



ARENA
I N V E S T O R S L P

PART 2A OF FORM ADV: FIRM BROCHURE

ARENA INVESTORS, LP

A Delaware Limited Partnership registered with the U.S. Securities and Exchange Commission as an Investment Adviser

March 30, 2024

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This brochure (“Brochure”) provides information about the qualifications and business practices of ARENA INVESTORS, LP (“Arena” or “Investment Adviser”). If you have any questions about the contents of this brochure, please contact us at (914) 670-7809. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Arena is also available on the SEC’s website at www.adviserinfo.sec.gov.

Arena is registered with the SEC as an investment adviser.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

Since Arena's previously filed Brochure dated March 31, 2023, there have been no material changes to Arena's investment advisory business.

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ITEM 4. ADVISORY BUSINESS

Arena was created in 2015 to establish a multi-strategy asset management business that seeks to create attractive risk-adjusted returns for its clients across a wide variety of fundamentals-based, asset oriented, credit-focused investment opportunities.

The senior management team of Arena is led by Chief Executive Officer (“CEO” and Chief Investment Officer (“CIO”) Daniel Zwirn.

The Westaim Corporation (TSXV:WED), a publicly listed Canadian corporation, owns Arena through indirect holding companies (collectively, The Westaim Corporation and its holding companies are referred to herein as “Westaim”). Arena is directly owned by Arena Investors Group Holdings, LLC (“AIGH”), which is owned and controlled by Westaim. Additionally, Bernard Partners, LLC (“BernardCo”) holds a 49% stake in the Investment Adviser.

Clients (as defined below) will be required to consent in advance to any change of ownership in their subscription documentation or otherwise. In addition, or alternatively, to the extent any change in the equity ownership of Arena represents an “assignment” or change of control within the meaning of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Clients or an independent representative with relevant experience, will be asked to provide consent to such assignment or change of control on behalf of a fund Client and its investors; any such consent given will be binding on such fund and its investors. Separately managed account Clients will be required to consent in advance to such change of ownership in their investment management agreement (“IMA”).

Advisory Clients

Arena provides investment advisory services directly, and indirectly through its affiliated advisory entities, to: (i) certain private investment vehicles including domestic and foreign partnerships and corporations sponsored and/or organized by Arena (“Arena Funds”); and (ii) separately managed accounts and single investor vehicles that may be domestic or foreign partnerships or corporations each established by, or on behalf of, a single third party investor (or two or more affiliated third party investors) (collectively, “SMAs” and together with Arena Funds, “Clients”).

The descriptions of Arena Funds and SMAs managed by Arena set forth in this brochure, including the types of investments made and strategies used, fees and expenses charged, risk factors and conflicts of interests that will arise in Arena’s management of such Arena Funds and SMAs, are qualified in the formal offering materials (e.g., the offering memoranda, memorandum and articles of association, limited partnership agreement, as the case may be, and subscription documents) provided to investors in the Arena Funds which Arena manages (collectively referred to herein as the “Offering Documents”) or the IMA for SMAs, as applicable.

Arena provides investment advisory services to pooled investment vehicles, or single investor managed accounts or funds, the related investment strategies of which typically are expected to be substantially similar to or invest in some of, but not all of the related investment strategies of one of the other Arena Clients and Arena proprietary accounts. Investment strategies will vary depending on the investment mandate for each Client. As more fully described below, Arena’s

investment strategies include, but are not limited to: (i) corporate private investments, (ii) real estate private investments, (iii) structured finance & assets, (iv) natural resources, (v) secondaries & liquidity solutions, (vi) Asia-Pacific private investments, (vii) European private investments, and (viii) corporate securities.

Assets Under Management

As of December 31, 2023, Arena had approximately \$3,675,146,923 in regulatory assets under management (of which approximately \$935,123,487 of assets were non-discretionary and \$2,740,023,436 were discretionary).

Arena does not participate in wrap fee programs.

ITEM 5. FEES AND COMPENSATION

Arena's Clients, and the investors in the Arena Funds, are generally qualified purchasers, as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Investment Company Act"). As such, a detailed Client fee schedule is not included in this brochure. However, Arena Fund investors will pay some or all of the following fees to Arena:

- (i) An annual management fee, typically payable monthly or quarterly in advance, which will be up to 2.0% per annum of the applicable investor's capital account balance or assets under management (a "Management Fee"), as applicable. The specific payment terms and other conditions of the management fees payable to Arena are set forth in the Offering Documents of each respective Client; and
- (ii) In the case of open-ended private funds, the performance fee (or in the case of certain other Clients, an "incentive allocation"; the phrase "Carry" is used throughout this brochure to refer to both a performance fee or an incentive allocation) will generally be up to 20% of the net capital appreciation of such investor's capital balance at the end of the relevant fiscal period (generally subject to a "high water mark" based on prior high net values and loss carryforward limitation) and, in certain instances, subject to a soft hurdle. Carry will be taken on assets that are set aside (the "Set Aside Carry") to be tracked separately in connection with a withdrawal (the "Set Aside Portion") and such Set Aside Carry will not be "netted" against the profits and losses associated with any amounts that are not being withdrawn. With respect to certain clients structured as closed-end vehicles, a carry may be made subject to an all-capital back waterfall and a preferred return. See, Offering Documents or IMAs for details.
- (iii) In the case of closed-ended private funds, performance fees are also charged on similar terms, but distributions will be collected exclusively by investors until such investors receive their initial contributions and/or any preferred returns. See, Offering Documents or IMAs for details.

In certain cases, Arena will waive or reduce Management Fees and Carry for certain investors, including employees and affiliates. The Carry will be payable or allocable to the general partners of each Arena Fund (collectively, the "General Partners"), each an affiliate of Arena.

Arena negotiates fees with regard to its separately managed accounts.

As disclosed in the relevant Offering Documents or IMAs, Arena and certain of its affiliates also charge a fee generally equal to 40 bps (0.40%) per annum to 150 bps (1.50%) per annum, depending on the level of sophistication of the relevant mandate, on the fair value of the illiquid portion of the portfolios managed by Arena in connection with the management and servicing of Client account assets. This fee is in addition to the Management Fee borne by the Arena Fund (and its investors) or SMA accounts, is not offset by any Management Fee or other fees, and is used to offset the expense of engaging personnel and incurring other overhead costs to manage loans assets of Clients accounts in lieu of hiring an unaffiliated third-party loan servicer (please see "Certain Asset Servicing Expense" and Item 11 for information relating to conflicts of interest). Some Clients will be assessed a higher Asset Servicing Expense (as defined below) depending on the investment mandate.

Affiliates of Arena will also charge other fees to cover services which are not included in the customary items covered by the Management Fee, and which could be provided by unrelated third

parties at the expense of the Arena Funds or SMA accounts (See below “Additional Fees and Services”).

Arena may make investments on behalf of Clients either directly or indirectly through investments in accounts, including private pooled investment funds (or other pooled investment vehicles), with other investment advisers, in which case the Client will generally be subject to additional fees payable to such other investment adviser, as well as its proportionate share of costs and expenses, including where the relevant co-manager or other investment adviser will be paid out of the assets of a joint venture vehicle in which the Client is invested. Arena also will place a portion of a Client’s investable assets in Arena-affiliated investment funds, in which case the Client will not be subject to any additional Management Fee or Carry but will bear its proportionate share of costs and expenses.

Arena will deduct Management Fees from Clients’ assets, typically in advance, on a monthly or quarterly basis, depending on the Client involved. As a result of limitations on withdrawals from an Arena Fund, Management Fees will in some cases have been earned at the time of withdrawal. In the unusual situation in which (i) an investor withdraws from an Arena Fund, (ii) the Arena Fund terminates its operations or (iii) a Client or Arena terminates the IMA between them, in each case prior to the end of a quarter or month, as applicable, the Management Fee for the quarter or month in question will be prorated for the number of days that, as applicable, (i) the investor held an interest in the fund, (ii) the fund was in operation or (iii) the investment management agreement was effective, and any unearned portion of the Management Fee will be refunded, as applicable, to the fund and investor. More detailed information about specific fees and expenses is provided in the pertinent Offering Documents or IMA.

Additional Fees and Expenses

Arena and any affiliated General Partners will be generally responsible for all of their respective overhead costs and expenses, to the extent that such costs and expenses are not otherwise borne by one or more Clients.

In addition to the foregoing fees, each Client will generally pay the operating and investment expenses related to the affairs of such Client, including, but not limited to:

- Expenses related to the organization and offering (including organizational and incorporation expenses of the Client and its General Partner (as applicable), legal and accounting fees incurred in connection therewith, expenses incurred in connection with the preparation of the governing documents of the Client and its General Partner (as applicable));
- Expenses incurred to comply with any law or regulation related to the business and activities of the Client and its General Partner (as applicable), and all other expenses with respect to offering interests of the applicable Client (including, without limitation, filing fees and expenses, travel, hotel, meals and similar costs); brokerage commissions; expenses relating to short sales; hedging expenses; clearing and settlement charges; custodial fees; bank service fees; administration expenses; valuation and appraisal expenses; organizational expenses; costs and expenses associated with processing withdrawals;

- Costs and expenses related to closings and the admission of investors; costs of winding-up the Client; interest expenses; financing costs; professional and other fees and costs relating to the investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging or disposition of investment opportunities, whether or not consummated (including expenses of attorneys, consultants and experts, commercial travel (including first class airfare) and investment software); origination fees (including the expense for retaining additional personnel who will source investments on behalf of a Client and report to the applicable personnel employed by Arena with respect to such investment origination); valuation costs;
- Expenses relating to the engagement of affiliates of Arena to who provide services to the Client or issuers of its investments (including allocable overhead) but excluding investment professionals employed by Arena primarily engaged in the investment activities of the Client, expenses related to the costs of trade breaks, costs of trade errors to the extent consistent with the Investment Adviser's Trade Error Policy;
- Expenses related to organizing and structuring any blockers of special purpose vehicles; tax structuring costs, including establishing additional management entities in certain non-U.S. jurisdictions for the primary purpose of generating tax-related benefits for the Client; any and all fees, costs and expenses relating to the appointment and engagement of independent and nonexecutive directors acting on behalf of a Client (as applicable), general partners (or similar), any alternative vehicle or blocker or the equivalent (and, if applicable, the general partners or the equivalent of the general partners or the equivalent) and the salaries and remuneration of any employee or consultant to any blocker, holding entity or special purpose entity, including the employees of any Irish or other non-U.S. subsidiaries or affiliates, including blocker entities; costs of joint venture servicing;
- Expenses related to risk management expenses; insurance (including general liability, directors and officers, errors or omissions and any cybersecurity insurance in respect of the Investment Adviser); expenses incurred in connection with distributions to the Clients; expenses incurred in connection with any meetings of the L.P. Advisory Committee, if applicable, (including, without limitation, travel, meal and lodging expenses of the Investment Adviser and its representatives and meal and lodging expenses of the Clients, in each case, incurred in connection with attending such meetings);
- Expenses incurred in connection with compliance with side letters and most favored nations processes; expenses relating to defaults by Client or Client's investors in the payment of any capital contributions; legal and compliance expenses; Management Fees; expenses related to or in connection with any governmental inquiry, investigation or proceeding involving a Client, including the amounts of any judgments, settlements or fines paid in connection therewith (other than as set forth in the Offering Documents); auditing and tax preparation expenses; regulatory expenses related to the Client, including costs of Form PF and the AIFMD; accounting and operations expenses (including the cost of accounting software packages);
- Expenses related to extraordinary expenses (including litigation, indemnification and contribution expenses); Client-level taxes; out-of-pocket expenses of asset management personnel; insurance costs, including, but not limited to, directors' and officers' and errors and omissions

insurance; fees and expenses of sub-advisors; costs of relevant non-accounting software; expenses associated with investor reports; fees and expenses of unaffiliated servicers of specific assets owned by the Client; costs of research, information systems, software and hardware; costs of participations and other forms of compensation provided to deal finders or sources; third party costs of other service providers to the Client, including affiliates; costs of any third parties that approve affiliated transactions (including the Independent Representative and the L.P. Advisory Committee, if applicable); certain overhead expenses specified in the Client's Offering Documents; the costs of Required Placement Agents to be borne by the relevant investors in the non-U.S. jurisdiction for which the Required Placement Agent (as defined below) was engaged;

- Expenses of the Investment Manager's for complying with the custody rule under the Advisers Act; the Investment Manager will determine how to comply with the custody rule in its sole discretion and charge such amounts to the Clients; such amounts will be in addition to the Management Fee; and
- Expenses related to certain Arena affiliates that generally charge a 40 bps (0.40%) per annum to 150 bps (1.50%) per annum which can be higher or lower depending on the investment strategy and level of sophistication of the relevant mandate, fee per annum based upon fair value of the illiquid portion of the portfolio in consideration for day-to-day asset management services (including loan servicing and other ancillary services required to maintain the types of illiquid assets in a Client's portfolio) as well as due diligence, acquisition, and disposition services.

Specific fees and expenses are outlined in each Client's Offering Documents or investment management agreements.

Certain Asset Servicing Expense.

Many assets that Arena expects to acquire on behalf of certain Clients, including the Arena Funds and the SMAs that it advises require the direct and continuous supervision of asset management personnel. Arena has contracted with its wholly owned affiliate, Quaestor Advisors, LLC ("Quaestor") for the day-to-day administrative services, including loan servicing and other ancillary services, required to maintain the types of illiquid assets. In addition, certain other support functions are performed by personnel or other entities of Arena and its affiliates, the fees of which are paid by the Clients and are not included in the Asset Servicing Expense discussed below. Quaestor is currently staffed primarily by individuals who are also employees of the Arena Group to service a broad array of illiquid assets on behalf of the Clients. Given Quaestor affiliation with the Investment Adviser and the overlap of General Partner and that personnel acting are providing services on behalf of such affiliated Service Entities are employed by other entities in the Arena Group, the Adviser faces a conflict in determining whether to engage Quaestor and monitoring the quality of its services.

In light of the unique nature of a large portion of the Clients' assets and the efforts required to service them, it is not possible to estimate servicing costs precisely. Quaestor charges a flat "Asset Servicing Expense" at the annual rate of 50 bps or a higher amount depending on the strategy (such rate as modified from time to time, the "Annual Rate") calculated without reduction for the accrued Asset Servicing Expense, Management Fees or incentive allocation/carry (if applicable) for the

management of the Client's account. The Asset Servicing Expense will accrue and will be paid monthly in advance. For the avoidance of doubt, asset servicing functions will be performed by personnel within back-office functions including, for example, asset management, operations, accounting, finance, and compliance.

Although the Annual Rate will change, material changes to the Annual Rate will require the consent of the relevant Client or Arena Fund investors, as applicable.

In addition to the day-to-day administrative services, the Affiliated Asset Service Providers provide due diligence, acquisition and disposition services to a SMA client or an Arena Fund for illiquid assets. The fees for such services will be in addition to the 50bps, using actual time incurred based on the Affiliated Asset Service Providers' cost of providing such services, including overhead (determined by time records of the personnel providing such services with respect to such assets). For completed transactions, such costs will be divided pro rata among the various Clients and accounts of Arena and its affiliates who acquire or dispose of the assets. For broken deals, the costs will be divided pro rata among the various Clients and accounts of Arena and its affiliates who were scheduled to acquire the assets.

The Asset Servicing Expense and the charges described in the preceding paragraph are in addition to, and will not offset, the Management Fee or any other fees; they are used to cover the Affiliated Asset Service Providers' expense of engaging personnel and incurring other overhead costs to manage the illiquid assets in the relevant portfolio, in lieu of hiring an unaffiliated third-party loan servicer.

Funds advised by Arena do not typically bear office rent or salary expenses of the employees of Arena or its affiliates except as described above. The Affiliated Asset Service Providers' staff time charges do not include any fund director or more senior level personnel of Arena or its affiliates or any portion of Arena's back-office staff. The Affiliated Asset Service Providers will not manage or receive payments in respect of a SMA client or Arena Fund's portfolio of liquid assets (i.e., Level I assets for U.S. Generally Accepted Accounting Principles purposes), for which the costs of managing will be covered by the Management Fee.

If a SMA client or an Arena Fund invests in a transaction that results in the SMA client or the Arena Fund being entitled to break-up, standby, commitment, consent, waiver or similar fees, Arena will receive and retain such fees and reduce the Management Fees or reimbursable expenses next payable by a like amount.

Other Special Expenses

Quaestor Strategic Advisors consists of U.S. and non-U.S. entities utilized by affiliates of Arena, collectively with any subsidiary or successor entities thereto, and any similar entities established for the purpose of conducting similar activities for specified groupings of companies that come under the control of AMC, such as Arena Fortify Management LLC (the "Quaestor Entities" and together with any other company ultimately owned by AMC established for the purpose of providing similar services to assets from a specific industry or geographic profile, "Affiliated Asset Service Entities"). The Affiliated Asset Service Entities, in exchange for the Special Expenses (as

defined below), facilitate strategic arrangements with, or engagements (including on an independent contractor or employment basis) of, any persons that the general partner (or similar) determines in good faith to be industry executives, advisors, consultants, operating executives, subject matter experts or other persons acting in a similar capacity, to provide consulting, sourcing or other services to a Client, issuers of investments (including with respect to potential portfolio investments of the Client and Arena) and other Arena Clients and their investments and expect to provide such services to clients not managed by Arena in the future. The foregoing individuals are distinct from Arena's personnel who provide services on behalf of Arena. To the extent that for legal, tax, regulatory or similar reasons it is necessary or desirable that the foregoing activities be conducted by, through or with one or more affiliates of Arena or other persons other than the Affiliated Asset Service Entities, such activities will be treated for purposes of this definition as if they were conducted by the Affiliated Asset Service Entities.

"Special Expenses" means salary, fees, expenses or other compensation of any nature, including performance-based bonuses, paid by an issuer of an investment to the Affiliated Asset Service Entities (and a share of the Cost (as defined below) related to such entity) or any of their employees who acts as an officer of, or in an active management role at, or in respect of, such issuer (including industry executives, advisors, consultants (including operating consultants and sourcing consultants)), operating executives, subject matter experts or other persons acting in a similar capacity engaged or employed by an applicable Affiliated Asset Service Entity, but excluding investment professionals providing services on behalf of Arena that are engaged primarily in the investment activities of a Client. The Affiliated Asset Service Entities will be engaged by and receive reimbursement for Special Expenses from a Client with respect to a potential or actual portfolio investment or be engaged directly by a portfolio company and receive reimbursement for Special Expenses from the portfolio company. Neither reimbursement by a Client or by the issuer of an investment shall be the exclusive means of reimbursement of Special Expenses by the Affiliated Asset Service Entities with respect to any services provided by or expenses incurred by the Affiliated Asset Service Entities.

"Cost" means overhead costs including office leases and related expenses (such as rent, utilities and other related expenses), information technology and related support (such as applications, licenses, data/cybersecurity software and services and other related expenses), legal, regulatory compliance, human resources, accounting and internal audit, insurance, and other operating costs (e.g., travel, employee activities, working meals and supplies). For the avoidance of doubt, "Cost" will typically increase on a per client basis if fewer clients of Arena utilize the applicable Affiliated Asset Service Entity or other affiliated service provider as the costs are spread among fewer additional persons.

For the avoidance of doubt, the above expenses are not meant to be an exclusive or exhaustive list. When allocating expenses, Arena must first determine whether such expenses are the Client's own expenses and therefore are to be borne by the Client or whether such expenses are expenses of Arena or its affiliates. In certain instances, where expenses are incurred partially for the benefit of Arena or its affiliates and partially for the benefit of the Clients, such expenses are allocated by Arena in a manner it determines to be fair and equitable, taking into account any factors it deems relevant to the allocation of such expenses. In addition, where a particular expense or category of expenses is incurred by one or more Clients, Arena, at its discretion, generally allocates such

expense or category of expense among the Clients in a manner it determines to be fair and equitable. The factors considered by Arena in allocating expenses include, without limitation, the net asset value or capital commitments of each Client, the relative holdings of a specific investment among applicable Clients, and the degree of usage on behalf of, and the relative benefits to, Arena and/or its affiliate and each such Client, in each case as Arena determines in its discretion.

Generally, investment-related expenses are allocated taking into account each applicable Client's net asset value (in the case of an open-end fund Client) or capital commitments (in the case of a closed-end fund Client) or in the case of a specific investment that has been consummated, the relative holdings of such investment among applicable Clients.

Similarly, broken deal expenses are generally allocated based on facts and circumstances as determined by Arena. Such determinations are inherently subjective, will not be precise and give rise to conflicts of interest. There can be no assurance that a different manner of calculation would not result in certain Clients bearing less (or more) expenses relative to other Clients or the Clients bearing less (or more) expenses relative to Arena and its affiliates. Notwithstanding the foregoing, Arena will allocate any such expense on a basis other than as set forth above if Arena determines that such allocation would be more equitable.

Arena has entered into side letter agreements or similar agreements pursuant to which certain investors are granted specific rights, benefits or privileges that are not generally made available to other investors.

More detailed information about the types of fees and/or expenses that a particular Client will pay in connection with the advisory services that Arena provides is contained in the relevant Offering Documents or IMA. In addition, please see Item 12 for further discussion of the brokerage and other transaction costs that Clients pay.

