

Item 1. Cover Page

MFN Partners Management, LP

222 Berkeley Street, 13th Floor
Boston, MA 02116

617-443-2040

Part 2A of Form ADV: Firm Brochure
March 27, 2024

This brochure (“Brochure”) provides information about the qualifications and business practices of MFN Partners Management, LP. If you have any questions about the contents of this brochure, please contact us at legal@mfnpartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about MFN Partners Management, LP also is available on the SEC’s website at www.adviserinfo.sec.gov. An Adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

There have been no material changes from the date of the last firm brochure, dated as of March 29, 2023. This Brochure contains updates to improve and clarify the description of MFN Partners Management, LP's business practices and compliance policies and procedures, and investors should review it in its entirety.

Item 3. Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
Item 1.	Cover Page	1
Item 2.	Material Changes	2
Item 3.	Table of Contents	3
Item 4.	Advisory Business	4
Item 5.	Fees and Compensation	5
Item 6.	Performance-Based Fees and Side-By-Side Management	8
Item 7.	Types of Clients	8
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9.	Disciplinary Information.....	28
Item 10.	Other Financial Industry Activities and Affiliations	28
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trad ..	28
Item 12.	Brokerage Practices	31
Item 13.	Review of Accounts	33
Item 14.	Client Referrals and Other Compensation	33
Item 15.	Custody	33
Item 16.	Investment Discretion	33
Item 17.	Voting Client Securities.....	34
Item 18.	Financial Information.....	34
Item 19.	Requirements for State-Registered Investment Managers.....	34

Item 4. Advisory Business

For purposes of this Brochure, the “Investment Manager” means MFN Partners Management, LP, a Delaware Limited Partnership, together (where the context permits) with its affiliated general partner of the Partnership (as defined below). Established in 2016, the principal owners of the Investment Manager are Michael DeMichele and Farhad Nanji.

The Investment Manager provides investment advisory services to an investment vehicle, MFN Partners, LP (the “Partnership”), that is exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The strategy of the Partnership is to invest in securities that can be purchased at a significant discount to underlying economic value. The Partnership seeks to do so by combining investment expertise and the ability to be flexible across a variety of different asset classes, industries and geographies with fundamental analysis, thoughtful consideration of risk, intellectual honesty, and a disciplined investment approach. The Investment Manager’s advisory services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating, and making investments on behalf of the Partnership, managing and monitoring their performance and disposing of such investments.

The Investment Manager provides investment advisory services to the Partnership in accordance with the investment management agreement (the “Investment Management Agreement”) and the Partnership’s limited partnership agreement (as amended, the “Partnership Agreement”). The Investment Manager is permitted to provide investment advisory services to other clients, including investment funds and managed accounts that may either co-invest with the Partnership or follow investment programs similar to or different from that of the Partnership, but does not currently provide such services to other clients.

Investment advice is provided directly to the Partnership, subject to the discretion and control of MFN Partners GP, LLC (the “General Partner”), and not individually to the investors in the Partnership (each a “Limited Partner”). Investment restrictions for the Partnership, if any, are established in the Partnership Agreement, the confidential Private Placement Memorandum of the Partnership, the Investment Management Agreement and/or side letter agreements (although no side letters currently exist) negotiated with investors in the Partnership (such documents collectively, the Partnership’s “Organizational Documents”).

The Investment Manager does not currently participate in any Wrap Fee Programs.

As of January 1, 2024, the Investment Manager managed \$5,454,270,028 on a discretionary basis, which represents the net asset value (regulatory assets under management minus outstanding indebtedness or other accrued but unpaid liabilities) of assets as of such date. The Investment Manager does not manage any assets on a non-discretionary basis.

Item 5. Fees and Compensation

The Investment Manager receives a Management Fee and the General Partner is allocated a Performance Allocation (each as defined below) from the Partnership. Additionally, consistent with its Organizational Documents, the Partnership typically bears certain out-of-pocket expenses incurred by the Investment Manager in connection with the services provided to the Partnership. Further details about certain common fees and expenses are set forth below.

