly issued securities ("New Issues") subject to the Financial Industry Regulatory Authority Rules 5130 and 5131 (the "FINRA New Issue Rules")). Carlson reserves the right to vary its policy with respect to the allocation of New Issues as it deems appropriate in light of, among other things, existing interpretations of, and amendments to, the FINRA New Issue Rules and practical considerations, including administrative burdens and principles of fairness and equity. In certain circumstances, this may result in a Client or Fund investors not being allocated profit and loss earned on investments in New Issues even when such Client or Fund investors may be permitted to receive such allocations under the FINRA New Issue Rules.

In some cases, certain Clients receive priority or overweighted allocations of investment opportunities.

Trade Errors

On occasion, Carlson experiences errors with respect to trades it makes on behalf of its Clients. Carlson does not, directly or indirectly, use soft dollars to correct trade errors. Please see Item 10 (Other Financial Industry Activities and Affiliations – Certain Conflicts of Interest) for more information related to trade errors.

Item 13 REVIEW OF ACCOUNTS

All Client accounts are regularly reviewed by Carlson investment personnel. The principal portfolio managers who make investment decisions on behalf of each of the strategies used by each Client

supervise the management of the strategies and investments for which they are responsible and review their respective accounts on an on-going basis. Carlson's Portfolio/Risk Committee and Management Committee oversee specific aspects of the investment process including capital allocation, target leverage, and certain hedging decisions.

Carlson provides monthly reports to Fund investors that contain information about the Funds, including, as applicable, current performance results, assets under management, and varying levels of portfolio transparency. Fund investors also receive a monthly capital statement from each Fund's administrator that sets forth the investor's capital account balance or net asset value. Fund investors receive audited financial statements on an annual basis.

Carlson provides reports to Managed Accounts as specified in the applicable Governing Documents.

Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

Carlson has entered, and may in the future enter, into agreements pursuant to which it compensates third parties for referrals of investors to the Funds. For example, Carlson engaged certain third parties to act as a placement agent for one or more Funds and may engage third-parties to act as a solicitor to refer clients to Carlson. In addition, Carlson may permit, and has permitted, a "feeder fund" sponsored by a third party to invest in a Fund or group of Funds as part of a wealth management platform maintained by such sponsor or an affiliate thereof that acts as the broker-dealer for such platform. In such circumstances, the third party placement agent may receive, and has received, a portion of the fees paid by such Funds to Carlson attributable to capital committed by investors that invest directly in a Fund or the amounts invested by such third party "feeder fund." Certain third party placement agents may in turn pay all or part of such fees to their clients who are investors in the Fund (directly or indirectly through a third party "feeder fund") pursuant to fee arrangements between such placement agents and their clients. Pursuant to the terms of their arrangement with the placement agent, certain investors have historically only been provided access to invest in a Fund through certain series of interests or shares, which paid higher fees than those payable if such investors had invested in other series of interests or shares offered by the Fund.

In certain circumstances, Carlson or its personnel attend events sponsored by a third party at which Carlson or its personnel are introduced to prospective investors or clients. Carlson generally does not pay to attend such capital introduction events and generally does not pay the sponsors of such events for any investments received from prospective Fund investors or clients that Carlson is introduced to at such an event. However, attendance at such events may create the appearance that Carlson causes a Client to use the brokerage or other services of the event sponsors (or their affiliates) in order to be invited.

An unaffiliated placement agent, an unaffiliated solicitor of clients, the sponsor of a third party "feeder fund," or the sponsor of a capital introduction event (or an affiliate of one of the foregoing) may, and in certain cases does, act as a broker for one or more Clients or otherwise provides services to one or more Clients. Carlson may direct, and has directed, brokerage transactions to brokers that have referred prospective investors to Carlson and the Funds, as described in Item 12 (Brokerage Practices) above. Carlson will only enter into an agreement with a placement agent, cash solicitor, or other person that is directly or indirectly referring prospective clients or Fund investors to Carlson if such agreement (and the transactions contemplated thereby) complies with the Advisers Act and any other applicable law.

Please see Item 10 (Other Financial Industry Activities and Affiliations) and Item 12 (Brokerage Practices) above.