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

As described in Item 5 above, Clients generally pay both a Management Fee, which will generally be up to 2.0% per annum of the total capital account balances or assets under management for the relevant Client in advance on a monthly or quarterly basis, and Carry, which will generally be up to 20% of the net capital appreciation of such Client's account at the end of the relevant fiscal period, generally subject to a "high-water mark;" provided that a Carry also will be taken on assets that are set aside in connection with a withdrawal and such Set Aside Carry will not be "netted" against the profits and losses associated with any amounts that are not being withdrawn. In respect of Clients organized as closed-end funds, the Client is subject to a carried interest within an all capital back first distribution waterfall that provides for a preferred return.

Other Clients (or investors in certain Arena Funds) will pay reduced or no Management Fee, Carry or Set Aside Carry. Managing assets for different Clients with different fee structures, including ones that will allow for the possibility of earning Carry or Set Aside Carry at the same time as others that do not, creates a conflict of interest for Arena because such an arrangement provides an incentive to favor accounts for which Arena has the ability to earn Carry or Set Aside Carry. Such situations give rise to conflicts of interest including with respect to: (i) the allocation of investment opportunities and (ii) other types of affiliated transactions.

Arena receives performance-based compensation (including the carried interest or incentive fee paid to the General Partners) from certain Clients, including the Arena Funds and certain SMAs, as such Arena will have an interest in engaging in riskier or more speculative investments than would be engaged in if the performance-based compensation did not exist in order to increase the potential compensation with respect to such Clients accounts and investments. Arena will also be incentivized not to permanently write down or write off or dispose of an investment that has poor prospects for improvement in order to receive ongoing management fees in respect of such investment and potential carried interest or incentive fee distributions if such asset appreciates in the future. In addition, the method of calculating the carried interest or incentive fee will result in conflicts of interest between Arena and Clients with respect to the management and disposition of investments.

Arena will also have an incentive to favor a client that pays higher performance-based compensation over a client that has reduced management fees and/or performance-based compensation. This will result in potential conflicts of interest with respect to the allocation and disposition of investment opportunities.

Certain investors in the Arena Funds have been granted one or more of the following rights with respect to their investments: (i) a reduced management fee and/or performance-based compensation and/or operating expense; (ii) the right to receive improved fees, liquidity, information rights and other terms received by other investors; (iii) the right to receive certain additional information with respect to certain Arena Funds, including position-level portfolio information or events related to Arena; (iv) notification to the investor with respect to the investor's ownership percentage of a certain Arena Fund; and (v) limitation on the investor's ownership percentage of a certain Arena Fund below certain thresholds.

In addition to the above, certain investors in the Arena Funds have been granted one or more additional rights with respect to their investments, including, but not limited to the right to opt out of the requirement to fund capital calls or otherwise be excused from participating in certain investments due to regulatory, tax or public policy or the investor's internal considerations.

As a result of the conflicts of interest noted above, Arena employs policies and procedures governing the identification, assessment, monitoring and proper disclosure of conflicts of interest. Additional information regarding the allocation of investment opportunities and the manner in which Arena manages any related potential conflicts of interest is set forth in Item 11 of this brochure.

ITEM 7. TYPES OF CLIENTS

As described in Item 4 above, Arena offers investment advisory services to various funds and managed accounts, including managed accounts beneficially owned by affiliates, foreign and domestic limited partnerships, companies, limited liability companies, or trusts not registered under the Investment Company Act. In addition, the securities issued by the Clients are not registered or required to be registered under the Securities Act of 1933, as amended (the “Securities Act”).

With limited exceptions where permitted by applicable law, Arena will require that the underlying investors in the Arena Funds and the SMAs that it advises be “qualified purchasers” as that term is defined in Section 2(a)(51) of the Investment Company Act (with the exception of certain Arena personnel who qualify as “knowledgeable employees” under Rule 3(c)-5 of the Investment Company Act). Generally, the minimum subscription amount for investors in the Arena Funds general varies between USD \$5,000,000 and USD \$15,000,000, which can be waived at the discretion of the General Partner of the applicable Arena Fund. Any waiver in the minimum subscription amount will not fall below the minimum amount required by law.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Arena seeks to generate risk-adjusted returns across a wide variety of fundamentals- based, asset oriented, credit-focused investment opportunities.

Arena employs a number of investment strategies in connection with its investment advisory services and looks across a variety of industries, investment structures and geographies. The investment strategies include but are not limited to: (i) corporate private investments, (ii) real estate private investments, (iii) structured finance & assets, (iv) natural resources, (v) secondaries & liquidity solutions, (vi) Asia-pacific private investments, (vii) European private investments, and (viii) corporate securities.

Arena relies on its understanding of and relationships in diverse industries, a wide variety of financial products, and a global mix of jurisdictions to make credit-oriented investments that Arena would be comfortable to own, operate, and liquidate the underlying assets/collateral in case of default.

Arena will seek to gain comfort with potential investments through a bottom-up understanding of the fundamentals of a business and/or situation. Below are the main elements of the investment process:

- Sourcing Potential Investment. Investment professionals' source direct investment opportunities and investment opportunities through joint ventures and provide investment proposals through introductory memoranda or term sheets; CIO meets with senior investment professionals/teams regularly.
- Conditional Investment Approval. Relevant investment team(s) and the CIO review investment memoranda for final conditional approval.
- Financing and Investment Allocation. The CIO approves the method for funding or financing investment and appropriate allocation of investments to Clients, and Arena affiliates, in accordance with Arena's Allocation Policies and Procedures.
- Legal. Deal counsel reviews legal documentation from investment team and in consultation with the CIO and investment professionals determines structure for each investment from a regulatory, tax and any other standpoint.
- Compliance. Arena's Chief Compliance Officer (the "CCO") performs regulatory analysis, seeks appropriate compliance with Arena's policies and procedures and monitors allocation across funds/accounts in coordination with Arena's policies and procedures.
- Asset Management. The Asset Management group within Arena monitors and reviews loans post origination/acquisition, assigns asset manager(s) to monitor the investment independently of portfolio manager and performs ongoing monitoring of asset for valuation risk management, in accordance with Arena's Valuation Policy. Additionally, Asset Management supervises the engagement and utilization of third-party valuation agents for certain investments.

In furtherance of its investment strategy, Arena has the right to cause Clients to form, fund, and invest in, new going-concerns or other new businesses or business lines (individually, a “New Venture Party” and collectively, the “New Venture Parties”), and then cause such New Venture Parties to commence business operations, whether alone, or together with one or more Clients.

Leverage for a Client is expected in some cases to be obtained on a joint and several or cross collateralized basis with other Arena accounts and affiliates.

Arena or the General Partners will own one or more entities that (i) hold title, as nominee or otherwise (whether alone or together with one or more other Arena accounts and affiliates), to investments, interim investments or other assets or (ii) hold a repurchase obligation with respect to investments, interim investments or other assets, for purposes including the borrowing of funds or otherwise entering into one or more credit facilities, repurchase agreements or arrangements, and for one or more other special purposes, including blocker corporations (each of the foregoing entities being an “SPV”) and will cause all or a portion of the investments held, directly or indirectly, by some or all of the investors or the Clients to be made through or transferred to one or more SPVs.

General Risk of Loss

An investment in an Arena Client is speculative and involves substantial risks, including, without limitation, general market and investment risks, risks associated with certain instruments, trading techniques and strategies, risks associated with derivatives, structural risks and tax risks. An investment in an Arena Client is suitable only for sophisticated investors who have no need for liquidity in this investment. An investment in an Arena Client provides limited liquidity because the interests in the Client are not freely transferable and will not subject to any right of withdrawal.

An investment in an Arena Client is speculative and suitable only for persons who have limited need for liquidity of their investment and no need for regular current income. There is no assurance that the Client will achieve its investment objective.

Loss of Invested Capital. An investment in a Client is speculative. The value of interests will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the issuers of the underlying securities acquired, governmental intervention, market conditions, and local, regional, national and global economic conditions. Therefore, investors may lose all or a portion of their principal invested in the Client if the Client’s trading and investment strategies are not successful.

Limited Operating History. Many Clients are newly formed entities with no operating history. There can be no assurance that such Clients’ investment returns will be comparable to past performance achieved by Arena or that the Client will achieve its investment or return objectives.

Substantial Costs. Each Client is subject to fees (including the Management Fee), transactional and operating costs and expenses irrespective of its performance which, in the aggregate, may be substantial. If these fees, costs and expenses are not offset by investment gains, then such Client will not achieve its investment objective.

Illiquid Assets. It is anticipated that a substantial portion of each Client's positions will be or will become relatively or entirely illiquid or may cease to be traded after such Client invests. In such cases, and in the event of extreme market volatility, a client may not be able to liquidate its positions promptly if the need should arise. In addition, a client's sales of some securities could depress the market value of such securities and thereby reduce such Client's profitability or increase its losses.

Co-Investment Fees and Expenses. Co-investors will typically bear a portion of fees, costs and expenses related to co-investments, which are allocated to it by the General Partner of an Arena Fund, the Investment Adviser and/or their respective affiliates. There can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. However, co-investors may not agree to pay or otherwise bear fees, costs or expenses related to unconsummated co-investments. In such event, such fees, costs and expenses will be considered operating expenses of and be borne by the Client. In addition, investments made with co-investors also may involve a portion of transaction fees being allocated to such co-investors. To the extent agreed upon by co-investors, the General Partner of an Arena Fund, the Investment Adviser and/or their respective affiliates may earn carried interest, receive a management fee, retain transaction fees and/or receive other compensation with respect to a co-investment, which will not reduce the compensation paid to the General Partner of an Arena Fund, the Investment Adviser and/or their respective affiliates by the Client. In addition, any such carried interest, management fee or other similar fees charged to co-investors with respect to any co-investment may differ from those charged to the Client or the co-investors may not be charged any carried interest, management fee or other similar fees and instead be charged a one-time upfront fee or another fee structure as determined by the Investment Adviser.

Transactions with Affiliates. Each Client anticipates selling certain assets in affiliated transactions, including through cross trades with other Arena Clients. Selling assets to an affiliate presents a number of conflicts, including the potential of enhancing profits for another Arena Client (and indirectly, Arena) while disadvantaging the economic interests of such Client. Although certain conflict procedures have been implemented to mitigate these risks, there is no guarantee that the conflicts and related risks will be altogether eliminated.

Portfolio Concentration. Most Clients are not limited with respect to the amount of capital that may be committed to any one investment or type of investment. No limit is placed on the concentration of investments to be made in a single industry or geographic area.

Syndication and/or Transfer of Debt Instruments. Many Clients, directly or through the use of one or more SPVs, are expected to originate and/or purchase secured debt assets. Such Clients typically will also purchase secured debt assets (including, participation interests or other indirect economic interests) that have been originated by such Client or from other parties and/or trading on the secondary market. Certain Clients may, in certain circumstances, originate or purchase such secured debt assets with the intent of syndicating and/or otherwise transferring a significant portion thereof. In such instances, a client will bear the risk of any decline in value prior to such syndication and/or other transfer. In addition, such Client will also bear the risk of any inability to syndicate or otherwise transfer such secured debt assets or such amount thereof as originally intended, which could result in such Client owning a greater interest therein than anticipated.

Asset Servicing Expense Evaluation and Benchmarking. From time to time, the Adviser will review the Asset Servicing Expense in consideration of the services provided in order to ensure the fees are reasonable and to validate its belief that the Asset Servicing Expense is comparable than the fees that would be charged for the same services if obtained from a third party. In evaluating the Asset Servicing Expense, the Adviser will consider the costs being charged for similar services by non-affiliated service providers but may face a conflict of interest in controlling the opportunities for and level of compensation of an Affiliated Asset Service Provider, particularly where the Adviser indirectly receives any profits derived from any Asset Servicing Expense and/or any earnings as a result of its affiliation to the Affiliated Asset Service Provider. However, relevant comparisons may not be available for a number of reasons, including, without limitation, because there are a limited number of providers or users of such services or because of the confidential and/or bespoke nature of such services. For these reasons, market comparisons may not yield market terms for comparable services. In addition to acquiring market data, the Adviser may decide from time to time to obtain benchmarking data. However, benchmarking data is based on general market overviews, rather than determined on an asset-by-asset basis, and may not be sufficiently targeted. As a result, benchmarking data does not take into account the specific characteristics of individual assets (such as location or size, and to some degree, the specialty nature of an asset). Benchmarking studies are expensive and will be borne by the Client utilizing such benchmarking study, and will not offset the Management Fee.

Risk Related to Asset Servicing Expense. The Asset Servicing Expense is paid for as long as the Client holds an underlying asset, without regard to the profitability of such asset, which will erode the Client's overall profitability if the value of such asset goes down. The Asset Servicing Expense is based on the fair value of the corresponding assets as determined by the Investment Adviser's valuation committee. Because the Client's performance reporting derives from the valuation of the Client's assets and the Investment Adviser's fees are generally based on the value of Assets Under Management or the Client's Gross Asset Value, as applicable, the Investment Adviser faces a conflict in valuing the Client's portfolio. In addition, the Asset Servicing Expense is paid for as long as the Client holds an underlying asset, without regard to the profitability of such asset, which will erode the Client's overall profitability if the value of such asset goes down.

The Asset Servicing Expense rates are different for different asset types. Asset types are determined based on the predominant nature of such asset at the time of acquisition, as determined by Quaestor in its sole discretion. If an asset type changes during the life of an Investment, Quaestor may exercise its discretion to re-characterize such asset for the purpose of determining the Asset Servicing Expense. For the avoidance of doubt, asset servicing functions may be performed by personnel within back-office functions including, for example, operations, accounting, finance and compliance. Re-characterization will be due to a payment default or other material breach of contractual terms not cured within one calendar month, with such determination made in the sole discretion of the Affiliated Asset Service Provider. An investment will revert to its initial characterization: (a) if the loan returns to performing status as a result of an executed forbearance or loan modification agreement; or (b) otherwise returns to performing status as determined by Quaestor in its sole discretion. If an asset type is re-characterized as a tangible asset, it will be on the first day of the month subsequent to Arena Group taking control of such asset. If an asset does not fall within any listed category, it will be considered as "Other Assets (Tangible)." Quaestor faces a conflict in

characterizing and recharacterizing the asset types because it and other Affiliated Asset Service Providers would earn a higher fee on certain types of assets. Further, the Investment Adviser face a conflict in determining the types of assets to invest in because the Affiliated Asset Service Providers would earn a higher fee on certain types of assets. In addition, certain Arena clients may pay the Asset Servicing Expense rates that are different from the rates paid by another Client; such rates may also be capped. The Asset Servicing Expense may also be charged on underlying assets where the Client does not hold a controlling position, and therefore may not be able to direct the development of such assets and ensure their profitability.

Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act. The global financial markets have in the past gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been 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. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

A Client 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 a client from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to such Client. Market disruptions may from time to time cause dramatic losses for a client, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

The Dodd-Frank Act, among other things, granted regulatory authorities such as the CFTC, the SEC and the U.S. Consumer Financial Protection Bureau broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives and consumer finance markets. These expanded powers have resulted in rules that could adversely affect Clients or investments made by the Clients.

In the future, other laws, rules, and regulations, including ones which may relate to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, may require the Clients to conduct additional verification of both the identity of any person submitting a completed subscription agreement, the source of each person’s investment, and the bank accounts remitting subscription monies or receiving withdrawal proceeds. Entity investors will generally be required to produce certain information to the Clients confirming other information already required by the Clients in their subscription agreements. Governmental authorities are continuing to consider appropriate measures to implement know-your-customer and anti-money laundering laws, and it is unclear what additional steps the Investment Adviser and the Clients may be required to take; however, these steps may include prohibiting investors from making further purchases of Interests, or

depositing distributions and withdrawals to which investors would otherwise be entitled to an escrow account, and/or causing the withdrawal of investors. It also is possible that, in connection with the establishment of anti-money laundering procedures or for other reasons, certain legislation or other regulation may require the Clients, Investment Adviser or other service providers to the Clients to share information with governmental and regulatory authorities with respect to investors.

Conflicts in Ukraine and in Israel and Palestine. In February 2022, Russia launched a large-scale invasion of Ukraine. The extent and duration of Russian military action in the Ukraine, resulting economic sanctions and resulting market disruptions, including declines in stock markets in Russia and elsewhere, decline in the value of the ruble against the U.S. dollar, and the rise in the price of oil and other energy related commodities as well as other types of commodities have occurred and may continue to worsen as the invasion continues. The impact of such further issues is impossible to predict, but could be significant. Any disruptions caused by the invasion of Ukraine or other actions (including cyberattacks and espionage) or disruptions resulting from actual or threatened responses to the invasion of Ukraine or other actions have caused and could continue to cause disruptions to companies, the European markets and other markets globally. Any such disruptions could have a material adverse effect on Clients.

It is possible that any fallout from the Ukrainian conflict will have additional effects on other European countries as they address refugee movements and potential further threats. A number of countries, including the United States and a number in Europe, have imposed sanctions on Russia and business affiliated with that country. The long-term impact of these sanctions is not entirely clear, but they have the potential to limit potential investment opportunities and may impair cash flow that is material to an investment if third parties doing business with a company subject of an investment are sanctioned parties. The regulatory framework of sanctions is often complex and at times counter-intuitive. It is possible that Clients might have exposure to transactions that directly or indirectly involve sanctioned parties, which may pose liability and compliance risks.

In addition, the Israel-Palestine conflict that has recently emerged has increased uncertainty in the Middle East and drawn international scrutiny. Any deteriorating economic conditions could affect the value of the Client's investments, even if the Client does not have any direct exposure to Russia, Ukraine, Israel, Palestine or any of the adjoining geographic regions. The extent and duration of such military actions, sanctions and resulting market disruptions in each case is impossible to predict, but could be substantial. There is a risk that such conflicts may expand to affect the broader region in which such conflicts are occurring. Any disruptions caused by the continuing Russian military action in Ukraine (and resulting sanctions), the Israel-Palestine conflict, or any other international actions taken in response to such conflicts may magnify the impact of many of the other risk factors discussed herein.

Additional Government or Market Regulation Changes. Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the "hedge fund" and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as the Dodd-Frank Act, is considered periodically by the United States Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the laws or regulations applicable to a Client, Arena, the markets in which they trade and invest or the

counterparties with which they do business may be instituted in the future. Any such laws or regulations, or repeals of existing laws or regulations, could have a material adverse impact on the profit potential of a client as well as require increased transparency as to the identity of the Investors.

Regulatory Risks Associated with Investment Level Leverage. A Client may implement CLOs in order to secure leverage. Such CLOs may be required to comply with the U.S. Risk Retention Rules and/or the EU/UK Risk Retention Rules (as defined below). To the extent that such CLOs are required to comply with the Risk Retention Rules, (i) the U.S. Risk Retention Rules require a sponsor or a “majority-owned affiliate” thereof of such CLO to retain at least 5% of the economic interest in the credit risk of the securitized assets and (ii) the EU/UK Retention Rules require a sponsor, originator or original lender to retain at least 5% of the net economic interest in such CLO (together with (i) above, the “Retention Interests”).

There can be no assurance or representation that any of the transactions, structures or arrangements currently under consideration by or currently used by CLO market participants will comply with the Final U.S. Risk Retention Rules to the extent such rules are reinstated or otherwise become applicable to open market CLOs. The ultimate impact of the Final U.S. Risk Retention Rules on the loan securitization market and the leveraged loan market generally remains uncertain, and any negative impact on secondary market liquidity for securities comprising a CLO may be experienced due to the effects of the Final U.S. Risk Retention Rules on market expectations or uncertainty, the relative appeal of other investments not impacted by the Final U.S. Risk Retention Rules and other factors.

Under the U.S. Risk Retention Rules, a “majority-owned affiliate” of a sponsor may hold Retention Interests. In the U.S., the risk retention rules were in effect for certain CLOs for only a limited time. In October 2014, six federal agencies (the Federal Deposit Insurance Corporation, or the “FDIC,” the Comptroller of the Currency, the Federal Reserve Board, the SEC, the Department of Housing and Urban Development and the Federal Housing Finance Agency) adopted joint final rules implementing certain credit risk retention requirements contemplated in Section 941 of the Dodd-Frank Act, or the “Final U.S. Risk Retention Rules.” These rules were published in the Federal Register on December 24, 2014. With respect to the regulation of CLOs, the Final U.S. Risk Retention Rules require that the “sponsor” or a “majority owned affiliate” thereof (in each case as defined in the rules), will retain an “eligible vertical interest” or an “eligible horizontal interest” (in each case as defined therein) or any combination thereof in the CLO in the manner required by the Final U.S. Risk Retention Rules.

The Final U.S. Risk Retention Rules became fully effective on December 24, 2016, or the “Final U.S. Risk Retention Effective Date,” and to the extent applicable to CLOs, the Final U.S. Risk Retention Rules contain provisions that may adversely affect the return of our investments. On February 9, 2018, a three judge panel of the United States Court of Appeals for the District of Columbia Circuit, or the “DC Circuit Court,” rendered a decision in *The Loan Syndications and Trading Association v. Securities and Exchange Commission and Board of Governors of the Federal Reserve System*, No. 1:16-cv-0065, in which the DC Circuit Court held that open market CLO collateral managers are not “securitizers” subject to the requirements of the Final U.S. Risk Retention Rules, or the “DC Circuit Ruling.” Thus, collateral managers of open market CLOs are no longer required to comply with the Final U.S. Risk Retention Rules at this time. As such, it is possible that some collateral managers of open market CLOs will decide to dispose of the notes (or cause their

majority owned affiliates to dispose of the notes) constituting the “eligible vertical interest” or “eligible horizontal interest” they were previously required to retain, or decide to take other action with respect to such notes that is not otherwise prohibited by the Final U.S. Risk Retention Rules. To the extent either the underlying collateral manager or its majority-owned affiliate divests itself of such notes, this will reduce the degree to which the relevant collateral manager’s incentives are aligned with those of the noteholders of the CLO (which may include us as a CLO noteholder), and could influence the way in which the relevant collateral manager manages the CLO assets and/or makes other decisions under the transaction documents related to the CLO in a manner that is adverse to us.

If an affiliated CLO does not or cannot qualify as an “open-market” CLO, then Arena, as asset manager (a “CLO Manager”) of any such CLO implemented by the Fund, expects to retain, as sponsor, or to cause one of its “majority-owned affiliates” to retain, Retention Interests in each such CLO.

Under (i) Article 6 (the “EU Risk Retention Rules”) of Regulation (EU) 2017/2402 of the European Parliament and of the Council and together with any supplementary technical standards and any official guidance published in relation thereto by the European supervisory authorities and any relevant European regulator, each as in force on the on the date hereof, the “EU Securitisation Regulation”; and (ii) Article 6 (together with the EU Risk Retention Rules, the “EU/UK Risk Retention Rules”) of the EU Securitisation Regulation (as in effect at that time), as enacted in UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and as amended by The Securitisation (Amendment) (EU Exit) Regulations 2019 of the UK and together with any supplementary technical standards and any official guidance published in relation thereto by the UK Financial Conduct Authority, the UK Prudential Regulation Authority or the UK Pensions Regulator or otherwise applicable in relation thereto, each as in force on the on the date hereof, the “UK Securitisation Regulation” and, together with the EU Securitisation, the “Securitisation Regulation,” certain requirements must be met for an entity to qualify as eligible to hold the Retention Interests. For these purposes, Arena, as a CLO Manager, or one of its affiliates (which may also be a “majority-owned affiliate” under the U.S. Risk Retention Rules) may choose to structure the deal in a manner so as to act as an “originator,” in each case with respect to underlying CLO portfolio assets, on the basis of being an “entity which purchases a third party’s exposures on its own account and then securitizes them” (within the meaning of limb (b) of the definition of “originator” contained in the Securitisation Regulation). In addition, the CLO Manager must demonstrate that it has not been established or operates for the sole purpose of securitising exposures. In addition, although the EU/UK Risk Retention Rules currently do not specify the percentage of loans which an originator who is also acting as the collateral manager should originate, current market convention is that a manager-originator should originate at least 5% of the target par amount of loans to be acquired by the CLO by the effective date for such CLO. As an “originator” for purposes of the EU/UK Risk Retention Rules, a CLO Manager must assume the economic risk of the assets it is originating. As a result, a Client will also be exposed to this risk. In particular, in acting as originator to the underlying CLOs, a CLO Manager may acquire assets that subsequently become ineligible for sale to the underlying CLOs, either because the assets themselves experience credit events (such as defaults) that preclude their sale to the underlying CLOs, or because the underlying CLOs fail to launch successfully. In these cases, a CLO Manager may be required to sell or refinance the ineligible asset and/or acquire replacement assets at a loss, which could have a material adverse effect on a CLO Manager and therefore a Client.

In addition, such CLOs may be required to comply with Article 7 of the EU/UK Risk Retention Rules (the “EU/UK Transparency Rules”). The EU/UK Transparency Rules will require the CLO

issuer to make certain prescribed information available to the national regulators in their respective EU member states and/or the UK, as applicable, to holders of positions in the securitization, and, upon request, to potential investors. There may be material costs incurred by the CLO in connection with compliance with the EU/UK Transparency Rules.

Volatility. The prices of some of the instruments traded by a Client have been subject to periods of excessive volatility in the past, and such periods may continue. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

While volatility can create profit opportunities for a Client, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur significant losses. On the other hand, the lack of volatility can also result in losses for certain of a Client's positions that profit from price movements.

Possible Ineffectiveness of Risk Reduction Techniques. The Investment Adviser may employ various risk reduction strategies designed to minimize the risk of a Client's trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement, and when possible, will not always be effective in limiting losses. If the Investment Adviser analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with a Client's investments, such risk reduction techniques could increase rather than mitigate losses. These risk reduction techniques may also increase the volatility of a Client and/or result in a loss if the counterparty to the transaction does not perform as promised. Moreover, even though the Investment Adviser may employ "stop loss" orders on individual positions, there is no assurance that any such order will be executed at or near the desired "stop loss" level.

Financing Arrangements; Availability of Credit. To the extent the Client uses leverage, a Client will depend on the availability of credit in order to finance its portfolio. There can be no assurance that such Client will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, certain of the dealers that provide financing to a client may be able to apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by dealers in such financing policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances, idiosyncratic lender behavior in response to market circumstances or governmental, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated if such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time.

To help mitigate the risk noted above, a client may enter into term margin agreements with certain of its counterparties. However, there can be no assurance that the counterparty will be in a position or willing to honor such agreement or that such Client will be in a position to utilize such agreement.

Investments in Restricted Securities. A Client may be prevented from buying or selling certain publicly traded securities if Arena or a Client acquires material, non-public information with respect to such securities. In addition, if such information is acquired with respect to a publicly traded security that such Client already holds, such security will be placed on a "restricted

securities list” maintained by Arena and will not be traded until the material, non-public information becomes public or is no longer material. Accordingly, a client may be disadvantaged due to its inability to participate in investments that would otherwise be suitable for such Client or to liquidate existing investments during favorable market conditions.

Counterparty Risk. Institutions, such as brokerage firms, banks and broker-dealers, generally have custody of a client’s portfolio assets and may hold such assets in “street name.” A Client is subject to the risk that these firms and other brokers, counterparties, clearinghouses or exchanges with which the Client deals may default on their obligations to the Client. Any default by any of such parties could result in material losses to the Client. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital position of the Client. In addition, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Client, causing the Client to be exposed to a credit risk with regard to such parties. The Client will only be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of such counterparties. In some jurisdictions, the Client may also only be an unsecured creditor of its brokers in the event of bankruptcy or administration of such brokers. A Client attempts to limit its brokerage and custody transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks, but the collapse in 2008 of the seemingly well capitalized and established Bear Stearns and Lehman Brothers demonstrates the limits on the effectiveness of this approach in avoiding counterparty losses.

A Client may effect transactions in “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Client to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Client has concentrated its transactions with a single or small group of counterparties. The Client is not restricted from dealing with any particular counterparty or in the size of the exposure which the Client may provide to a given counterparty. The inability to make complete and “foolproof” evaluations of the financial capabilities of the Client’s counterparties and the absence of a regulated market to facilitate settlement increases the risk to the Client.

While the Dodd-Frank Act is intended to bring more stability and lower counterparty risk to derivatives markets by requiring exchange clearing of derivatives trades, not all of a client’s trades will be subject to the clearing requirements once they generally become effective, either because the trades are grandfathered or because they are bespoke. Furthermore, it is yet to be seen whether the Dodd-Frank Act will be effective in reducing counterparty risk or if such risk may actually increase as a result of market uncertainty, mutuality of loss to clearinghouse members, or other reasons.

Auditor Risk. In auditing a Client, such Client’s auditor may not discover errors or miscalculations, including those arising from fraud. As a result, the Client’s auditor may issue an unqualified opinion or report despite the existence of such errors or miscalculations, either of which can have an adverse effect on an investors or a client’s returns. Conversely, an error by an

auditor could cause lenders and other counterparties to impose unnecessarily stringent requirements on the Client, which could have an adverse effect on such Client's performance.

Alternative Investment Fund Managers Directive/UK AIFMR. AIFMD and the UK Alternative Investment Fund Managers Regulations 2013 (as amended) ("UK AIFMR") as applicable, regulate, and impose regulatory obligations in respect of, the marketing in the EEA/UK or to EEA/UK investors by AIFMs (whether established in the EEA/UK or elsewhere) of AIFs (whether established in the EEA/UK or elsewhere). Marketing in EEA Member States or the UK, as applicable, is subject to registration of the AIF with the local financial services regulator. AIFs marketed under AIFMD must, at least, comply with onerous regulatory reporting obligations and in some circumstances when they are marketed in certain EEA Member States additional obligations are imposed such as the requirement to appoint a European depositary to perform a range of functions, including custody of assets, cash flow monitoring and certain fund administration activities. Fees for depositary services may be significant. These fees, as well as the cost of complying with registration, reporting, transparency and other obligations under AIFMD, will be borne by the Clients. Some EEA Member States have placed a complete prohibition on the marketing of non-EEA AIFs managed by non-EEA AIFMs in their jurisdiction and as a result, the Clients will not be able to be marketed in those jurisdictions.

In addition, in certain circumstances where an AIF established, managed or marketed in the EEA/UK invests in a company with its registered office in an EEA Member State/UK, AIFMD/UK AIFMR heavily restricts the extent to which that AIF can redeem its investment in such EEA/UK company in the first two years after such investment. Transparency requirements also apply to such investee companies. These requirements could have cost and return implications for the Interests, and avoiding investments that might trigger such requirements could restrict the investment opportunities available to the Clients.

AIFMD and the UK AIFMR could therefore have an adverse effect on the Clients and Investment Adviser by, among other things, increasing the regulatory burden and costs of marketing to and accepting EEA/UK investors or doing business in EEA Member States/UK, imposing extensive disclosure obligations on portfolio companies located in EEA Member States/UK, if any, and potentially disadvantaging the Clients as an investor in private companies located in EEA Member States/UK when compared to competitors which may not be subject to the requirements of AIFMD or UK AIFMR, as applicable, which may restrict the ability of the Clients to make investments in such EEA companies/UK.

Inflation. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on the economies and financial markets, which may in turn affect the markets in which a Client invests. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on the Client's Investments. Governmental efforts to curb inflation, including, without limitation, actions by the U.S. Federal Reserve or other central banks that result in increases in interest rates, often have negative effects on the level of economic activity. Such risks are heightened during periods of sustained high inflation. There can be no assurance that inflation will not present, or in the future become, a serious problem and have an adverse impact on the Fund's returns

Secondaries and other Liquidity Solutions. A Client may invest in secondary investments and other liquidity solutions, including GP-Lead Transactions, LP-Lead transactions, and other

structured transactions. Such transactions often entail uncertain valuations that may turn out to be inaccurate and therefore affect a Client's returns with respect to such assets. The valuation methodologies used to value any such investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Further, such investments could involve interests in entities, which a Client would not necessarily control. A Client could have limited governance rights. As a result, such entities could make business, financial, or management decisions with which a Client does not agree, or the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the Client's interest. A Client may be required to go through lengthy procedures in order to gain control over the operations of such companies, which, in fact, may never occur or may result in a loss in value of the Client's investment during this intervening period.

Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues. The Investment Adviser's business activities as well as the activities in respect of a Client and its operations and investments could be materially adversely affected by outbreaks of disease, epidemics and public health issues in Asia, Europe, North America, the Middle East and/or globally, such as COVID-19 (and other novel coronaviruses), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus, or COVID-19, has spread and is currently spreading rapidly around the world since its initial emergence in December 2019 and has negatively affected (and may continue to negative affect or materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks). Although the long-term effects of coronavirus, or COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as H5N1, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of the Investment Adviser and the Client. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), the Investment Adviser and the Client could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on the Investment Adviser's (or the Client's) operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations.

UK departure from the European Union (Brexit). The UK withdrew from the EU and the EEA on January 31, 2020. Following withdrawal from the EU, the UK entered into a transition period, during which period EU law continued to apply in the UK. New EU legislation that took effect before the end of the transition period also applies in the UK. The transition period ended on December 31, 2020. On December 30, 2020, the EU and UK signed an agreement on the terms governing certain aspects of the EU's and the UK's relationship following the end of the transition period, the EU-UK Trade and Cooperation Agreement (the "TCA"). Notwithstanding the TCA, significant uncertainty remains in the market regarding the ramifications of the UK's withdrawal from the European Union. The impact on the UK and European economies and the broader global economy could be significant, resulting in increased volatility and illiquidity, currency fluctuations, impacts on arrangements for trading and on other existing cross-border cooperation arrangements (whether

economic, tax, fiscal, legal, regulatory or otherwise), and in potentially lower growth for companies in the UK, Europe and globally, which could have an adverse effect on the value of a Client's investments. In addition, if one or more other countries were to exit the European Union or abandon the use of the euro as a currency, the value of investments tied to those countries or the euro could decline significantly and unpredictably. This uncertainty may, at any stage, adversely affect the Client and their investments and/or the Investment Adviser. There may be detrimental implications for the value of the Client's investments and/or its ability to implement its investment program. This may be due to, among other things:

- (i) increased uncertainty and volatility in UK, EU and other financial markets;
- (ii) fluctuations in asset values;
- (iii) fluctuations in exchange rates;
- (iv) increased illiquidity of investments located, listed or traded within the UK, the EU or elsewhere;
- (v) changes in the willingness or ability of financial and other counterparties to enter into transactions, or the price at which and terms on which they are prepared to transact; and/or
- (vi) changes in legal and regulatory regimes to which the Client and certain of the Client's assets and/or service providers are or become subject.

The UK's departure from the EU has created a degree of political uncertainty, as well as uncertainty in monetary and fiscal policy, which is expected to continue following the end of the transition period. It may have a destabilizing effect on some of the remaining members of the EU, the effects of which may be felt particularly acutely by member states within the Eurozone.

Investment Risks

Investments of a Client. A Client, depending on its investment strategy and risk appetite, invest in a broad array of financial instruments. There is no material limitation on the instruments in which many of the Clients may invest – consistent with such Client's investment strategy. The choice of investment instruments can materially affect the results of such Clients. Even if Arena correctly predicts future market movements, certain instruments may respond unexpectedly to such movements, resulting in unanticipated losses.

Investments in Undervalued Securities. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments may involve a high degree of financial risk and could result in substantial losses. Returns generated from a client's investments may not adequately compensate for the business and financial risks assumed. A Client will make certain investments in securities which Arena believes to be undervalued. However, there are no assurances that the securities purchased will in fact be undervalued. In addition, the Client may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Client's capital would be committed to the securities purchased, thus possibly preventing the Client from investing in other opportunities. In addition, a client may finance such purchases with borrowed Clients and thus will have to pay interest on such Clients during such waiting period.

Use of Subscription Lines. The General Partner of an Arena Fund may use a subscription facility for working capital, including to fund Management Fees and other Fund Expenses, to finance investments, to bridge capital calls, to provide interim bridge financing and capital, and for other similar purposes. The use of a subscription facility will delay calling capital from Limited Partners, which may increase the internal rate of return of an investment and reduce the potential preferred return. It may also increase the probability of the Fund making a Carried Interest payment to the General Partner. In addition, the existence of the subscription facility (which is secured in part by a pledge of the Partners' Capital Commitments) may impair a Limited Partner's ability to transfer its interest in the Fund as a result of restrictions imposed on such transfers by the subscription facility lender. The Fund will pay interest expenses and other expenses incurred in relation to the subscription facility. Moreover, tax-exempt investors should note that the use of borrowings by the Fund may cause the realization of unrelated business taxable income ("UBTI"). As a general matter, use of leverage in lieu of drawing down Capital Commitments amplifies returns (either negative or positive) to Limited Partners.

To the extent the General Partner of an Arena Fund uses the subscription facility to fund investments, Management Fees and/or Fund Expenses during the period between the Initial Closing Date and the Final Closing Date, new investors or existing Partners that are increasing their Capital Commitment as part of a subsequent closing will not be required to pay interest amounts to Partners admitted in previous closings. To the extent that the General Partner of an Arena Fund calls for capital to repay any such amounts funded by the subscription facility during the period between the Initial Closing Date and the Final Closing Date, new investors and existing Partners increasing their Capital Commitment as part of a subsequent closing will not be required to make additional interest payments to the existing Partners from the date capital was required to be paid by the existing Partners.

Loan and Loan-Related Investments

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 a 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 borrowers to the extent reasonable but cannot guarantee such accuracy or completeness.

Bank Loans and Participations. A Client's investment program may include bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) so-called "lender liability" claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Client to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, Arena compares the relative significance of the risks against the expected benefits. Successful claims by third parties arising from these and other risks, absent violation of the Standard of Care by Arena or its affiliates, will be borne by the Client.

A Client may experience significant delays in the settlement of certain loan and/or bank debt transactions, particularly in the case of investments that are or become distressed. Until such transactions are settled, such Client is subject to counterparty insolvency risk. Pursuant to certain insolvency laws, a counterparty may have the ability to reject or terminate an unsettled loan transaction. If a counterparty rejects an unsettled transaction, such Client might lose any increase in value with respect to such loan that accrued while the transaction was unsettled.

A Client may also invest in loan participations where it will be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, such Client generally would depend on the lender to enforce its rights and obligations under the loan arrangements in the event of a default by the borrower on the underlying loan and will generally have no voting rights with respect to the issuer, as such rights are typically retained by the lender. Such investments are subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. There can be no assurance that the lender will not default on its obligations under such arrangements, resulting in substantial losses to such Client.

From time to time, Arena may cause a client to acquire certain assets through participation and sub-participation arrangements with unaffiliated third parties. Such arrangements may expose such Client to additional credit risk compared to acquiring the asset directly because, in addition to the underlying credit risk of the asset, the Client is exposed to the risk of the direct participant defaulting on its obligations to the Client under the participation or sub-participation arrangement.

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 a client's investments will be affected by a variety of factors including, but not limited to, 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.

Agency Provisions. Agency provisions in the loans acquired by a client may impair enforcement actions against the collateral and expose the Client to losses on the loans. The loans may consist of agented loans. Under the underlying loan agreement with respect to agented loans, the loan originator or another financial institution may be designated as the administrative agent and/or collateral agent. Under these arrangements, the borrower grants a lien to such agent on behalf of the lenders and directs payments to such agent, which, in turn, will distribute payments to the lenders, including the Client. The agent is responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions from lenders holding a specified percentage in commitments or principal amount of the loan. In the case of loans that are

part of a capital structure that includes both senior and subordinated loans, the agent may take such action in accordance with the instructions of one or more senior lenders without consultation with, or any right to vote (except in certain limited circumstances) by, the subordinated lenders. The loans held by the Client may represent less than the amount sufficient to compel such actions or may represent subordinated debt which is precluded from acting and, under such circumstances, the Client would only be able to direct such actions if instructions from the Client were made in conjunction with other lenders that together comprise the requisite percentage of lenders then entitled to take or direct the agent to take action. Conversely, if the required percentage of lenders other than the Client desire to take or direct the agent to take certain actions, such actions may be taken even if the Client did not support such actions. Furthermore, if a loan held by the Client is subordinated to one or more senior loans made to the borrower, the ability of the Client to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. However certain actions, such as amendments to the material payment terms of the loans, typically may not be taken without consent of all lenders, including the Client. If the loan is a syndicated revolving loan or delayed draw term loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract resulting in a lawsuit by the borrower against the lenders (including the Client even if it did not default) and adversely affect the fair market value of such loan.

There is a risk that an agent may become subject to insolvency proceedings. Such an event could delay, and possibly impair, the ability of the lenders for such agented loan to take any enforcement action against the related borrower or the collateral securing a loan and may require the lenders to take action in the agent's insolvency proceeding to realize on proceeds or payments made by borrowers that are in the possession or control of the agent.

In addition, it is expected that agented loans will allow for the agent to resign. Agented loans may or may not contain provisions for lenders to remove the agent. If an agent resigns or is removed, the lenders may be required to find, and the required percentage thereof agree to appoint, a successor agent that may be difficult to find or cost more than the predecessor agent.

Cross-collateralization. Certain of the loans will be cross-collateralized. Cross-collateralization arrangements may be subject to challenge, which could result in the subordination of a client's interest in the collateral or the loan itself. Cross-collateralization arrangements involving more than one borrower could be challenged as fraudulent conveyances by creditors of the related borrower in an action brought outside a bankruptcy case or, if the borrower were to become a debtor in a bankruptcy case, by the borrower's representative (or the borrower as debtor-in possession). If a court were to conclude that the granting of the liens to cross-collateralize a loan was a voidable fraudulent conveyance, such court could (a) subordinate all or part of the pertinent loan to existing or future indebtedness of that borrower, (b) recover payments made under that loan or (c) take other actions detrimental to the Client, including, under certain circumstances, invalidating the loan or the Client's interest in the collateral securing the cross-collateralized loan. Any of these actions could impair, delay or eliminate payments by the borrower of a loan that is cross collateralized, which would adversely affect the returns expected by the Investors with respect to any such loan.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). The Clients do not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Clients may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

Risks of Acquiring Real Estate Loans and Participations. Real estate loans acquired by a client may be at the time of their acquisition, or may become after their acquisition, nonperforming for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement “takeout” financing may not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate and also carry risks of illiquidity and lack of control. It is possible that Arena may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by the Client. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims, and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure process. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceeding, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Investments in Loans Secured by Real Estate. A Client may invest in loans secured by real estate (other than mortgage-backed securities) and may, as a result of default, foreclosure or otherwise, hold real estate assets. Special risks associated with such investments include change in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants and changes in operating costs. Real estate values are also affected by such factors as governmental regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws. Of particular concern may be those mortgaged properties which are, or have been the site of manufacturing, industrial or disposal activities. Such environmental risks may give rise to a diminution in the value of property (including real property securing any portfolio investment) or liability for cleanup costs or other remedial actions, which liability could exceed the value of such property or the principal balance

of the related portfolio investment. In certain circumstances, a lender may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

Non-Performing Nature of Loans. It is possible that certain of the loans purchased by a client may be non-performing which may involve workout negotiations, restructuring and the possibility of foreclosure. These processes can be lengthy and expensive. Many of the NPLs will have been underwritten to “subprime,” “Alternative A-Paper” or “expanded” underwriting guidelines. These underwriting guidelines are different from and, in certain respects, less stringent than the other general underwriting standards employed by originators. For example, these loans may have been originated to borrowers that have poor credit or that provide limited or no documentation in connection with the underwriting of the mortgage loan. Such loans present increased risk standards of delinquency, foreclosure, bankruptcy and loss than prime mortgage loans. An originator generally originates mortgage loans in accordance with underwriting guidelines it has established and, in certain cases, based on exceptions to those guidelines. These guidelines may not identify or appropriately assess the risk that the interest and principal payments due on a mortgage loan will be repaid when due, or at all, or whether the value of the mortgaged property will be sufficient to otherwise provide for recovery of such amounts. To the extent exceptions were made to an originator’s underwriting guidelines in originating an NPL, those exceptions may increase the risk that principal and interest amounts may not be received or recovered and compensating factors, if any, which may have been the premise for making an exception to the underwriting guidelines may not in fact compensate for any additional risk.