Item 15 CUSTODY

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) sets forth requirements for registered investment advisers who have “custody” of client assets (i.e., the authority to hold, directly or indirectly, client funds or securities). While Carlson does not physically hold the securities or other assets of the Funds (excluding certain types of securities that do not need to be maintained by a qualified custodian under the Custody Rule), Carlson is deemed to have custody of the Funds’ assets because Carlson (or its affiliate CCGP that serves as general partner of the Delaware-domiciled feeder funds) has the authority to obtain such assets by deducting advisory fees and otherwise withdrawing assets from each Fund’s account.

Carlson satisfies its Custody Rule obligations regarding each Fund using the “audit exception,” which requires that each Fund: (i) be subject to audit at least annually, conducted in accordance with U.S. Generally Accepted Auditing Principles by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board; and (ii) distribute its audited financial statements prepared in accordance with U.S. Generally Accepted Auditing Principles to all investors within 120 days of the end of each Fund’s fiscal year. Carlson expects to distribute audited financial statements prepared in accordance with U.S. Generally Accepted Auditing Principles to all investors within 90 days of the end of each Fund’s fiscal year.

Carlson does not have custody with respect to the Managed Accounts since it does not have or accept the authority to hold, directly or indirectly, funds or securities held by a Managed Account or have the authority to obtain possession of them.

Item 16 INVESTMENT DISCRETION

Carlson has complete discretionary authority to manage the Clients pursuant to the investment advisory agreements, indentures, and/or other Governing Documents with the Clients and endeavors to manage the Clients in a manner consistent with the investment objectives and restrictions of each Client. For more information, please see Item 4 (Advisory Business) above.

Item 17 VOTING CLIENT SECURITIES

Carlson has adopted proxy voting policies and procedures (the “Proxy Policy”) to meet its obligations under the Advisers Act, including to address conflicts of interest associated with proxy voting, and to reasonably ensure that Carlson votes proxies on behalf of the Clients, over which it exercises voting discretion, in the best interest of each relevant Client.

In order to facilitate the proxy voting process, Carlson has engaged the services of an independent proxy advisory firm, ISS Governance Services (“ISS”), which generally votes all proxies on behalf of Carlson. ISS has been granted “implied consent” (as defined in the ISS Vote Authorization Registration Agreement) by Carlson to generally vote all proxies in accordance with ISS’ recommendations with the exception of meetings where share blocking may apply. For certain proxies, as determined by Carlson in its discretion, Carlson will nevertheless choose to vote not in accordance with ISS’ recommendation, abstain from voting, or not vote, if it determines, in its discretion, that the ISS recommended vote is not in the best interest of the relevant Client(s). In determining how to vote on a matter in the best interest of each relevant Client, the applicable

portfolio manager(s) will generally consider: (i) the impact on the value of the investment; (ii) the costs and benefits associated with the proposal; (iii) the effect on liquidity; (iv) the customary industry and business practices; (v) consistency with the investment objective or strategy of the relevant Client(s); and (vi) any other factors deemed relevant, and vote with a view toward maximizing the overall value to the relevant Client(s). The best interest of each of the Clients must be considered separately. As a result, depending on a given Client's particular circumstances, Carlson could take action, including abstaining from voting, for the proxies of one Client differently than it does for proxies of another Client. Fund investors may not, and do not, direct voting of proxies.

Actual or potential conflicts of interest arise, or could arise, when determining how to vote proxies for Clients. Such conflicts of interest could, or could appear to, compromise the independence of the decision of how to vote a proxy on behalf of a Client and must be addressed. Carlson has implemented the Proxy Policy and other policies and procedures to mitigate or eliminate such potential conflicts of interest. Identified conflicts of interest are required to be raised to the Chief Compliance Officer, or Carlson's Compliance Committee (as described in Item 10 of this Brochure), if applicable. Additionally, Carlson's engagement of ISS to generally vote proxies in accordance with its recommendations mitigates Carlson's conflicts of interest, if any.

The Proxy Policy as well as information related to the way Carlson voted proxies is provided to Clients and Fund investors upon written or verbal request to the Investor Relations Department.

Item 18 FINANCIAL INFORMATION

There is no current financial condition that is reasonably likely to impair Carlson's ability to meet its contractual commitments to any Client.