Investments in Secured Loans. The assets of the portfolio of a client may include secured debt, which involve 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 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 Client’s collateral would adversely affect the priority of the liens and claims held by the Client and could adversely affect the Client’s 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.

Certain Risks Associated with Investments in Residential Mortgage Loans and RMBS. Market Disruptions and Distress. The residential mortgage market in the United States and elsewhere has, at certain times, experienced disruption and instability. Such disruptions may occur

even during periods of broader economic recovery. Declines in the value of mortgaged properties may result in increases in delinquencies and losses on residential mortgage loans generally.

Residential mortgage loans (including the mortgage loans underlying an issue of RMBS) held by the Client are likely to include “non-traditional” mortgage loans, such as adjustable rate mortgage loans (ARMs) – i.e., mortgage loans that offer relatively low monthly payments during the initial years of the loan that increase (often significantly) in later years – or mortgage loans that require large “balloon” payments at specified times (unlike traditional, “self-amortizing” mortgage loans). Many borrowers enter into non-traditional mortgage loans with the hope that they will be able to refinance, or resell the underlying property, before the increased interest payments or balloon payments become due. Stress in the real estate markets, including declines in housing prices may, however, make these refinancing’s or resales commercially unfeasible or impossible. This, in turn, may contribute to higher delinquency rates and losses on mortgage loans (and mortgage loans underlying RMBS) held by the Client, which would adversely affect the Client’s performance.

Under challenging market conditions, it is likely that many of the residential mortgage loans purchased by a Client would have loan-to-value ratios in excess of 100%, meaning that the amount owed on the mortgage loan exceeds the value of the underlying real property. Further, the borrowers on these mortgage loans may be in economic distress and/or may have become unemployed, bankrupt or otherwise unable or unwilling to make payments when due. Even though it is anticipated that the Client will pay less than the amount owed on these mortgage loans to acquire them, if actual results are different from the Client’s assumptions in determining the price for these mortgage loans, then the Client may incur significant losses.

In connection with the disposition of mortgage loans, the Client may be required to make representations about the mortgage loans, including with respect to matters that the Client may be unable to diligence. Such transactions may also require the Client to indemnify the purchaser to the extent that any such representations turned out to be incorrect, incomplete or misleading. These arrangements may result in contingent liabilities, which ultimately may be paid by the Client.

Applicable Law and Regulations. State and federal laws, public policy and general principles of equity relating to the protection of consumers, abusive debt collection practices, and unfair, discriminatory and deceptive practices generally may apply to the origination, servicing and collection of a client’s residential mortgage loans and residential mortgage loans backing the Client’s RMBS. Violations of these laws, policies and principles (including violations that occurred prior to the Client’s ownership of the relevant asset) may limit the ability of the Client (or, as applicable, the issuer of RMBS) to collect all or part of the principal of or interest on the mortgage loans, may entitle a borrower to a refund of amounts previously paid, and could subject the owner of a mortgage loan to damages and administrative enforcement.

Numerous laws, regulations and rules related to the servicing of mortgage loans, including in respect of foreclosure actions, have been enacted and/or proposed by federal, state and local governmental authorities, including the newly formed Consumer Financial Protection Bureau created under the Dodd-Frank Act. Such laws, regulations and rules may delay foreclosure processes, reduce payments by borrowers or increase reimbursable servicing expenses, which in turn would likely result in delays and reductions in the distributions to be made to the Client as the

owners of residential mortgage loans or as an investor in RMBS and/or collateralized debt obligations backed by RMBS. In addition, the rate of foreclosures of properties backing subprime loans in certain states may prompt legislators, regulators and attorney general in those states to try to prevent certain foreclosures and bring lawsuits against participants in the financing of subprime loans in their states, including issuers of RMBS backed by such loans and investors in those RMBS, including the Client. The Client and other similarly situated investors will bear the risk that future regulatory developments will result in losses on their investments, whether due to delayed or reduced distributions or reduced market value.

Risks Associated with Servicers and Third-Party Service Providers. Mortgage loans owned by a Client are serviced by one or more third party servicers. As mentioned directly above, mortgage servicers are subject to numerous laws, regulations and rules. The Client may not be able to successfully detect and prevent violations of such laws or, more generally, fraud or incompetence by such third parties, which could expose the Client to material liability. Terminating a mortgage servicer is a cumbersome process, which could result in delays in realizing the Client's investment strategies, thereby adversely affecting returns.

Whether relating to the Client's investments in mortgage loans or RMBS, the relevant servicer generally is required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee.

Additional third parties will be retained to provide services in respect of the Client's mortgage loan investments, which services may include those relating to evaluating loss mitigation strategies, assisting with valuation of underlying properties, assisting with foreclosures or general management of the loans. The Client's investments could be negatively affected by the actions taken, or advice given, by such third parties.

On January 10, 2014, a set of rules issued by the U.S. Consumer Financial Protection Bureau went into effect. These rules require mortgage servicers to (i) warn borrowers before any interest rate adjustments on their mortgage loans and provide alternatives for borrowers to consider, (ii) provide monthly mortgage statements that explicitly breakdown principal, interest, fees, escrow and due dates, (iii) provide options for avoiding lender-placed, or "force-placed" insurance, (iv) provide early outreach to borrowers in danger of default regarding options to avoid foreclosure, (v) provide that payments be credited to borrower accounts the day they are received, (vi) require borrower account records be kept current, (vii) provide increased accessibility to servicing staff and records for borrowers and (viii) investigate errors within 30 days and improve staff accessibility to consumers, among other things.

Violation of Various Federal, State and Local Laws May Result in Losses on Residential Mortgage Loans. Numerous federal and state consumer protection laws impose substantive

requirements upon residential mortgage lenders in connection with the origination, servicing and enforcement of mortgage loans. There has been significant attention from state and federal banking regulatory agencies, state attorney general, the U.S. Federal Trade Commission, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, the U.S. Consumer Financial Protection Bureau and state and local governmental authorities regarding certain lending practices by some companies in the subprime industry, sometimes referred to as “predatory lending” practices. Sanctions have been imposed by state, local and federal governmental agencies for practices including, but not limited to, charging borrowers excessive fees, imposing higher interest rates than the borrower’s credit risk warrants and failing to adequately disclose the material terms of loans to the borrowers. Sanctions could adversely affect the value of any investment by the Client in a mortgage loan.

Applicable state and local laws generally regulate interest rates and other charges, require certain disclosure, impact closing practices, and require licensing of originators. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, ownership, servicing and collection of such residential mortgage loans. Such laws can increase the costs of compliance in connection with such investments and ultimately undermine the profitability of such investments.

Certain Risks Associated with Investments in CMBS. The underlying commercial mortgage loans in an issue of CMBS held by a client will be backed by obligations (including participation interests in obligations) that are principally secured by mortgage loans on real property (or interests therein) having a multifamily or commercial use, including regional malls or other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. Commercial mortgage loans are generally nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. Commercial properties also tend to be unique and are more difficult to value than single-family residential properties. The types of property securing commercial mortgage loans, and the ways that those properties are used, can also create special risks. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements, which may be terminable by the franchisor or operator, and may be subject to complex local licensing requirements.

The repayment of loans secured by income-producing commercial properties is typically dependent on the successful operation of those properties rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. The net operating income from commercial properties is subject to volatility, however, and may not be sufficient to cover debt service on the related mortgage loan at any given time. Furthermore, the net operating income from, and value of, any commercial property may be adversely affected by risks generally incidental to interests in real property, including events that the borrower or manager of the property, or the issuer or servicer of the related issuance of CMBS, may be unable to predict or control, such as changes in general or local economic conditions and specific industry

segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; natural disasters; pandemics; acts of war; acts of terrorism; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Mortgage loans underlying a CMBS issue may lack regular amortization of principal, resulting in a single “balloon” payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, these balloon payment mortgage loans are likely to experience payment delays or even default. In addition, the mortgage loans underlying a CMBS issue may lack diversification and may relate to a single loan or a limited number of loans.

Peer-to-Peer/Marketplace Lending. Peer-to-peer/marketplace lending allows individuals and increasingly, institutional investors, to lend money to others via an online platform. The borrowers on such platforms are a wide range of individuals and businesses, and a Client’s ability to assess their creditworthiness may be limited. While lending on a peer-to-peer platform can generate high returns, it is subject to many risks, including the risk that the Client could lose its entire investment if a borrower defaults or if the lending and/or loan servicing platform itself ceases operations. In the event of a default, certain lending platforms offer lenders almost no chance of recovery. In addition, peer-to-peer loans are relatively illiquid investments. In many cases it is difficult or impossible for the lender to get its money back before a loan matures, even absent a default.

Other Investments

Nature of Bankruptcy Proceedings. There are a number of significant risks when investing in companies involved, or which may have been involved, in bankruptcy proceedings, including the following: First, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor’s return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise “domination and control” over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, investors in the company may be subject to a court-imposed “cram down” in which they lose their seniority in the capital and security interest structure. Eighth, a client may seek representation on creditors’ committees and as a member of a creditors’ committee it may owe certain obligations generally to all similarly

situated creditors that the committee represents and may be exposed to liability to such other creditors who disagree with the Client's actions. There can be no assurance that the Client would be successful in obtaining results most favorable to it in such proceedings, although the Client may incur significant legal fees and other expenses in attempting to do so. The Client may also be subject to various trading or confidentiality restrictions. In addition, the Client and some of Arena's other Clients may potentially hold conflicting positions in relation to investments in companies involved in bankruptcy proceedings.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing, and the classification, seniority and treatment of claims.

Risks Relating to SPACs. A Client may invest in one or more special purpose acquisition companies (each, a "SPAC"). Thus, a portion of a Client's profits will be dependent on a SPAC's ability to successfully complete its initial public offering (an "IPO") and initial business combination transaction, the performance of a SPAC and of its acquired company at, and following, the business combination and the market value of a SPAC's securities. An investment in a SPAC, including SPACs sponsored by Arena SPAC Persons (as defined below), creates a number of significant risks, including those described below.

Risks associated with investing in a SPAC include, among other things, that: (i) such SPAC may not be able to locate or acquire target companies by the deadline; (ii) the value of any target company may decrease following its acquisition by such SPAC; (iii) the value of the funds invested and held in the trust decline; (iv) the inability to redeem due to the failure to hold the securities in the SPAC as of the record date or the failure to vote against the acquisition; and (v) if the SPAC is unable to consummate a business combination, public stockholders (including the Fund) will be forced to wait until the deadline before liquidating distributions are made. If a SPAC is unable to locate and acquire target companies by the deadline, the SPAC may be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC.

A Client may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be an extremely limited basis for the Client to evaluate the possible merits or risks of such SPAC's investment in any particular target business. Also, to the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies, and there is no guarantee that a SPAC that completes a business combination will exceed the per share value of the SPAC's equity previously held in trust.

Also, affiliates and key persons of the Investment Adviser (collectively, the "Arena SPAC Persons") may serve in the future as a sponsor to, certain SPACs in which certain Arena clients will invest in the future (a "Related SPAC"). Although the Arena SPAC Persons will endeavor to evaluate the risks inherent in a particular target business for any Related SPAC, there is no guarantee that Arena SPAC Persons will properly ascertain or assess all of the significant risk factors or that they will have adequate time to complete due diligence. Furthermore, some of these risks may be outside of the target business and outside of any Related SPAC's control and leave a Related SPAC with no ability to control or reduce the chances that those risks will adversely impact a target business. In

addition, there can be no assurance that a target business will be profitable or successful in its operations following the business combination.

Arena SPAC Persons, Clients and other Arena affiliated investment funds managed by it or by an affiliate may, from time to time, be allocated Sponsor Equity (as defined below) in connection with a Related SPAC. For the avoidance of doubt, a Client may not be offered such opportunities depending on the circumstances of the SPAC. The Sponsor Equity will be worthless if a Related SPAC does not complete an initial business combination. As a result, the Arena SPAC Persons may have different interests in considering and supporting any proposed de-SPAC business combination transaction than the Client. Additionally, as a holder of Sponsor Equity the Client will incur its *pro rata* portion of any upfront costs incurred in connection with the formation of any Related SPAC, and there is no guarantee that the Client would receive any return on its investment in Sponsor Equity.

Investments in SPACs are speculative and involve a high degree of risk.

PIPE Transactions. A Client may participate in PIPE transactions, including PIPE transactions associated with Related SPACs. Special investments in public companies whose stocks are quoted on stock exchanges or which trade in the over-the-counter securities market, a type of investment commonly referred to as a “PIPE” transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly issued securities of smaller capitalization companies. Such companies may also be less likely to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Client acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Client’s ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Client is able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Client may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Fund’s investments.

Short Sales. A Client may make short sales in any type of securities for profit in anticipation of a change in the market price of a financial instrument or as a hedge against other positions held by the Client. Short sales that are not made “against the box” and are not part of a hedging transaction create opportunities to increase return but, at the same time, are speculative and involve special risk considerations. Since the seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns tend to increase more when the securities sold short decrease in value, and to decrease

more when the securities sold short increase in value, than would otherwise be the case if the seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may continuously increase, although the Fund may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Client might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

Hedging Transactions. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Client securities or other objective of Arena; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by Arena; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Client's position; and (v) default or refusal to perform on the part of the counterparty with which the Client trades.

Arena will not attempt to hedge all market or other risks inherent in the Client's positions, and will hedge certain risks, if at all, only partially. Specifically, Arena may choose not to, or may determine that it is economically unattractive, to hedge certain risks — either in respect of particular positions or in respect of a client's overall portfolio. The Client's portfolio composition will commonly result in various directional market risks remaining unhedged. Arena may rely on diversification to control such risks to the extent that Arena believes it is desirable to do so; however, the Client is not subject to formal diversification policies.

The ability of the Client to hedge successfully will depend on the ability of Arena to predict relevant market movements, which cannot be assured. Arena is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Credit Default Swaps. A Client may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. Credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, credit default swaps can be used to implement the General Partner's view that a particular credit, or group of credits, will experience credit improvement. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Because the master and credit support agreements for over-the-counter swap transactions are individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently when the Client seeks to enforce its contractual rights. If that occurs, the Client may be forced to seek to enforce its contractual rights through legal proceedings, which may be costly and time consuming.

Collateralized Debt Obligations (“CDOs”); Collateralized Loan Obligations (“CLOs”);

Collateralized Mortgage Obligations (“CMOs”). A Client may invest in CDOs, CLOs and CMOs. The portfolio may consist of CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO mezzanine debt. CDOs are subject to credit, liquidity and interest rate risks. The CDO equity purchased by the Client will most likely be unrated or non-investment grade, which means that a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. In addition, as a holder of CDO equity, the Client will have limited remedies available upon the default of the CDO. In the recent past, the market for CDOs has become highly illiquid resulting in severe declines of the prices of such instruments.

Lending Against Equipment. In a loan against equipment transaction, also known as a sale leaseback, equipment is sold on paper by the seller and leased back. The seller obtains working capital and keeps the equipment on their property. As with equipment leasing, there are considerable costs associated with terminating such loans and retrieving hard assets if a borrower fails to make timely payments on the loan. Further, the value of the subject equipment will decline over time as a result of use by the borrower, reducing the value of the collateral backing the loan and increasing the risk that the Client will lose money in the event of borrower default. The Client may also engage in equipment leasing, which may expose the Investors to considerable risk. In cases of a non-performing lessee, there are considerable costs associated with terminating leases and retrieving hard assets that can disrupt and reduce cash flow. These risks may be exacerbated in the case of lessee bankruptcy. Further, it may be difficult to re-lease or sell retrieved equipment, depending on market conditions, especially if such equipment is outdated or has been misused.

Currency and Non-U.S. Risks. A Client may, from time to time, invest in non-dollar denominated debt instruments or in securities of companies domiciled or operating outside of the United States. While this is not expected to be a significant portion of the Client’s activities, investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some governments, capital controls, the possibility of expropriation, limitations on the use or removal of Clients or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of tax laws applicable outside the United States (e.g., the imposition of withholding taxes on interest and dividend payments, income taxes and excise taxes) or confiscatory taxation may also affect the Client’s investments. Moreover, less information may be publicly available concerning certain of the non-U.S. issuers of securities held by the Client than is available concerning U.S. companies. The Client may incur higher expenses with respect to investments made outside the United States compared to investing in U.S. securities because of the costs

incurred in connection with conversions between various currencies and the fact that brokerage commissions outside the United States may be higher than commissions in the United States. Non U.S. markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States.

Mezzanine Debt Securities. Mezzanine debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Mezzanine debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine debt securities are generally unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of mezzanine debt securities may be highly leveraged, and their relatively high debt to equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Litigation Claims. A Client may purchase, or may make loans based on, anticipated future payments to be received as the result of favorably determined litigation or mass tort claims. The results of pending litigation are inherently uncertain. Purchasing or lending against pending litigation entails unique risks because there is no guarantee that the relevant litigation will be favorably determined, and consequently that the Client's investment objective will be achieved. If the relevant litigation is determined (in a court or in an out-of-court settlement) in a manner that is adverse to the Client's interest, the Client may lose some or all of its investment.

Aviation Investments. Airline business and results of operations are significantly impacted by general economic and industry conditions. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. Robust demand for air transportation services depends on favorable economic conditions, including the strength of the domestic and foreign economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit. In addition, airlines are subject to extensive regulatory oversight. Compliance with U.S. and international regulations imposes significant costs and may have adverse effects on an airline.

In addition to factors linked to the aviation industry, other factors that may affect the value of an aircraft at any time include: (i) the particular maintenance and operating history of the related airframe and engines; (ii) manufacture and type or model of aircraft or engines, including the number of operators using such type or model; (iii) whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to the lessor; (iv) the age of the aircraft; (v) the advent of newer models of such aircraft or aircraft types competing with such aircraft; (vi) any tax, customs, regulatory and legal requirements that must be satisfied when an aircraft is purchased, sold or released; (vii) compatibility of aircraft configurations or specifications with other aircraft operated by operators of that type of aircraft; (viii) regulatory actions, including mandatory grounding of the aircraft; (ix) any renegotiation of a lease on less favorable terms; (x) decreases in creditworthiness of lessees; and (xi) the availability of spare parts. Any decrease in values of and

lease rates for used commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on the Client's investments.

Shipping Investments. The maritime shipping industry is both cyclical and volatile in terms of charter rates and profitability. A worsening of the current global economic conditions may adversely affect a client's ability to charter or recharter its vessels or to sell them on the expiration or termination of their charters and the rates payable in respect of its currently operating vessels, or any renewal or replacement charters that the Client enters into may not be sufficient to allow it to operate its vessels profitably. Fluctuations in charter rates and vessel values result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the products that such vessels carry. The factors affecting the supply and demand for vessels are outside of the Client's control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Trade Claims. A Client may purchase trade claims, often in connection with the restructuring or bankruptcy of a debtor company over which the Client is trying to exercise influence. The Client might also acquire trade claims as a means of obtaining control over a debtor that is in the process of emerging from Chapter 11, with an intent to push for a Chapter 11 plan that converts debt to equity or to block acceptance of any Chapter 11 plan it opposes. By purchasing trade claims in connection with a bankrupt company, the Client could use this leverage to negotiate a more favorable Chapter 11 plan. Alternatively, the Client could retain the claim, anticipating that the present value of any distribution at the conclusion of the case will exceed the purchase price. Although trade claims may result in significant returns to the Client, they involve a substantial degree of risk. In order to make successful decisions regarding the objective in connection with the acquisition of trade claims, the level of analytical sophistication, both financial and legal, necessary to such decision-making is unusually high. In addition, if the Client has acquired trade claims with the objective of exercising influence over a distressed company or in a bankruptcy action, the expected timing can only be estimated and there may be significant delays which may affect the returns on such trade claim investments for the Client.

Interest Rate Fluctuations. The prices of portfolio investments can be sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to a client of borrowed securities and leveraged investments.

Contrarian Investing. Arena believes the price of certain securities may become depressed to the point that Arena believes that such securities have lower downside risk than other investors may perceive (i.e., an investment will generally be made only if it is believed that the current market price is less than the intrinsic value of the security, based on assumptions as to asset values, total liabilities or claims, timing and the rate of return on the investment), and the Client has made or will make certain investments in such securities. Because of the substantial uncertainty concerning the outcome of transactions involving financially troubled companies undergoing fundamental changes, there is always the potential risk of a substantial loss.

Emerging Markets. A Client may trade in emerging markets. These markets tend to be inefficient and illiquid as well as subject to political unrest and other factors which do not typically affect more developed economies. The Client may sustain losses as a result of market inefficiencies or interference in emerging markets which would not take place in more developed markets.

Correlation Risk. A Client will tend to have a bias toward investments in which Arena believes prices should ultimately hinge more on discrete, credit-specific events than the direction of the broader markets. However, in certain market environments (particularly those characterized by widespread perceptions of systemic risk), risk asset prices can display abnormal levels of correlation. The Client's returns could be adversely affected in scenarios like this, in which fundamental valuation metrics tend to be overwhelmed by other factors.

Risk Arbitrage. Special risks are associated with the use of risk arbitrage, or "merger arbitrage," techniques. In addition to general risks of market behavior and currency fluctuations, merger arbitrage is subject to "deal risk" – the risk of non-consummation of the transaction. A number of factors may lead to deal collapse or delay, such as either party's inability to satisfy conditions to closing, failure to obtain shareholder approval, failure to meet regulatory or antitrust requirements, failure to obtain required financing, or other events that may change the targets or the acquirer's willingness to consummate the transaction.

Leverage of Portfolio Companies. A Client's investments may include securities of companies with leveraged capital structures, which could be subject to increased exposure to adverse economic factors such as an increase in interest rates, a downturn in the economy or further deterioration in the economic conditions of such company or its industry. Similarly, the Client may invest in entities that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of the Client's investment in such an entity could be significantly reduced or even eliminated due to further credit deterioration.

No Limitations on Strategies. There are no material limitations on the investment strategies which Arena may use when investing assets on behalf of a client. Arena will opportunistically implement whatever strategies or discretionary approaches it believes from time to time are best suited to prevailing market conditions. For some of these strategies, no specific "risk factors" are described here. Nevertheless, such strategies should be considered to be speculative, volatile and, in general, no less risky than other strategies more fully described here. Over time, the strategies implemented on behalf of the Client can be expected to expand, evolve and change, perhaps materially. Arena will not be required to implement any particular strategies and is able to discontinue employing any particular strategy on behalf of the Client, whether or not such strategies are specifically described here, and without notice to investors. There can be no assurance that the various investment strategies which Arena expects from time to time to develop and implement for the Client will be successful or that strategies that have been successful will continue to be profitable.

Uncertain Exit Strategies; Duration of Investment Positions. Despite performing an "expected duration analysis" on its target investments, Arena may not know the maximum duration of any particular investment at the time of initiation. Due to the illiquid nature of some of the investments that the Client expects to make, Arena is unable to predict with confidence what, if any, exit strategy for a given investment will ultimately be available for the Client. Exit strategies that appear

to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. The larger the transaction in which the Client is participating, the more uncertain the Client's exit strategy tends to become. The length of time for which a position is maintained may vary significantly, based on Arena's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses. Many of the Client's transactions may involve acquiring related positions in a variety of different instruments or markets at or about the same time. Frequently, optimizing the probability of being able to exploit the pricing anomalies among these positions requires holding periods of significant length—sometimes many months to a year or more. Actual holding periods depend on numerous market factors which can both expedite and disrupt price convergences. There can be no assurance that the Client will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

Expedited Transactions. Investment analyses and decisions by Arena may be undertaken on an expedited basis in order to make it possible for the Client to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, Arena is unlikely to have sufficient time to fully evaluate information which is available. There is a significantly increased risk of making poor investments when they are made on an expedited basis.

Inability to Participate in Certain Investments. Arena has numerous business commitments and relationships worldwide. As a result of these commitments and relationships, there may be situations in which Arena would otherwise take a control position in an issuer, or a position adverse to the management of an issuer but will be prevented from doing so due to other holdings or may choose not to do so because of the potential adverse effects on such relationships, even if such position could prove advantageous for the Client.

Investments by Affiliated Entities in the Same Borrower. In the future, the Client may invest in loans held by or issued to other Arena Clients or issue loans to borrowers in which other Arena Clients also have an economic interest, which economic interest may be in a different debt tier or a different part of the capital structure. There is no limit on the number of additional Arena Investment Clients that are able to be established in the future to pursue lending and credit strategies. In certain instances, Arena Clients participating in a loan origination strategy (including the Client) and Arena Clients participating in other credit strategies may be in different tranches of the same financing. Debt investments of the Client may also include one or more revolving credit facilities. Portfolio borrowers may also have senior revolving facilities provided by one or more third parties. Under such scenarios, the Client and such other Arena Clients and accounts may have opposing interests and actions taken on behalf of another Arena Client or account may have an adverse effect on the interests of the Client.

New Ventures. Arena has the right to cause Clients to finance new lines of business. Such lines of business will be newly formed entities with no operating history or track record upon which to evaluate the New Venture Party's performance. Investing in new ventures is inherently riskier than investing in existing going-concerns. New ventures generally have less predictable operating results, could from time to time be parties to litigation, are often engaged in rapidly changing

businesses with products subject to a substantial risk of obsolescence, could require a large amount of time and attention from the General Partners and the Investment Adviser, could require substantial additional capital to support their operations, finance expansion or maintain their competitive position, and if such new ventures have difficulty accessing the capital markets to meet future capital needs, will limit their ability to grow. In addition, the success of new ventures depends in large part on the management talents and efforts of a small group of persons and their ability to work together. In the case of the New Venture Parties, the persons, some of whom are performing critical functions, will not necessarily know each other and have no experience working together, which enhances the risk profile of the New Venture Parties. In addition, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these ventures' ability to meet their obligations.

Derivatives Risks

Derivatives. A Client, where permitted by its investment objectives and policies, will use various listed or over the-counter derivative instruments, such as options, futures, forwards, commodities, swaps and swaptions (including interest rate and credit default swaps). The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including: (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Swap Agreements. A Client expects from time to time to enter into various swap agreements ("Swaps") as part of its investment program. A Swap is an individually negotiated, non standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity prices, exchange rates, indices or prices, with payments generally calculated by reference to a principal ("notional") amount or quantity. Swaps and similar derivative contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, the Client is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Client trades. Swaps are subject to various other types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, Swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on their structure, Swaps may increase or decrease exposure to the corporate credit market, equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing

rates or other factors. Swaps can take many different forms and are known by a variety of names. The Client is not limited to any particular form of Swap if its use is consistent with the Client's investment objectives and policies, and Arena anticipates that the Client will invest in interest rate swaps, credit default swaps, total return swaps, variance swaps and other types of Swaps.

Depending on how they are used, Swaps may increase or decrease the overall volatility of a portfolio. The most significant factor in the performance of Swaps is the change in the specific interest rate, currency, equity index or other factors that determine the amounts of payments due to and from the Client. If a Swap calls for payments by the Client, the Client must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of a Swap with such counterparty can be expected to decline, potentially resulting in losses by the Client.

Credit Default Swap Agreements. A Client may invest in credit default swaps. The typical credit default swap contract requires the seller to pay to the buyer, if a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Client may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Client will be subject to certain risks in addition to those described elsewhere herein. In circumstances in which the Client does not own the debt securities that are deliverable under a credit default swap, the Client will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. The Credit Derivatives Determination Committees (the "Determination Committees") are intended to reduce this uncertainty and create uniformity across the market, although it is possible that a Determination Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Client would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Client will incur leveraged exposure to the credit of the reference entity and become subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Client will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Client following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Client.

Counterparty risk is always present in credit default swaps, although central clearing of certain credit default swaps is intended to reduce counterparty risk by imposing the central clearing house as the counterparty to each cleared swap. The market for credit default swaps on distressed securities is not liquid (compared to the market for credit default swaps on investment grade corporate reference entities).

In addition, the proper tax treatment of credit default swaps and other derivatives may not be clear. Investors generally are required to treat any such derivatives for U.S. federal income tax purposes in the same manner as they are treated by the Client. The tax environment for derivatives is evolving and changes in the taxation of derivatives may adversely affect the value of derivatives held by the Client.

Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact the Client's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

Certain governmental entities have indicated that they intend to regulate the market in credit default swaps. It is difficult to predict the impact of any such regulation on the Client, but it may be adverse (including making the Client ineligible to be a "seller" of credit default swaps).

Credit Default Swaps on Loans and LCDX Transactions. A Client may invest in all types of loan credit default swaps ("LCDS") and all types of LCDX transactions, a tradable index comprising 100 equally weighted underlying single-name loan-only credit default swaps. LCDS are similar to credit default swaps on bonds, except that the underlying protection is sold on syndicated secured loans of a reference entity rather than a broader category of bonds or loans. Buyers of protection pay a fixed coupon agreed at time of trade and receive compensation on the principal if the entity named on the contract defaults on its secured debt. The compensation will be par minus recovery either via the protection seller paying par in return for gaining possession of the loan or via cash settlement. Loan credit default swaps may be on single names or on baskets of loans, both tranching and untranching.

A Client may also invest in LCDX, which is the buying or selling of protection on 100 names that comprise the LCDX portfolio (i.e., the buying and selling of 100 single-name LCDS). Buying and selling the LCDX can be compared to buying and selling a loan portfolio. When the index is bought, the buyer is taking on the credit exposure to the loans and is exposed to defaults similar to when a loan portfolio is bought. If the index is sold, this exposure is passed on to someone else. The index has a fixed coupon, which is paid when the index is sold, or received if the index is bought. The credit events that generally trigger a payout from the buyer (protection seller) of the index are bankruptcy or failure to pay a scheduled payment on any debt (after a grace period), for any of the constituents of the index. Credit events can be settled by physical or cash settlement. Physical settlement entails delivering the loan and receiving par. The protection seller who took delivery of the loan holds the defaulted asset. Although this method is the traditional method of settlement, there are risks that the notional amount of the outstanding loans is less than the LCDS outstanding and that the LCDX counterparty will be able to take receipt of the loans.

Total Return Swaps. A Client from time to time may invest in total return swaps. As a buyer of total return swaps, the Client will be obligated to make certain periodic payments in exchange for the total return on a referenced asset, including coupons, interest and the gain or loss on such asset over the term of the swap. The Client may be required to maintain collateral with the total return swap counterparty. If the Client fails to fulfill its payment obligations or fails to post any required collateral under a total return swap, the total return swap counterparty may declare an event of default and, as a result, the Client may be required to pay swap breakage fees, suffer the loss of the amounts paid to the counterparty and forego the receipts from the counterparty of further total return swap payments.

Over-the-Counter Derivatives Markets. The Dodd-Frank Act, enacted in July 2010, includes provisions that comprehensively regulate the OTC derivatives markets for the first time. The Dodd Frank Act will ultimately mandate that a substantial portion of OTC derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. OTC derivatives dealers typically demand the unilateral ability to increase the Client's collateral requirements for cleared OTC trades beyond any regulatory and clearinghouse minimums. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements will apply to the holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral the Client is required to provide, and the costs associated with providing it. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before the Dodd-Frank Act. This has and will continue to increase the OTC derivative dealers' costs, and these increased costs are generally passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the imposition of new or increased fees, including clearing account maintenance fees.

With respect to cleared OTC derivatives, the Client will not face a clearinghouse directly but rather through an OTC derivatives dealer that is registered with the CFTC or SEC to act as a clearing member. The Client faces the indirect risk of the failure of another clearing member customer to meet its obligations to its clearing member. Such scenario could arise due to a default by the clearing member on its obligations to the clearinghouse, triggered by a customer's failure to meet its obligations to the clearing member.

The SEC and CFTC will also require a substantial portion of derivative transactions that were historically executed on a bi-lateral basis in the OTC markets to be executed through a regulated security, futures, or swap exchange or execution facility. Some types of CFTC-regulated swaps (including interest rate swaps and credit default index swaps on North American and European indices) are required to be centrally cleared and exchange-traded, and additional types of swaps may be required to be centrally cleared and exchange traded in the future. In December 2019, the SEC adopted a package of rule amendments that "stood up" its regulatory regime with regard to security-based swaps became effective, and as of November 2021, security-based swap dealers will be required to register with this into effect. Such requirements may make it more difficult and costly for investment Clients, including the Client, to enter into highly tailored or customized

transactions. They may also render certain strategies in which the Client might otherwise engage impossible or so costly that they will no longer be economical to implement. If the Client decides to become a direct member of one or more of these exchanges or execution facilities, the Client would be subject to all of the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential additional regulatory requirements.

OTC derivative dealers are now required to register with the CFTC and will ultimately be required to register with the SEC. CFTC-registered swap dealers and SEC-registered security-based swap dealers will be subject to minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for registered swap dealers and are expected to increase the overall costs for registered security-based swap dealers, which costs may be passed along to market participants as market changes continue to be implemented. The overall impact of the Dodd-Frank Act on the Client is not yet known, and it is unclear how the OTC derivatives markets will ultimately adapt to this regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

Convertible Securities, Rights and Warrants. A Client may invest in hybrid securities that may be exchanged for, converted into, or exercised to acquire a predetermined number of shares of an issuer's common stock at the option of the holder during a specified time period (such as convertible preferred stocks, convertible debentures, stock purchase rights, and warrants). Convertible securities generally pay interest or dividends and provide for participation in the appreciation of the underlying common stock but at a lower level of risk because the yield is higher, and the security is senior to common stock. Convertible debt securities purchased by the Client that are acquired for their equity characteristics are not subject to minimum rating requirements.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The credit standing of the issuer and other factors may also affect the investment value of a convertible security. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security is increasingly influenced by its conversion value.

Convertible securities may also include warrants, often publicly traded, that give a holder the right to purchase at any time during a specified period a predetermined number of shares of common stock at a fixed price but that do not pay a fixed dividend. Their value depends primarily on the relationship of the exercise price to the current and anticipated price of the underlying securities.

Futures Trading. A Client may trade futures contracts, including stock index futures. Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as changing supply and demand relationships, government trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and

speculative frenzy and the emotions of the marketplace. In addition, governments from time to time intervene in certain markets, particularly currency and interest-rate markets.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the investor.

There can be no assurance that a liquid market will exist at a time when the Client seeks to close out an option position, future, or Swap. Most U.S. commodity exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Client from promptly liquidating unfavorable positions and subject the Client to substantial losses. In addition, certain of these instruments are relatively new and are without a significant trading history. As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Client from liquidating an unfavorable position and the Client would remain obligated to meet margin requirements until the position is closed.

The CFTC and the U.S. commodities exchanges impose limits referred to as “speculative position limits” on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on U.S. commodities exchanges. For example, the CFTC currently imposes speculative position limits on a number of agricultural commodities (e.g., corn, oats, wheat, soybeans, and cotton) and U.S. commodities exchanges currently impose speculative position limits on many other commodities. The Dodd-Frank Act significantly expanded the CFTC’s authority to impose position limits with respect to futures contracts and options on futures contracts, swaps that are economically equivalent to futures or options on futures, and swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In October 2020, the CFTC adopted amendments to its position limits rules that establish certain new and amended position limits for 25 specified physical commodity futures and related options contracts traded on exchanges, other futures contracts and related options directly or indirectly linked to such 25 specified contracts, and any OTC transactions that are economically equivalent to the 25 specified contracts. The Investment Adviser will need to consider whether the exposure created under these contracts might exceed the new and amended limits in anticipation of the applicable compliance dates, and the limits may constrain the ability of the Clients to use such contracts. The amendments also modify the bona fide hedging exemption for which certain swap dealers are currently eligible, which could limit the amount of speculative OTC transaction capacity each such swap dealer would have available for the Client prior to the applicable compliance date. All accounts owned or managed by Arena are likely to be combined for speculative position limit purposes. The Client could be required to liquidate positions it holds in order to comply with such limits or may not be able to fully implement trading instructions generated by its trading models, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial costs to the Client.

Options Trading. When purchasing or selling an option, the risks associated with the transaction will vary depending on the type of option (i.e., put or call). When purchasing an option, it is necessary to calculate the extent to which the value of the underlying security must increase (in the case of a call) or decrease (in the case of a put) in order for a client's position to become profitable, taking into account the premium and all transaction costs. The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased option expires worthless, the Client will suffer a total loss of the amount invested in the option that will consist of the option premium plus transaction costs.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option, and, upon such exercise, the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest, depending on the terms of the option. If the option is on a future, upon exercise by the purchaser of the option, the seller will acquire a position in a future with associated liabilities for margin. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited. In the case of an option on a future, certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

Forward Contracts. A Client may trade forward contracts in the inter-bank currency market. Certain forward contracts may be traded on exchanges; however, forward contracts that are not traded on an exchange are traded via banks and/or dealers who act as principals in these markets. As a result of the Dodd-Frank Act, the CFTC now regulates non-deliverable forwards (including deliverable forwards where the parties do not take delivery). Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to the Dodd-Frank Act might limit such forward trading to less than that which Arena would otherwise recommend, to the possible detriment of the Client.

Regulatory Developments Related to Commodities Trading. A Client's trading activities may be impacted by regulatory developments related to commodities trading. For example, joint rulemaking by the CFTC and the SEC (required under the Dodd-Frank Act) has broadened the definition of "commodities" positions to include certain types of swaps, including some foreign exchange trades that were previously not regulated as commodities. The precise contours of the SEC and CFTC rules remain somewhat uncertain and may change in unpredictable ways over time. As of this date, the General partner is exempt from registration with the CFTC as a commodity pool

operator (“CPO”) pursuant to CFTC Rule 4.13(a)(3) which imposes certain quantitative limits on the size of commodities positions (including positions in swaps regulated as commodities) that the Client may take. Continued reliance on CFTC Rule 4.13(a)(3) will cause the Client to forego certain investment opportunities that might otherwise be suitable investments for the Client. In order to avoid the trading limitations imposed by CFTC Rule 4.13(a)(3), Arena may seek to rely on other exemptions from registration that do not impose such limitations, or it may elect to register as a CPO with the CFTC. However, even if Arena does register as a CPO, it expects that it may nevertheless be able to avoid certain disclosure, recordkeeping and reporting requirements that would otherwise apply to it (in reliance on CFTC Rule 4.7).

Regulatory Developments Related to Private Funds. The SEC has finalized new rules requiring advisers to private funds to report certain events on a current basis. Any requirement to monitor for and report such events may increase the compliance-related expenses of an Arena Fund and otherwise divert the attention of the General Partner’s and/or the Investment Adviser’s professionals from the investment objectives of an Arena Fund. In August 2023, the SEC finalized new rules and amendments to existing rules under the Advisers Act, specifically related to registered advisers and their activities with respect to certain private funds (collectively, the “SEC Private Fund Rules”). The SEC Private Fund Rules could have a significant impact on the General Partner, the Investment Adviser, and the Arena Fund. In particular, the SEC has proposed to increase reporting requirements by private funds to investors concerning performance, fees and expenses; to require registered advisers to obtain an annual audit for private funds and also require such fund’s auditor to notify the SEC upon the occurrence of certain material events; to impose enhanced requirements, including the need to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-lead secondaries); to prohibit or restrict advisers from engaging in certain practices, such as, without limitation, (i) charging or allocating to a private fund expenses associated with an investigation of the private fund adviser (or its related persons) by regulatory authorities, absent written consent by fund investors (other than fees and expenses stemming from an investigation that results or has resulted in sanctions for violations of the Advisers Act or the rules thereunder), (ii) charging or allocating to a private fund any regulatory, compliance or examination expenses of the private fund adviser (or its related persons) by regulatory authorities, unless such expenses are disclosed in a written notice to investors within 45 days of the end of the fiscal quarter in which the expenses were incurred, (iii) reducing the amount of an adviser’s (or a related person’s) clawback by actual, potential or hypothetical taxes, unless the private fund adviser discloses in a written notice the aggregate dollar amounts of the adviser clawback, both before and after any such reduction, (iv) charging or allocating fees and expenses related to a private fund portfolio investment held by multiple funds on a non-*pro rata* basis, unless the charge or allocation is fair and equitable under the circumstances and the private fund adviser first distributes a written notice describing the allocation and how it is fair and equitable under the circumstances, and (v) borrowing money, securities or other private fund assets, or receiving a loan or extension of credit from a private fund, unless the private fund adviser distributes a written description of the material terms of the proposed borrowing to the fund’s investors and obtains written investor consent. Certain private fund industry associations have filed claims in the Fifth Circuit against the SEC challenging the validity of the SEC Private Fund Rules, thereby introducing further uncertainty as to the impact of these rules. If allowed by the courts to go into effect, the SEC Private Fund Rules could have a significant impact on private fund advisers and their operations, including increasing compliance burdens and associated regulatory costs, reducing the ability to receive expense reimbursements and enhancing the risk of regulatory action, including public regulatory sanctions and may result in a change to the General Partner’s, the Investment Adviser’s and/or the Arena

Fund's business practices and create additional regulatory uncertainty. In addition, if the legal challenge to the SEC Private Fund Rules is successful, the Arena Funds may bear the costs of implementation efforts that are never effected.

Structural Risks

Absence of Certain Regulatory Protection. A Client will not be registered under the Investment Company Act. The Investment Company Act provides certain protection to investors in registered investment companies and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability to incur leverage), none of which will apply to the Client. Consequently, Investors will not be afforded these protections. Furthermore, neither a general partner nor Arena is registered as a broker-dealer or is a member of FINRA and, consequently, are not subject to the Exchange Act, the regulations thereunder or the rules of FINRA.

Arena is registered under the Advisers Act with the SEC and the General Partner is deemed to be registered under the Advisers Act as a "special purpose" entity in reliance on SEC staff guidance set forth in American Bar Association, Business Law Section, SEC No-Action Letter (January 18, 2012). Registered advisers are subject to substantial regulatory reporting and recordkeeping requirements regarding their advisory business. Compliance with these reporting and recordkeeping requirements will require the expenditure of Arena's resources and the attention of certain personnel of Arena and its affiliates who also have responsibilities on behalf of the Client and to Arena generally.

Risks Related to Multiple Clients. Arena has both open-ended and closed-end Clients pursues a substantially similar strategy. Arena anticipates launching additional Clients and managing accounts that will pursue similar strategies or have substantially overlapping objectives. Such activity may adversely affect a client and its investors (if applicable). These risks include, but are not limited to, loss of management attention and time due to multiple constraints, increased competition of capital allocations, and expansion of potential risks to Arena as a whole outside those previously disclosed. As Arena organizes and manages new Clients, Arena will face conflicts with respect to the allocation of investment opportunities among such Clients, including the Client.

Limited Liability and Indemnification of Arena Parties. Arena parties have limited liability to its client and their investors (as applicable). The Client (and indirectly, the investors) has agreed to indemnify and hold each Arena party harmless against any losses except to the extent such losses result from an Arena party's violation of the agreed upon standard of care, in accordance with the applicable Offering Documents. Therefore, the Client will not be able to recover from Arena parties for losses that arise from such Arena parties' actions or inactions absent a violation of the standard of care. Furthermore, the Client may be required to bear, or reimburse Arena parties for, potentially unlimited amounts, which could result in a material adverse effect on the Client.

Default Risks. With respect to certain Clients structured as closed-end vehicles, investors make Capital Commitments that the Client is entitled to call from throughout the Investment Period and, to a lesser extent, thereafter. The Client depends on investors fulfilling and honoring these commitments in order to consummate investments and otherwise pay the Client's obligations when

due. As a result, the Client will be subject to costs, including break-up fees or damages, for unconsummated transactions if investors default on their commitment to Client capital. The other investors in the Client may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default or excused investment by one or more investors could have a deleterious effect on the Client, its assets, and the interests of the other investors in the Client. In addition, the consequences of defaulting on a drawdown notice are material and adverse to the defaulting investors, including the forfeiture of a defaulting investor's capital account and the imposition of penalty interest.

Dilutions from Subsequent Closings. With respect to Arena's closed-end funds, investors making commitments after the initial closing will participate in the existing investments of the Client, thereby diluting the interest of existing investors. Although such subsequently admitted investors will contribute their pro rata share of prior capital contributions (plus an interest component thereon), there can be no assurance that this contribution will reflect the fair value of the Client's existing investments at the time that such additional investors make their Capital Commitments, despite the Client's marking-to-market of such existing investments if Arena believes that there has been a material change in their fair value from the Initial Closing.

Investments Longer than Term. Although Arena expects that, with respect to a Client organized as closed-end fixed term vehicle, Arena expects that the Client's investments will be realized prior to the end of the term (which, in any event, may be extended by Arena in its discretion for up to one year), the Client may have to sell, distribute or otherwise dispose of its investments at a disadvantageous time in order to achieve such realization. As a result, the Client may sell, distribute, or otherwise dispose of its investments for a price which is less than the price that could have been obtained if the investments were held for a longer period of time. There can be no assurance that the winding up of the Client and the final distribution of their assets will be able to be executed expeditiously.

Cybersecurity Breaches and Information Technology. Arena is heavily reliant on its information technology infrastructure, processes, and procedures, and it has devoted significant resources to ensuring it has competitive informational technology systems. Information technology changes rapidly, however, and Arena may not be able to stay ahead of such advances. Moreover, as Arena grows, it may find itself a target of cybersecurity breaches and attacks. A Client is subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs, and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. The computer systems, networks and devices used by Arena and service providers to Arena and the Client to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, these systems, networks, or devices potentially can be breached. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality.

The Client and its investors could be negatively impacted as a result of a cybersecurity breach. If a cybersecurity breach occurs, the Client will incur costs, which may be substantial, including those associated with forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; loss of data and other records; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to the Client; interference with Arena's ability to calculate the value of an investment in the Client; impediments to trading; the inability of Arena and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Investors are advised to ensure communication methods with the Investment Manager and any of their respective affiliates, any financial advisers or any other parties associated with the Account are secure so as to prevent fraudulent change of details or other fraudulent requests and communications from being submitted through, for example, their email accounts.

Conflicts of Interest. Arena parties have certain conflicts of interest in their management of the Client. These conflicts arise primarily from the involvement of Arena parties and their affiliates in other activities that may conflict with those of the Client and will also arise whenever an Arena party or any of its affiliates is engaged to perform for compensation any services for the Client. In addition, Arena will face conflicts in the allocation of investment opportunities among the Client and its other Clients and affiliates.

Employees and officers of Arena, the custodians and the prime brokers of the Client may from time-to-time act as directors, investment advisors, administrators, custodians or prime brokers in relation to or otherwise be involved with other companies established by parties other than the Client which have similar objectives. In such event, should a conflict of interest arise, the General partner will resolve in a manner that it determines fair and equitable under the circumstances.

Structuring of Joint Venture and Similar Arrangements. A Client expects to invest in one or more transactions along with Affiliates and unaffiliated joint venture partners, correspondents, and sourcing relationships. Such transactions may be structured to include incentive fee payments structured through waterfall provisions that provide back-ended profit payments to the joint venture partner, correspondent, or sourcing relationship in order to incentivize such person's performance. The Client will be required to value its investments in the joint ventures at differing times during the waterfalls in the joint venture agreements. This valuation approach creates a conflict of interest between the Client and the Affiliates that invest in the same joint venture waterfall transactions at differing times, as well as an internal conflict within the investor groups in the Client who invest in the Client at differing times during the lifecycle of the joint venture transactions. Because the profit share distributed to a joint venture partner may be back-ended (i.e., paid after a return of capital in respect of the investment), this may mean certain Arena Clients or certain groups of Investors bear a disproportionate burden with respect to such profit payments. In performing the related valuations, the Client will seek to ensure that the value of the Client's joint

venture investments will not exceed the value that would be determined had the joint venture investments been made in a standalone transaction, outside of the context of the joint venture, rather than structured through an all capital back first waterfall, and Arena will seek to make any excess value that might be created by offsetting transaction losses occurring in other investments made through the joint venture arrangement available to the Client and Affiliates that invested in those offsetting loss transactions.

Trade Error Policy. Arena attempts to minimize trade errors by taking the utmost care in making and implementing investment decisions on behalf of Client accounts. However, on occasion, trades may be executed on behalf of Clients, including the Client, which are inconsistent with the trading instructions of a portfolio manager or are the result of some other error in the trading process. Such trades are known as “Trade Errors” include, without limitation, instances in which as a result of an inconsistency or other error in process: (i) the wrong instrument is purchased or sold; (ii) the wrong quantity of an instrument is purchased or sold; (iii) a purchase is made instead of a sale or a sale is made instead of a purchase; or (iv) an instrument is purchased or sold in violation of regulatory or contractual obligations. Trade Errors do not include scenarios that do not result in a trade. Trade Errors may result in losses but may, occasionally, result in gains. Arena will endeavor to detect Trade Errors before settlement and correct and/or mitigate them in an expeditious manner. To the extent a Trade Error is caused by a third party, such as a broker, Arena may seek to recover any losses associated with the Trade Error from such third party but may choose not to do so in its discretion, and Arena will not be liable for such losses. Unless a Trade Error has resulted from the willful misconduct or gross negligence of Arena or its employees, any losses will be borne by the Client. Any gains resulting from a Trade Error will be for the benefit of the Client. Arena will determine in its sole discretion whether any Trade Error has occurred and, if so, whether it resulted from willful misconduct or gross negligence on the part of Arena or its employees. Investors should be aware that, in making such determinations, Arena will have a conflict of interest.

Broker-Dealer Regulatory Risks. Certain activities in which Arena and its affiliates participate, including loan origination activity, may subject them to the risk of being deemed to be engaged in the business of effecting securities transactions for others. This could mean that Arena or one or more of its affiliates is acting as an unregistered broker-dealer, a subject of heightened SEC focus in recent years. If Arena or one of its affiliates were deemed to be acting as an unregistered broker dealer, it is likely to be subject to regulatory censure and may be required to register with FINRA, which could have adverse effects on the Client, including additional regulatory scrutiny and increased regulatory and operational costs.

Other Business Activities of Arena; Reliance on Daniel Zwirn.

In addition to serving as the CEO of the Investment Adviser, Mr. Zwirn serves as CEO of AOC (as defined below) and certain SPACs and provides certain services to the Arena Finance Affiliates (defined below). Mr. Zwirn also engages in non-Arena related business activities, including serving as the Vice Chairman of Applied Data Finance, Inc. and on its board of directors. As a result, Mr. Zwirn will face conflicting demands for his business time and attention. If he were not available to the Investment Adviser for any reason, a Client’s performance could be adversely affected. The other employees of Arena will devote varying portions of their business time and attention to the affairs of the Client and other Arena clients and the Arena Finance Affiliates. Neither the Investment Adviser nor any of its affiliates, principals or employees is required to devote full time to managing

Clients. They will conduct other businesses and provide investment advisory services to other clients, including, without limitation, other affiliated investment funds and managed accounts (such as corporate or governmental benefit plans, institutional investors and high net worth individuals), some of whom may have objectives similar to those of the Client. They give advice and make recommendations to such other accounts, some of which are the same, similar to or different from those rendered to the Client. The compensation arrangements with other clients create incentives for the Investment Adviser or its principals or employees to favor such other clients from time to time. Clients will have no direct interest in the General Partner of an Arena Fund, the Investment Adviser, Arena's or Mr. Zwirn's other business activities. From time to time, Mr. Zwirn's other business activities compete and/or conflict with the Investment Adviser's or the Fund's investment activities, but will be subject to the Investment Adviser's conflicts policies. In addition, from time to time entities affiliated with Mr. Zwirn or Westaim will engage in transactions with the Investment Adviser clients. In such cases Mr. Zwirn will not participate in the decisions on behalf of the Investment Adviser and such transactions will occur only after appropriate consents have been received from an Independent Representative, the L.P. Advisory Committee or through other similar means. Finally, Mr. Zwirn, Westaim and their affiliates may engage in independent investment activities on their own behalf. Neither the Investment Adviser nor Mr. Zwirn nor Westaim, in respect of any of their other business activities, will knowingly or deliberately favor any other account or business over the Fund. Decisions affecting the Fund may be made independently from such other accounts or businesses.

Decisions as to the execution of portfolio transactions on behalf of a Client, including the selection of the dealers and brokers, will be made in the sole and absolute discretion of the Investment Adviser. The Investment Adviser will seek the most favorable terms for each portfolio transaction.

Risk of Litigation. In the ordinary course of its business, a client may be subject to litigation from time to time. The outcome of litigation, which may materially adversely affect the value of the Client, may be impossible to anticipate, and such proceedings may continue without resolution for extended periods of time. Any litigation may consume substantial amounts of Arena's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. The Client also may enter into direction letters or similar agreements with third parties in connection with claims or litigation that may include indemnification and exculpation provisions in favor of such third parties.

Letter Agreements; Additional Reports and Information. To the extent permitted by the relevant partnership agreement, the Arena and/or the General Partner on behalf of the Client, as applicable, may, in their sole and absolute discretion, agree to waive or modify the application of any provision of the partnership agreement or subscription agreement with respect to any investor, by Letter Agreement or otherwise, without obtaining the consent of any other investor. Such Letter Agreements may provide for various modified terms including, but not limited to: (i) various notification requirements; (ii) limitations on the Client's ability to distribute securities in kind; (iii) the provision of audited financial statements within certain periods of time; (iv) the provision of information relating to the Client's portfolio holdings (subject to non-disclosure agreements and other confidentiality considerations); (v) reduced Management Fees, Carried Interest or fee rebates (including to any affiliate of the General Partners or an employee or family member of any such affiliate, or their personal investment vehicles); (vi) minor investment restrictions that do not materially affect the Client; (vii) the provision of periodic pricing information; or (viii) provisions

necessary to accommodate a particular investor's legal, tax, sovereign or regulatory status, accounting considerations, contractual obligations, or internal guidelines or policies.

In certain cases, the Arena will disclose portfolio holdings of a client to entities that evaluate portfolio risk for Investors. The Arena will provide this information to such entities as it chooses and may refuse to provide this information to any such entity at any time. Every effort is made to bind the recipients of this information to maintain the confidential nature of this information, including entering into non-disclosure agreements prior to providing this information to them. However, there can be no assurance that these entities will fulfill their confidentiality obligations to the Arena. In addition, investors, in the course of conducting due diligence, often request information pertaining to their investments in the Client (either orally or in writing), including information that is not generally made available to all investors of the Client. The Client and the Arena generally will respond to such requests without providing relevant information to all other investors. The Client and Arena generally are available to receive reasonable information requests from investors concerning their investments in the Client.

Credit Facilities with other Arena Clients and Affiliates. A Client may enter into credit facilities on a joint and several or cross-collateralized basis with other Arena accounts and certain affiliates. Such credit facilities may include implementing leverage for investments that will be purchased by or contributed to an SPV for the purpose of co-investment in certain assets with other Arena accounts and which may further involve the sale of a portion of loans originated by such SPVs to other Arena accounts (directly or indirectly through another SPV structure that is co-owned by Arena accounts) including other entities that are wholly-owned by the Investment Advisor or its parent. If such transactions are considered a "principal trade" pursuant to section 206(3) of the Advisers Act, they will be approved by the Independent Representative. If there were a failure by one or more of the other borrowers in a cross-collateralized facility, the Client could be responsible for the repayment of any such defaulted portion, even if the loan proceeds were not extended to the Client but to another borrower included in the facility. In addition, in respect of any investment purchased with borrowed funds, the relevant lender may obtain certain restrictive or other consent rights in relation to such investment upon a default of a co-borrower or the Client. Such rights may hinder the ability of the other co-borrowers, including such Client, to sell, amend or otherwise deal in the relevant asset.

ITEM 9. DISCIPLINARY INFORMATION

Neither Arena nor any of its Supervised Persons has been subject to legal or disciplinary events related to this item.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Commodity Pool Operator

Each general partner of a pooled investment vehicle (each, a “General Partner”) intends to operate the funds it advises pursuant to the exemptions to registration provided by Commodity Futures Trading Commission Rule 4.13(a)(3).

Broker-Dealer

Arena Financial Services, LLC (“AFS”) is a registered broker-dealer and member of FINRA and is an affiliate of Arena. AFS’s principals are also officers and/or employees of Arena and its other affiliates. Certain Arena employees are also registered representatives of AFS. AFS, will act as placement agent for certain of the funds advised by Arena. Any placement agent fees (other than Required Placement Agents) will be paid by the General Partners or its affiliates and will not be borne by the Arena Funds. Although it is expected that AFS will be a non-compensated placement agent by the Arena Funds in connection with placing Interests in the Arena Funds, nonetheless, the arrangement creates conflicts of interest because certain employees of AFS will have compensation plans that include credit for realized Arena Funds sales they generate.

Arena and the Arena Funds may be required to engage local placement agents where such entity is required by law or regulation in any non-U.S. jurisdiction or is otherwise necessary to effect an offering in a non-U.S. jurisdiction (“Required Placement Agents”). Any fees payable to such Required Placement Agents will be borne by the investors from the relevant non-U.S. jurisdiction for which the Required Placement Agent was engaged.

Certain Affiliates

Arena is affiliated with the following entities:

- Westaim owns Arena through indirect holding companies; the direct owner of Arena is AIGH; Mr. Zwirn (through BernardCo) has certain economic rights with respect to Arena and controls the day-to-day management and investment activities of Arena.
- Arena Origination Co., LLC (“AOC”) primarily originates loans, and, after seasoning, will make such loans available to Clients advised by Arena, Arena affiliates and/or other third-party counterparties (please see Item 5 and Item 11 for information relating to conflicts of interest).
- Arena’s general purpose finance affiliates include Arena Finance, LLC (and subsidiaries), (collectively the “Arena Finance Affiliates”). Mr. Zwirn will perform certain services on behalf of these entities (please see Item 11 for information relating to the conflicts of interest)
- Arena Investors UK Limited (“Arena UK”) an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority.
- Arena Investment Management (Singapore) Pte. Ltd. (“Arena Singapore”) an entity established in Singapore and a holder of Capital Markets Services license in fund management is regulated by the Monetary Authority of Singapore.

- Arena Management Co., LLC (and its affiliates), which provides personnel and back office support and perform certain non-advisory front office services and other administrative services for Arena.
- The General Partners, which (along with any persons acting on behalf of the General Partners) are subject to the supervision and control of Arena in connection with any investment advisory activities.
- Quaestor Advisors, LLC, which provides administrative and certain non-advisory front office services to Arena Clients.
- Quaestor Strategic Advisors LLC, which provides consulting sourcing or other services to Clients.
- Arena Fortify Management LLC, which provides consulting sourcing or other services to Clients.
- Arena Financial Services LLC, which is a registered broker dealer with the Financial Industry Regulatory Authority.
- Arena Fortify Sponsor, LLC and Arena Fortify Acquisition Corp. which was established to sponsor and invest in special purpose acquisition companies, respectively.

Mr. Zwirn

Mr. Zwirn serves as a director, officer, principal of and/or advisor to other investment advisers or other businesses in the financial services industry and also serves as a trustee and on various committees for certain non-profit organizations, including but not limited to:

- Brookings Institution – Board of Trustees (Senior Trustee)
- University of Pennsylvania’s School of Social Policy & Practice – Board of Advisors
- University of Pennsylvania’s Jerome Fisher Program in Management & Technology - Executive Board
- Applied Data Finance (a venture-backed provider of online consumer credit) - Director
- Arena Fortify Acquisition Corp. – Chief Executive Officer

Conflicts

Certain of Mr. Zwirn’s activities described above will reduce the amount of time that he is able to spend on Arena’s activities. Furthermore, although such outside business activities are not currently deemed competitive with Arena’s business, the nature of a particular business and/or the extent of Mr. Zwirn’s involvement may change in such ways as to compete or conflict with Arena’s

business. Arena will utilize certain service providers with whom Mr. Zwirn is connected to provide certain services related to investments for Client funds and accounts, such as financing.

Any related fees will be comparable to fees that a qualified independent third-party service provider would have charged. In addition to the foregoing, Arena advised Clients will, from time to time and subject to applicable investment restrictions, invest in or transact with outside businesses controlled by Mr. Zwirn or in which Mr. Zwirn has an interest.

Additional information regarding Arena's management of potential conflicts connected with its financial affiliations and those of Mr. Zwirn is provided in Item 11 below.

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

Code of Ethics

Arena has adopted a Code of Ethics (the “Code”) which includes, among other policies, a Personal Trading Policy and an Insider Trading Policy, to establish principles of conduct and to assist in detecting, managing and to the extent possible avoiding conflicts of interest that will arise between employees and Clients as a result of personal investing activities. The Code is designed with the goal of ensuring, among other things, Supervised Persons conduct their personal investing activities in accordance with applicable law and in a manner where Clients’ interests are placed first and foremost. All employees are responsible for upholding Arena’s fundamental principles of openness, integrity, honesty, and trust and must conduct their activities with due skill, care, diligence, prudence and fairness.

To meet the requirements of the Code regarding personal trading, Arena automates, where practicable, the reporting requirements and approval process through an electronic compliance system. Arena’s Code’s personal trading requirements apply to all individuals in which Arena designates, which generally includes employees, as well as their spouses, certain members of their immediate families and other persons as further described in the Code (“Access Persons”). Furthermore, the Code applies to any account in which an Access Person has a direct or indirect beneficial, economic or financial interest or over which an Access Person has investment discretion or direct or indirect influence or control.

Generally, the Code requires, among other things, that all Access Persons pre-clear securities transactions pursuant to the Code, including transactions in private placements. Access Persons are generally prohibited to trade in the same securities in which a client might invest though there are certain exceptions, for example, if the Access Person was already invested in a specific investment prior to a client being invested and the Access Person would like to divest their position, provided there was no applicable trading restrictions. The Code also requires Access Persons to report accounts and securities holdings covered by the Code at the commencement of their employment and periodically thereafter. In addition, on a quarterly basis, Access Persons are required to report securities transactions executed during the quarter.

Arena’s Code imposes prohibitions on Access Person trades including, but not limited to: (i) trades based on inside information; (ii) trades intended to manipulate the market; (iii) trades in securities on Arena’s restricted list; (iv) trades in securities subject to an open order or during a blackout period; and (v) trades in new issues. Arena has exempted certain types of securities from some of the requirements and prohibitions of the Code including the pre-clearance requirement and blackout prohibitions.

As part of the Code, Arena has established an Insider Trading Policy. Arena’s Insider Trading Policy includes specific requirements regarding the possession of material non- public information (“MNPI”) in order to avoid situations which violate applicable regulatory statutes or create an appearance of impropriety.

Arena's Insider Trading Policy strictly forbids any employee from conducting trades, either personally or on behalf of others, including Clients of Arena, while in possession of MNPI that may affect the security to be traded and from improperly communicating MNPI to others (i.e., "tipping").

A copy of Arena's Code can be obtained upon request by any client or prospective client.

Recommendations of Securities in which Arena or a Related Person has Some Financial Interest

Arena and its affiliates will engage in a broad spectrum of activities, including direct (or principal) investment activities for their own accounts and investment advisory activities that, with respect to any particular Client, are independent from, and may from time-to-time conflict with, overlap with or compete with, the investment activities of other Clients.

Principal Transactions and Cross Transactions

Subject to applicable investment guidelines and restrictions, as previously noted under Item 5, AOC, an affiliate, or an Arena Fund will, as necessary, originate loans and then later sell the loan to an Arena Client (or in the case of an origination by an Arena Fund, another Arena Client account) or to a third party. Such third parties may not be required to pay Arena and/or its affiliates asset management and/or servicing fees associated with such loans.

Sales of loans originated by AOC, an affiliate, or an Arena Fund to another Arena Client may be "Principal Transactions." Sales of loans originated by one Arena Client to another Arena Client, may be "cross transactions," and may, depending on the facts and circumstances, including Arena's proprietary interest in either or both Clients, also constitute principal transactions. In addition, Arena may direct one Client account to sell securities or loans from the Client's portfolio to another Client account through a "cross transaction" when Arena deems the transaction to be in the best interest of each participating Client (e.g., for rebalancing or tax purposes, liquidity purposes or to reduce transaction costs that may arise in an open market transaction). Similarly, such cross transactions may, depending on the facts and circumstances, including Arena's proprietary interest in either or both Clients, constitute a "principal transaction."

By way of a few examples, certain U.S. based Arena Funds originate loans and then sell them to another Arena Fund offshore, or other Arena affiliates, including AOC, originate loans with or without the U.S. fund's participation and sell them to a U.S. fund, an offshore fund or to third parties. Such transactions will be made generally without the services of a broker-dealer.

When effecting such transactions between AOC and a Client, Arena will have conflicting loyalties and responsibilities with respect to AOC, as Arena's personnel, will overlap with personnel at AOC. Further, originating loans generates origination and other transaction-related fees for AOC. Certain members of the management team have equity interests in AOC, which creates an incentive for such team members to invest Client assets in loans originated by AOC. Arena and its personnel therefore will have conflicts of interest in determining whether to acquire a loan from a third party or from AOC. Arena seeks to mitigate this conflict as described below.

Arena has conflicting loyalties and responsibilities with respect to transactions among or between Clients, including affiliated Clients or entities. Origination and transaction-related fees are also generated when a client originates a loan that it sells to another Arena Client. Such fees similarly will be shared with certain members of the management team and also create conflicts of interest for Arena and its personnel in determining whether to cause a client to acquire a loan from a third party or from another Client or an affiliated entity.

Arena seeks to mitigate the conflicts and potential conflicts described above by conducting a number of activities to address, monitor and manage such conflicts and potential conflicts, including those related to the sale of loans from AOC to a Client and to transactions between and/or among Arena and its Clients. The CCO is involved in oversight, review and approval processes regarding principal transactions and cross transactions in a number of ways, depending on the facts and circumstances of each such transaction. Arena has also established a committee to ensure fulfillment of its fiduciary duties with respect to affiliated transactions.

To the extent that Arena believes any such transaction may constitute a “principal transaction” under the Advisers Act (*i.e.*, where Arena or an affiliate is acting as principal for its own account and knowingly transacts with a Client), Arena has implemented policies and procedures designed to comply with the provisions of Section 206(3) of the Advisers Act. As described in the relevant Offering Documents, actual conflicts, and, where deemed necessary, potential conflicts, in connection with a principal transaction or a cross trade may be brought to an unaffiliated third party as agreed to by investors who is designated to consider such conflicts along with the price and value of the relevant asset and determine whether the transaction is consistent with those between unrelated parties and provide consent to the transaction on behalf of the Client(s) (an “Independent Representative”). In addition, a committee consisting of certain representatives of the Client (or its investors) or a third party with relevant experience with credit assets, valuation and/or conflicts (each such committee, an “Other Committee”) *may be established* to review any transactions approved by the Independent Representative. However, it is not expected that an Other Committee will review such transactions prior to settlement or be entitled to overrule any prior consents provided by the Independent Representative. Under certain circumstances, an Other Committee may be permitted to request the appointment of a new or additional Independent Representative. In addition to the foregoing, an Other Committee may be tasked with providing certain approvals on behalf of the Client, including approving transactions involving potential conflicts of interest. Any consents given by the Independent Representative, or an Other Committee will be binding on the relevant Arena Client (and its investors).

Use of and Compensation of Affiliates for Asset Servicing

Arena (or its affiliates), on behalf of the Clients, will contract with its affiliates, the Affiliated Asset Service Providers, for the day-to-day asset servicing, including loan servicing and other ancillary services, required to maintain the types of illiquid assets in the Clients’ portfolio, in exchange for the Asset Servicing Expense. The Asset Servicing Expense will not offset the Management Fee. Arena and certain of its principals will benefit from each of the Affiliated Asset Service Provider’s relationship and its receipt of fees from the Clients. Such fees and relationship enhance the value

of each Affiliated Asset Service Provider as a full service asset servicing firm, and the investors will not participate in any increase in value, tangible or intangible, of such Affiliated Asset Service Provider. Conflicts exist in determining whether the Affiliated Asset Service Providers have performed their obligations to the Clients and/or whether the Affiliated Asset Service Providers are entitled to be indemnified pursuant to the provisions contained in any agreement between the Affiliated Asset Service Providers and the Clients. The managers, officers, and employees of the Affiliated Asset Service Providers will devote such time as it determines in its sole discretion to be necessary to perform its obligations under its agreement with the Clients. It is expected that such individuals will also perform services for other Arena clients and conflicts of interest will arise in allocating management time, services or functions among the Clients and such other Arena clients. In addition, the Clients will have the right to contract with other affiliates of the Investment Adviser for asset management, loan servicing, special servicing due diligence and ancillary services. In such an instance, such affiliate would receive fees from the Clients for such services from the Clients, which gives rise to a conflict associated with the pricing of such services. As discussed above, the Clients may enter into one or more leverage arrangements with the Investment Adviser's parent, Westaim. Any such arrangements will be based on terms no less favorable than those that could be obtained with an independent third-party lender.

From time to time the General Partner will review the Asset Servicing Expense in consideration of the services provided in order to validate its belief that the Asset Servicing Expense is comparable than the fees that would be charged for the same services if obtained from a third party. In evaluating the Asset Servicing Expense, the General Partner will consider the costs being charged for similar services by non-affiliated service providers. However, relevant comparisons may not be available for a number of reasons, including, without limitation, because there are a limited number of providers or users of such services or because of the confidential and/or bespoke nature of such services. For these reasons, market comparisons may not yield market terms for comparable services. In addition to acquiring market data, the General Partner may decide from time to time to obtain benchmarking data. However, benchmarking data is based on general market overviews, rather than determined on an asset-by-asset basis. As a result, benchmarking data does not take into account the specific characteristics of individual assets (such as location or size, and to some degree, the specialty nature of an asset). Benchmarking studies are expensive and will be borne by a Client and/or any other fund utilizing such benchmarking study, and will not offset the Management Fee.

The Affiliated Asset Service Entities, and certain of their affiliates and subsidiaries provide services to the Clients in exchange for the Special Expenses. The role of the Affiliated Asset Service Entities is to facilitate strategic arrangements with, or engagements (including on an independent contractor or employment basis) of, any persons the Affiliated Asset Service Entities determines in good faith to be industry executives, advisors, consultants, operating executives, subject matter experts or other persons acting in a similar capacity, for the purpose of providing consulting, sourcing or other executive-level services to the Clients, issuers of investments (including with respect to potential portfolio investments of the Clients) and other Arena clients and their investments. The relevant individuals are distinct from Arena's personnel who provide

services on behalf of the Investment Adviser; however, from time to time some personnel or consultants who are Arena employees may become employees or consultants of the Affiliated Asset Service Entities if the Investment Adviser determines that such personnel have the specific skills, talents or other qualities to perform certain services. No lapse in service or time period is required in order for the Affiliated Asset Service Entities to retain the services of such personnel and to commence billing the Clients for the Special Expenses. In connection with such services, the Affiliated Asset Service Entities will receive Special Expenses (as defined above). Special Expenses will be retained by, and be for the benefit of, the Affiliated Asset Service Entities and will not offset the Management Fee. The Affiliated Asset Service Entities may hire a person to perform work for several Clients or for one or more investments in the Clients. In such event the expenses paid for such person will be shared by the Clients in a manner that the Investment Adviser believes is fair and equitable. Such expenses include, but are not limited to, employee costs, consulting, legal expenses, software expenses and insurance.

The Affiliated Asset Service Entities will be engaged by and receive reimbursement for Special Expenses from the Clients with respect to a potential or actual portfolio investment or be engaged directly by a portfolio company and receive reimbursement for Special Expenses from the portfolio company. Neither reimbursement by a Client or by the issuer of an investment shall be the exclusive means of reimbursement of Special Expenses by the Affiliated Asset Service Entities with respect to any services provided by or expenses incurred by the Affiliated Asset Service Entities.

From time to time the General Partner will review the fees charged to the Clients by the Affiliated Asset Service Entities in order to ensure the fees are reasonable. In evaluating such fees, the General Partner will consider the costs being charged for similar services by non-affiliated service providers. However, relevant comparisons may not be available for a number of reasons, including, without limitation, because there are a limited number of providers or users of such services or because of the confidential and/or bespoke nature of such services. For these reasons, market comparisons may not yield market terms for comparable services. In addition to acquiring market data, the Investment Adviser may decide from time to time to obtain benchmarking data. However, benchmarking data is based on general market overviews and may not be sufficiently targeted. Benchmarking studies are expensive and will be borne by the Clients utilizing such benchmarking study, and will not offset the Management Fee.

In addition, affiliates of the General Partners and the Investment Adviser will receive fees from the Clients and/or their investments for providing certain (i) financial services, including acting as underwriter and placement agent, (ii) capital markets advisory services in connection with mergers and acquisitions and restructurings, and (iii) syndication services. The fees for such services will be approved by the L.P. Advisory Committee or by a majority in interest of the investors.

The Investment Adviser is an affiliate of AFS which is registered as a broker-dealer in the U.S. with the SEC and FINRA and may become an affiliate of or establish other broker-dealers in the future. Such broker-dealers (including their respective related lending vehicles) could manage or

otherwise participate in underwriting syndicates and/or selling groups with respect to portfolio companies of the Clients or otherwise be involved in the private placement of debt or equity securities or instruments issued by the Clients' portfolio companies and non-controlling entities in or through which the Clients invest (including by placing securities issued by such portfolio companies with co-investors) or otherwise in arranging or providing financing for portfolio companies alone or with other lenders, which could include the Clients. As a consequence, such affiliated broker-dealers could hold positions in instruments and securities issued by the Clients' portfolio companies and engage in transactions that could also be appropriate investments for the Clients. Such broker-dealers will generally (subject to applicable law) receive underwriting fees, placement commissions, financing fees, interest payments or other compensation with respect to such activities, which are not required to be shared with the Clients or their investors. Where an affiliated broker-dealer serves as underwriter with respect to a portfolio company's securities, the Clients will generally be subject to a "lock-up" period following the offering under applicable regulations or agreements during which time its ability to sell any securities that it continues to hold is restricted. This could prejudice the Clients' ability to sell of such securities at an opportune time.

In addition, in circumstances where a portfolio company becomes distressed and the participants in an offering undertaken by such portfolio company have a valid claim against the underwriter, the Clients would have a conflict in determining whether to sue its affiliated broker-dealer. In circumstances where a non-affiliate broker-dealer has underwritten an offering, the issuer of which becomes distressed, the Clients will also have a conflict in determining whether to bring a claim on the basis of concerns regarding Arena's relationship with the broker-dealer.

Arena could in the future develop new businesses, such as providing investment banking, advisory and other services to corporations, financial sponsors, management or other persons. Such services could relate to transactions that could give rise to investment opportunities that are suitable for the Clients. In such case, Arena's client would typically require it to act exclusively on its behalf, thereby precluding the Clients from participating in such investment opportunities. Arena would not be obligated to decline any such engagements in order to make an investment opportunity available to the Clients. In addition, it is possible Arena or its affiliates will come into the possession of information through these new businesses that limits the Clients' ability to engage in potential transactions.

Allocating Investment Opportunities and Related Conflicts of Interest

The investment objectives of a client may be similar to, or overlap with, the investment objectives and proposed investment programs of other Arena Clients, Arena and Arena affiliates and therefore, certain Clients and affiliates will compete for investment opportunities with each other. As a result, the allocation of investment opportunities gives rise to potential and actual conflicts of interest, as Arena has an incentive to favor its affiliates regarding allocation of investment opportunities. Arena will seek to make all allocations of investment opportunities among Clients in a fair and equitable manner over time.

Allocation of Limited Investment Opportunities

In making allocation decisions with respect to limited investment opportunities that could reasonably be expected to fit the investment objectives of one or more Clients, Arena affiliates or Arena itself, Arena anticipates that it will consider one or more of the following factors that it deems relevant: the investment objectives of Clients, the source of the investment opportunity, any exclusive rights to investment opportunities that may have been granted to particular Clients, the expected duration of the investment in light of Clients' investment objectives and policies (including diversification policies), the amount of available capital, the size of the investment opportunity, regulatory and tax considerations, the degree of risk arising from an investment and the risk tolerance of the Client, the expected investment return, relative liquidity, likelihood of current income or such other factors as Arena deems to be appropriate. These factors provide substantial discretion to Arena in allocating investment opportunities. Further, two or more Clients may hold an investment for which there is extremely limited, or no, liquidity or that is subject to legal or other restrictions on transfer. In a situation where Arena is limited in its ability to dispose of an investment, Arena will consider the factors described above in allocating the sale of such an investment. The above list is not exhaustive, and Arena will consider additional factors including unforeseen factors.

If an investment opportunity is available in limited quantities, subject to investment restrictions and fiduciary duties, Arena will have an incentive to allocate such investment opportunity to Arena affiliates or to one Client rather than other Clients. For example, such an incentive will arise if the economic interests of Arena and its employees in certain Clients, when combined with their rights to Management Fees and/or carry or other fees, are significantly larger than their direct and indirect economic interests in other Clients.

In an attempt to resolve those conflicts in the context of allocating investment opportunities, Arena has developed an Allocation Policy and a set of allocation procedures which take into account many of the above enumerated factors, as well as other considerations, in determining how investment opportunities will be allocated between and among advisory Clients and affiliates. Arena will endeavor to address the conflicts so that, over time, all Clients are treated fairly and equitably, and no Arena Client is systematically disadvantaged.

In addition to the above factors, a number of other factors will be taken into consideration when allocating investment opportunities among Arena's Clients, including risk tolerances, size of Client accounts, size of available positions, current market conditions, total portfolio invested positions and the nature of the investment to be allocated. Generally, when any of Arena's Clients or affiliates have available funds for investments, investments suitable and appropriate for each will be allocated substantially *pro rata* on an overall basis between and among such Clients to the extent possible, unless Arena believes, in good faith, that another method would be more fair and equitable or if a Client has requested that certain allocation restrictions be complied with, in the case of certain separately managed accounts.

If Arena determines that the purchase or sale of the same security is in the best interest of more than one Client account or an affiliate, Arena may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating account will typically receive the average price with transaction costs allocated *pro rata* based on the size of each account's participation in the order (or allocation in the event of a partial fill) as determined by Arena. In the event of a partial fill, allocations generally will be made *pro rata* based on the initial order but may be modified on a basis that Arena deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations.

Potential Conflicts Due to Overlapping Investments

Where Clients and Arena affiliates hold the same investment, the differing investment objectives of such accounts, as well as other factors applicable to the specific situation, will result in a determination to dispose of, or retain, all or a portion of such investment on behalf of a Client (or on behalf of Arena itself or its affiliates or employees) at different times as such investment or portion thereof is being disposed of, or retained, by other Clients. In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment which would be beneficial for one Client (or Arena, its affiliates or its employees) while retaining such investment would be beneficial for another Client (or Arena, its affiliates or its employees).

Also, should a particular Client invest in entities or assets in which other Clients hold an investment, the investment by such Client could be viewed, especially in hindsight, to have been made on a non-arm's-length basis and could have an effect (either positive or negative) on the market price of the initial investment. Further, it is possible that a Client, Arena affiliate, or Arena employee could hold interests in an entity that are of a different class or type than the class or type of interest held by another Client. For example, one Client may hold securities in an entity and other Clients (or Arena affiliates or employees) may hold equity or debt of such entity that are senior or junior to the securities held by the Client, which could mean that the Clients (or Arena affiliates or employees) will be entitled to different payment or other rights, or that in a workout or other distressed scenario the interests of one Client might be adverse to those of other Clients (or Arena, its affiliates or employees) and such Client might recover all or part of its investment while the other Clients (or Arena, its affiliates or employees) might not (or vice versa). For example, Arena and/or its affiliates have entered and/or may enter into or arrange for non-recourse financing transactions on behalf of Arena's Clients, in which the management objectives and the economic interests of each Client may differ. Various potential and actual conflicts of interest will arise as a result of these types of transactions. These include, but are not limited to, the fact that the interest of one Client may be structurally subordinate to another Client's interest. For example, where an offshore fund managed by Arena holds notes, and a U.S. fund managed by Arena holds preferred shares, Arena could manage a portfolio of loans so as to maximize and/or accelerate the return to the U.S. fund, as the holder of the preferred shares, to the detriment of the offshore fund, as the holder of the notes, and vice-versa. As such, this will create conflicts and affect the decisions made by Arena in each of its management roles.

In addition to the conflicts described above, other conflicts may arise, including, without limitation, in approving a plan of reorganization that benefits debtholders to the detriment of equity holders. For example, the determination of the interest rate on debt purchased by an offshore fund in a transaction where a U.S. fund acquires equity also gives rise to a conflict.

Arena recognizes that conflicts will arise under such circumstances and will endeavor to treat all funds, separately managed accounts and proprietary accounts fairly and equitably on an overall basis over time. Clients will not be required to take any action or refrain from taking any action to mitigate another Client's (or Arena's affiliates or employee's) losses in a conflict scenario, and Arena will make decisions on how to resolve such situations in its sole discretion. To the extent such decision-making involves voting of Client securities, please see Item 17 for more information.

Other Conflicts of Interest Related to Investments

Arena invests in securities on behalf of one Client (or Arena affiliates may purchase such securities) that may differ from investments made on behalf of other Clients, due to differing mandates or otherwise, even though the investment objectives of other Clients may be similar. Moreover, Arena, Clients, or Arena's affiliates or employees may make investments or engage in other activities that express inconsistent views with respect to an investment, a particular security or relevant market conditions.

In addition, Arena expects to make other business decisions on behalf of certain Clients relating to investments independently of the manner in which it approaches a similar or even the same investment held by other Clients. Consequently, Arena, on behalf of certain Clients, may choose not to hedge certain risks that other Client's hedge, or certain Clients may be exposed to risks of financing on an investment when other Clients are not. Further, in some instances, Arena may choose to coordinate its Clients' activities (such as timing dispositions in an orderly way in order to avoid affecting the value of an investment in an unduly volatile manner) with respect to investments held by more than one Client, when it would theoretically be possible for Arena to act unilaterally with respect to a particular Client's holdings in such investment. Such coordination will have the effect of lowering returns for a particular Client with respect to an investment relative to what might have been achieved absent such coordination.

Certain Clients of Arena may, from time to time, engage in transactions that are initiated in such a way that objectives related to tax will limit Arena's discretion over the ongoing management of the transaction.

Additionally, Arena and/or its affiliates will have ongoing professional relationships with companies whose securities or other financial instruments are in or are being considered for Arena Clients' accounts and/or with companies who provide services related to Client investments.

Arena and certain of its affiliates also charge a 50 bps (0.50%) per annum fee (which may be more or less), depending on the investment strategy and level of sophistication of the relevant mandate, on the fair value of the illiquid portion of the loan portfolios managed by Arena in connection with the management and servicing of those assets. This fee is in addition to the Management Fee borne

by the fund or Client accounts, is not offset against the Management Fee, and is used to offset the expense of engaging personnel and incurring other overhead costs to manage those loans in lieu of hiring an unaffiliated third-party loan servicer.

Affiliates of Arena will also charge other fees to cover services which are not included in the customary items covered by the Management Fee, and which could be provided by unrelated third parties at fund or Client account expense (See "Certain Asset Servicing Expense", Item 5 above).

Arena advises a number of Clients pursuing credit and credit-related strategies. From time to time, Arena's advisory Clients with discrete mandates make contemporaneous as well as other investments in an issuer which has different securities in its capital structure. These securities will have different risk and return profiles and will also involve at least one security that is subordinate to the other. In this situation, certain potential conflicts arise that would put the various security classes' (and associated advisory Clients') interests against each other, particularly during certain adverse credit events, including potential restructurings of the issuer.

Co-investment with Affiliates.

On occasion clients will acquire debt or equity interests in projects financed by other entities managed by affiliates of the Investment Adviser. In addition, the Clients will loan to or invest in entities in which other clients of the Investment Adviser are investors or lenders, either in similar investment positions or in different positions in the capital structure with different risk and return parameters.

The Clients or SMA Clients will enter into transactions originated by, or issuers otherwise affiliated with, service providers to the Clients and their affiliates. In such event, disputes may arise between entities regarding the terms of the investments and the enforcement of the entities' respective rights therein. Furthermore, the Investment Adviser is not precluded from causing the Clients or SMA Clients to invest in the securities issued by companies represented in the investment portfolios of other partnerships managed by the Investment Adviser or its principals, affiliates or advisory clients. Any such purchases (or sales) will not be on a "principal-to-principal" basis and will only be offered where the Investment Adviser is satisfied that the Clients' or SMA Clients' interests are not unfairly prejudiced.

Allocation of Time and Resources

Arena employees are not required to devote any particular amount of time to Clients. The amount of time and effort certain Arena employees may devote time to other business activities including investment opportunities not allocated to Clients will vary. Allocating time and effort to investment activities outside of the investments for Arena's Clients could be viewed as creating a conflict of interest between the time and effort of certain Arena employees that could be devoted exclusively to the business of the Clients and the time allocated to the business of other Arena businesses or related activities.

Other Potential Regulatory Limitations

Certain Clients may be subject to regulatory or legal restrictions that are applicable only because other Clients are also invested in the same securities. For example, position limits – *i.e.*, the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument – imposed by various regulators may limit Arena’s ability to effect certain desired trades for Clients. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if one Client’s account does not exceed applicable position limits, it is possible that positions held by other Clients may be required to be aggregated together for purposes of applying position limits and as such a client may be prevented from owning certain investments because of the activity of other Clients. If at any time any aggregated positions managed by Arena were to exceed applicable position limits, Arena would potentially be required to liquidate positions in some or all of its client accounts to the extent necessary to come within those limits. Arena will choose whether and how to liquidate positions to maintain compliance with the applicable limits in its sole discretion.

Restrictions on Client Trading Activities Resulting from the Acquisition of Material Non-Public Information

Arena’s Supervised Persons regularly acquire confidential information and Arena may enter into confidentiality and/or “standstill agreements” when assessing investment opportunities. By reason of its various activities, Arena and its employees may have access to MNPI about an issuer. For example, an employee of Arena may serve from time to time as a director, an executive officer or in a similar capacity with respect to an issuer whose securities may be purchased or sold on behalf of Clients. Additionally, in the ordinary course of their investment activities or outside business activities, employees of Arena may acquire MNPI that may result in restrictions on a client’s ability to sell a portfolio investment at a time when it might otherwise have done so. Such activities could prevent Clients from buying or selling securities or other interests in an issuer, potentially for an extended period and potentially resulting in investment losses.

Arena has adopted certain policies and procedures concerning the handling of MNPI. These policies and procedures are designed to prevent insider trading and violations of applicable securities laws by each employee, Clients and Arena itself. As such, in the event that an employee of Arena obtains MNPI with respect to any company or otherwise becomes restricted from trading the securities of such company for any reason, Arena may be prohibited for a period of time from engaging in transactions on behalf of some or all its Clients with respect to the securities of such company, which prohibitions may have an adverse effect on such Clients, including with respect to investment losses.

Conflicts Relating to Investments in SPACs and PIPEs.

Certain members, partners, officers, managers and/or employees of the Investment Adviser and its affiliates (collectively, “Arena SPAC Persons”) expect in the future to sponsor one or more SPACs, in which Arena clients will invest in the future in various capacities. Further discussion

regarding conflicts of interest relating to Arena SPAC Persons and Arena clients' investments in SPACs and issuers is set out below.

It is expected that one or more Arena SPAC Persons will sponsor one or more SPACs in the future (any such SPAC, a "Related SPAC"). In connection with sponsoring a Related SPAC and managing Arena clients' investments in such SPACs, Arena SPAC Persons are and will be faced with actual and potential conflicts of interest, as set out in more detail below.

Allocation of Time and Resources. None of the Arena SPAC Persons are required to devote any particular amount of time to a client or any other Arena clients. The devotion of time and effort of certain Arena SPAC Persons to sponsoring any Related SPAC could be viewed as creating a conflict of interest in that the time and effort of certain Arena SPAC Persons will not be devoted exclusively to the business of the Clients and Arena but will be allocated between the business of the Clients and Arena, on the one hand, and other business activities, including the activities of such SPACs, on the other hand, including diligence of target companies and management teams and effecting a merger with a target. In addition, in connection with sponsoring any Related SPAC it is anticipated that Arena SPAC Persons will serve as directors and/or officers of such SPACs and/or any acquisition target of such SPACs that becomes publicly listed on an exchange (each such company, an "Acquired Company"). Arena SPAC Persons face a conflict between the duties owed to the Clients and the duties owed to such SPACs or Acquired Companies. In such circumstances, such persons may act in ways that are in the best interests of such SPACs or Acquired Companies but not one or more Clients. For example, such SPAC may decline an opportunity to merge with a company in which a client is invested or may merge with a company that competes directly with a company in which a client is invested. There can be no assurance that the board membership and/or the involvement of certain Arena SPAC Persons with respect to such SPACs or Acquired Companies, in each case, will result in favorable results for the Clients.

Board of Director Compensation. From time to time, Arena SPAC Persons will receive compensation (whether in the form of cash, options, warrants, stock or otherwise) in connection with serving as a director of a SPAC or an Acquired Company in which a client is invested. With respect to any cash payments received by an Arena SPAC Person in connection with such board positions, such amounts will be applied to reduce the Management Fees. Any other compensation received in connection with such board positions as non-cash payments (e.g., stock, options, warrants or otherwise) will not be used to offset Management Fees and will be retained by Arena SPAC Persons. For the avoidance of doubt, only cash compensation received by Arena SPAC Persons in connection with serving as a director of a SPAC or an Acquired Company will offset Management Fees, unlike instances in which Transaction Fees are received. Given these differences, Arena faces a conflict of interest in allocating investment opportunities of the Clients.

SPAC Sponsor Economics. Certain Arena SPAC Persons expect to receive, economic benefits in connection with serving as a sponsor of a SPAC ("Sponsor Equity"). It is expected that with respect to any Related SPAC, certain Arena SPAC Persons will receive similar economic benefits and such economic benefits will be shared with the Arena clients only to a limited extent as

determined by the sponsor of such Related SPAC in its own discretion, without the requirement of notifying the Clients or their investors (if applicable).

Fund Participation in SPACs and PIPEs. In addition to receiving an allocation of Sponsor Equity with respect to a SPAC, the Clients may participate in an IPO of a SPAC and to the extent there is a PIPE formed in connection with a SPAC, the Clients may also participate in the associated PIPE. However, there is no guarantee that the Clients will be allocated such SPAC and PIPE opportunities.

It is expected that with respect to any Related SPAC, certain Arena clients will receive an allocation of Sponsor Equity, participate in an IPO of such SPACs, enter into a forward purchase agreement with such SPACs and/or participate in any associated PIPE. By directing the Client to enter into such transactions with such SPACs and/or participate in any associated PIPE, the Investment Adviser is presented with a conflict of interest. The Investment Adviser, on the one hand, is incentivized to increase the value of any Related SPAC or Acquired Company, thus preserving the benefits associated with its Sponsor Equity, including by having the Client invest in the related PIPE, which may help fund redemptions upon a de-SPAC transaction and ensure the success of a business merger. In addition, because of the economics associated with the Sponsor Equity, the Arena SPAC Persons are incentivized to enter into a merger with any target in order to reap the benefits of the Sponsor Equity, even if the securities of the Acquired Company are not ultimately a profitable investment for Arena clients. This may be exacerbated by the possibility that the Arena SPAC Persons could receive significant profits in respect of the Sponsor Equity even where the Clients receive only minimal or no profits in respect of its PIPE investment. Such Arena SPAC Persons, on the other hand, owe certain duties to the Clients. Thus, Arena faces a conflict of interest in determining the size and scope of the Clients' investment in any Related SPAC or Acquired Company. Further, there is no guarantee that such investment in any Related SPAC or Acquired Company would have been entered into but for certain Arena SPAC Persons serving as a sponsor to such SPACs.

In connection with any Related SPAC's IPO, a client may enter into a forward purchase agreement with an issuer to participate in a private placement transaction, which would close concurrently with the initial business combination of such SPAC. The terms of such forward purchase agreement would be negotiated by Arena, on behalf of a client, in its discretion. Thus, a client could be in a position of providing capital to support the Arena SPAC Persons' acquisition of Sponsor Equity with no guarantee that such capital investment will be profitable for such Client.

Potential Engagement with Issuers. In connection with its investment activities, any Related SPAC may engage with issuers in which Clients invest or other companies with respect to which the Clients transact business. There is no guarantee such engagement by such SPAC will be beneficial to the Arena clients, and the interests of the Clients may not be aligned in all circumstances with the interests of such SPAC with respect to any such issuers, which could create actual or potential conflicts of interest or the appearance of such conflicts for such SPAC, the

Clients, Arena and/or its affiliates. In that regard, actions may be taken by such SPAC that are averse to one or more Clients.

Arena will allocate investment opportunities involving SPACs, SPAC IPOs and PIPE investments in accordance with its investment allocation policies and procedures then in effect.

ITEM 12. BROKERAGE PRACTICES

Each Client pays its own brokerage commissions and other transaction costs. Neither Arena nor any of its affiliates will receive any commissions generated by a client's trading activities. Arena and its affiliates will benefit indirectly from payments made by a client, including payments by way of "soft dollars" as described below, or through receipt of other benefits such as reduced brokerage costs.

In selecting an appropriate broker-dealer to effect a client trade, Arena seeks to obtain best execution, taking into consideration a broker-dealer's execution capabilities and expertise to execute transactions for Client accounts, in addition to the price of the security offered by the broker-dealer. Considerations include the broker-dealer's full range and quality of services, including, among other things, its reliability and financial responsibility, reputation, execution capabilities, ability to execute difficult trades (possible market impact, size of the order and market liquidity), special execution and block positioning capabilities, commitment of capital, access to new issues, nature and frequency of sales coverage, depth of services provided, including economic or political coverage, arbitrage and option operations, access to markets, confidentiality, commission rates, responsiveness to Arena, back office and processing, custodial services, the value of brokerage and research products and services provided to Arena (e.g., research ideas, analysis, and investment strategies) and the success of prior research ideas.

In selecting broker-dealers, Arena weighs a combination of the preceding factors. Arena will in its sole discretion select broker-dealers to execute Client transactions based on a totality of the circumstances, including any or all of the factors outlined above. This means that a broker-dealer offering the most favorable commission or spread may not be selected to execute a particular transaction. The commissions and other transaction costs (which may include dealer markups or markdowns) charged to a client by a broker-dealer in the foregoing circumstances may be higher than those charged by other broker-dealers that may not offer such products or services. In selecting broker-dealers to execute transactions, Arena need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It will not be Arena's practice to negotiate "execution only" commission rates; thus, Clients may be deemed to be paying for other services, including research products and services, provided by the broker which are included in the commission rate.

Soft Dollar Usage

From time to time, Arena, in recognition of the value of the brokerage and research services provided by the broker-dealer, may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Client account transactions which may be in excess of that which another broker-dealer might have charged for effecting the transaction. Pursuant to its Soft Dollar Policy, Arena will effect such transactions, and receive such brokerage and research services, only to the extent that, based on Arena's good faith determination, the amount of commission is reasonable in relation to the value of the research and brokerage products or services received, viewed in terms of either the specific transaction or

Arena's overall responsibility to its Clients. Arena will endeavor to enter into such soft dollar arrangements only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Arena believes it is beneficial to its investment decision-making processes to have access to third-party research.

Generally, research and brokerage services provided by broker-dealers include, among other things, information and/or analyses on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities/investments, technical market action, pricing and appraisal services, electronic market quotations, credit analysis, risk measurement analysis, performance analysis, analysis of corporate responsibility issues, data on pricing and availability of securities, publications, attendance at conferences, due diligence on specific companies/investments and potential investment opportunities, analyses on issues raised in proxy statements and market, economic and financial studies and forecasts, software for use in research and trading and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. Such research services may be provided in the form of access to various computer-generated data, in written form or verbally, such as through telephone contacts or personal meetings. In some cases, research services may be generated by third parties but provided to Arena by broker-dealers.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Client accounts may be used by Arena to service one or more other Client accounts. In addition, some research products or services may not be used by Arena in servicing the Clients whose commission dollars paid for the research products or services. Clients may or may not, in any particular instance, be the beneficiaries of the research products or services provided in connection with such Clients' transactions.

Where a product or service obtained with soft dollars provides both research and non-research assistance to Arena (*i.e.*, a "mixed use" item), Arena will make a good-faith effort to determine the relative proportion of the research product or service used to assist Arena in carrying out its investment decision-making responsibilities, and the relative proportion used for administrative or other non-research purposes. The proportionate amount of the research product or service attributable to assisting Arena in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions; the proportionate amount attributable to administrative or other non-research purposes will be paid for by Arena from its own resources. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of Arena's allocation of the costs of such benefits and services between those that primarily benefit Arena and those that primarily benefit Clients.

Consistent with the foregoing, Arena will seek best execution when it has discretionary authority to select broker-dealers. Where available, Arena may use "step-out" trade mechanisms to effect brokerage transactions. A step-out trade allows for execution through one broker-dealer who steps out all or a portion of the trade in favor of the other broker-dealer. The commission is charged by

the broker-dealer to which the trade was stepped-in and the executing broker-dealer receives compensation only for the portion, if any, of the trade that was not stepped-out, as applicable.

Arena considers the amount and nature of research products and services provided by broker dealers, as well as the extent to which such services are relied upon and attempts to allocate a portion of the brokerage business of its Clients on the basis of that consideration. Broker-dealers may sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be more or less than the suggested allocation, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Arena make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not necessarily excluded from receiving business because it has not been identified as providing research products or services. Furthermore, in exchange for the direction of commission dollars to certain brokers,

Arena may generate credits, which may be used to pay for the research products or services provided by such brokers. To the extent Arena generates such soft dollar credits, it will be receiving a benefit by reason of the direction of commissions.

Affiliate benefits or personal benefits may be received by Arena principals and employees as indirect benefits for brokerage services obtained from certain brokers on behalf of the fund and Client accounts.

Arena will regularly evaluate the placement of brokerage services and the reasonableness of commissions paid. Research received from brokers will be supplemental to Arena's own research efforts. While the receipt of research products and services will not significantly reduce Arena's normal research activities, Arena's expenses could increase materially if it attempted to generate such additional information and services through its own staff. As such, Arena's arrangements for the receipt of research services from brokers creates a conflict of interest, in that Arena may have an incentive to choose a broker-dealer that provides research services, instead of one that does not (but charges a lower commission rate).

Liability of Arena for Certain Acts or Omissions, Including Trade Errors

On occasion, trades may be executed on behalf of Clients that are inconsistent with the trading instructions of a portfolio manager or are the result of some other error in the trading process. Such trades are considered by Arena to be "Trade Errors" and are generally deemed to have occurred when, as a result of such inconsistency or other error in process: (i) the wrong instrument is purchased or sold; (ii) the wrong quantity of an instrument is purchased or sold; (iii) a purchase is made instead of a sale or a sale is made instead of a purchase; or (iv) an instrument is purchased or sold in violation of regulatory or contractual obligations. Trade Errors do not include scenarios that do not result in a trade. Trade Errors may result in losses or gains. Arena will endeavor to detect Trade Errors before settlement and correct and/or mitigate them in an expeditious manner. To the extent a Trade Error is caused by a third party, such as a broker, Arena may seek to recover

any losses associated with the Trade Error from such third party but may choose not to do so in its discretion, and Arena will not be liable for such losses. Unless a Trade Error has resulted from the willful misconduct or gross negligence of Arena or its employees, any losses will be borne by the Client. Any gains resulting from a Trade Error will be for the benefit of the Client. Arena will determine in its sole discretion whether any Trade Error has resulted from willful misconduct or gross negligence on its part. Investors should be aware that, in making such determinations, Arena will have a conflict of interest.

No Arena party will be liable to a Client for any claim, loss, cost, indebtedness, liability, settlement or expense (including, without limitation, court costs, attorneys' fees and expenses, costs of investigation, expert witness fees, taxes and penalties) suffered by the Client that arises out of any action or inaction of Arena if such course of conduct did not constitute willful misconduct, gross negligence, fraud or criminal wrongdoing in or about the conduct of the Client's business or affairs or in the execution or discharge of its duties, powers, authorities or discretions (the "Standard of Care").

In addition, each Client will indemnify and hold Arena harmless from and against, and will reimburse such Arena promptly upon demand for, any and all claims, losses, costs, indebtedness, liabilities, settlements and expenses (including, without limitation, court costs, attorneys' fees and expenses, costs of investigation, expert witness fees, taxes and penalties) arising out of any action or inaction of Arena; provided, that such claims, losses, costs, indebtedness, liabilities, settlements and expenses are not a result of Arena's violation of the Standard of Care.

Notwithstanding the foregoing, the U.S. federal and state securities laws may impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing in any relevant Client agreement will be deemed to waive or limit any rights that a client may have under those laws in such circumstances.

ITEM 13. REVIEW OF ACCOUNTS

Arena performs periodic reviews of each of its client's respective portfolios. Such reviews are conducted by Arena's senior management. Investors in the funds managed by Arena will generally receive month-end unaudited performance data for the fund in which they are invested. Generally, on an annual basis, each fund will prepare and mail to each investor, together with the report prepared by the fund's accountants, a financial report setting forth a balance sheet of each fund and a statement of its net profit or net loss (or net asset value in the case of an offshore fund), a statement of each investor's capital account (or net asset value in the case of an offshore fund) and the manner of its calculation. After the end of each fiscal year, each investor in a U.S.-domiciled fund will be furnished certain tax information for tax return preparation purposes. In addition, typically on a quarterly basis each fund investor will receive unaudited performance data and other data as deemed relevant by Arena.

Separately managed accounts will receive monthly, quarterly and/or annual performance reports, the frequency and content of which are determined pursuant to each Client's IMA with Arena.

Content and Frequency of Account Reports to Clients

Arena prepares periodic reports/letters to provide to its clients and/or Clients' underlying investors, detailing the performance of such Client's investments. As a general matter, and based on a Client's investment mandate and/or structure, such reports/letters are prepared and issued either on a monthly or quarterly basis. Investors in the private funds managed by Arena also receive annual audited financial statements. Separately managed accounts will generally receive reports with the same frequency as the private funds to which they relate. For additional information related to the types and frequency of reports provided to Clients, please see the relevant Offering Documents or IMA, to the extent applicable.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

On occasion, Arena or the funds it advises will enter into contractual agreements with individuals and/or organizations (hereafter referred to as “agents”) that solicit Clients for Arena in compliance with applicable requirements. While the specific terms of each arrangement may differ, generally an agent’s compensation would be based upon the value of assets of the referred Clients managed by Arena or investors who invest in the funds managed by Arena. As disclosed to the Client or investor, the agent’s compensation may or may not increase the referred Client’s or investor’s fees beyond that which Arena (or the funds) would otherwise charge the Client or investor for investment management or other services.

Arena will benefit from arrangements where Clients are referred directly to it and investors are referred directly to the funds, since Arena’s Management Fees are generally based upon a percentage of such Client’s or such investor’s assets under management. Thus, the more assets Arena has under management, the higher its fee income. For further details regarding economic benefits provided to Arena by non-Clients, please see Item 11 above.

ITEM 15. CUSTODY

Arena has “custody,” as defined in Rule 206(4)-2 of the Advisers Act (the “Custody Rule”), of the assets for each private fund it advises and certain SMAs and is subject to the Custody Rule. Arena complies with the Custody Rule requirements by distributing or confirming distribution of audited financial statements to the investors in Arena Funds and Clients organized as investment vehicles within the applicable required time frame.

ITEM 16. INVESTMENT DISCRETION

Arena typically has discretionary investment management authority to manage securities accounts on behalf of certain Clients, subject to the investment guidelines, limitations and restrictions set forth in the Client's operative documents and Arena's internal policies and procedures.

As such, Arena's authority to manage its clients' accounts typically includes authority to make decisions with respect to which securities/investments are bought and sold, the amount and price of those securities/investments, the broker-dealer to be used for a particular transaction and the commissions paid. Arena will also, from time-to-time, accept certain limits on investment discretion for certain Clients to comply with their own corporate governance requirements.

The extent of Arena's authority is set forth in the Offering Documents, including the limited partnership agreement or IMA (or their equivalent) applicable to each Client. This authority is conveyed by investors in the funds in their subscription agreements and by owners of separately managed accounts in the applicable IMA.

ITEM 17. VOTING CLIENT SECURITIES

In addition to proxy solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. Arena has voting authority and responsibility with respect to securities held by its fund Clients and has therefore adopted policies and procedures related to voting Client securities on behalf of its clients. The general policy of Arena is to vote proposals, as well as amendments, consents or resolutions relating to Client securities (including interests in private investment funds, if any) in a manner that serves the best interests of its client. In determining how to vote such proxies, Arena takes into account factors such as (but not limited to): (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; (iv) industry and business practices; and (v) the degree to which Client interests are aligned with those of an issuer's management.

In some circumstances, Arena will refrain from voting Client securities where Arena believes, among other reasons, that voting would be inappropriate, taking into consideration the cost of voting, the anticipated benefit to the Client, whether Arena's Client continues to hold the securities on the voting date, or where the portfolio manager believes that resolution of the proposal is not relevant to the value of the investment. In instances where a client, e.g., a separately managed account, has reserved to itself the right to vote regarding its securities, Arena will not participate in the voting of such securities.

It is possible for conflicts of interest to arise among Clients, Arena and/or Arena's affiliates in the context of Arena's voting of Client securities. In case of a conflict, the CCO, together with external legal counsel, if necessary, will be involved in the process regarding the voting of the Client securities to help manage and mitigate such conflicts of interest.

A copy of Arena's policies and procedures regarding the voting of Client securities can be obtained upon request.

ITEM 18. FINANCIAL INFORMATION

Arena is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients and has not been the subject of a bankruptcy petition at any time during the past 10 years.