Management Fee

As compensation for investment supervisory services rendered to the Partnership, the Investment Manager receives from the Partnership a management fee (the “Management Fee”) calculated based on the aggregate net asset value of the Partnership. The Management Fee and expenses paid by the Partnership are indirectly borne by investors in the Partnership. The Management Fee billed to and received from the Partnership is payable quarterly in advance. In the event that an investor makes a withdrawal or receives a distribution from the Partnership other than as of the first day of a calendar quarter, the investor is reimbursed a portion of the Management Fee based on the number of days remaining in the quarter, and such reimbursement is specifically allocated to the investor making the withdrawal or receiving the distribution.

The precise amount of, and the manner and calculation of, the Management Fee for the Partnership is established by the Investment Manager and set forth in the Partnership Agreement received by each investor prior to investment in the Partnership. The Management Fee and other fees described herein are generally subject to modification, waiver or reduction by the Investment Manager in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and/or other arrangements, which will be disclosed to other investors in the Partnership. The Investment Manager currently waives the Management Fee with respect to the Investment Manager, the General Partner, their affiliates, their respective current or former partners and/or employees, and their respective relatives and estate planning and charitable vehicles, which waivers will not be separately disclosed to other investors in the Partnership. Notwithstanding that such investors do not pay the Management Fee, all investors pay for their pro rata share of certain Partnership Expenses (as defined below).

The fee structures described herein can be modified from time to time in accordance with the terms of the Organizational Documents. Upon termination of the Investment Management Agreement, the Management Fee that has been prepaid is returned on a prorated basis.

Performance Compensation

Please refer to Item 6.

Expenses

Investment Manager Expenses

The Investment Manager is responsible for all ordinary overhead expenses such as rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, employee benefits including insurance, payroll taxes and compensation of all personnel of the Investment

Manager, and other routine administrative expenses relating to the advisory services and facilities provided by the Investment Manager to the Partnership, none of which are borne by the Partnership.

Partnership Expenses

Pursuant to the Partnership Agreement, the Partnership will bear out of the capital and/or income of the Partnership all expenses, fees, charges, taxes and liabilities incurred or arising in connection with the conduct of the affairs of the Partnership, or in connection with the management thereof (the “Partnership Expenses”) including but not limited to the following: (i) the payment of the Management Fee; (ii) all fees and expenses (including indemnities) of the custodian, the Partnership’s accountant (including outsourced accounting), auditors, tax consultants, legal advisors, valuation firms, the Partnership’s prime broker and any other service provider of the Partnership; (iii) administration fees and other expenses charged by or relating to the services of third-party providers of administration services in accordance with the applicable administration agreements; (iv) excluding any analysis expenses and any expenses to be borne by the Investment Manager pursuant to the Partnership Agreement, third-party and out-of-pocket research expenses and market data expenses (including, without limitation, news, quotation, statistics and pricing services; hardware, software, databases and other technical and telecommunications services and equipment used in the investment management and order management processes; and consulting fees in connection with investigating and monitoring potential and existing investments); (v) third-party and out-of-pocket fees and expenses relating to systems and software used in connection with the operation of the Partnership and investment related activities (including, without limitation, any accounting and administrator-like functions that the Investment Manager performs in-house); (vi) expenses relating to the purchase, sale, transmittal, maintenance and administration of the Partnership’s investments and other investment-related expenses, including but not limited to: (A) research and due diligence costs in respect of consummated and unconsummated transactions, broker commissions, interest on margin accounts and other indebtedness, custodial fees and bank service fees, and (B) expenses incurred by or on behalf of the General Partner relating to (i) any review, waiver or amendment of documents by outside counsel related to investments by the Partnership, (ii) employing outside lawyers or consultants in connection with the making, purchasing or restructuring of any investments, (iii) out-of-pocket expenses of the General Partner and its agents, including the reasonable expenses of exercising observation rights (including through a representative), and (iv) all other extraordinary expenses of the General Partner pursuant to the Partnership Agreement; (vii) management, development, profit-sharing or other fees or expenses (including, in certain instances, an operating partner’s operational and overhead expenses) charged by sub-advisors, operating partners or third parties who manage or source certain private investments (including joint ventures, investment companies, partnerships and other pooled investment vehicles); (viii) interest and fees (including, without limitation, commitment, structuring, and underwriting fees) on margin loans, committed loan facilities, total return swaps and other indebtedness; (ix) fees and expenses in connection with any advisory board or committee of the Partnership or the Investment Manager; (x) entity-level taxes (provided that any taxes, interest, penalties or additions to tax and related amounts reimbursed or described in the Partnership Agreement that are attributable to one or more (but less than all) Limited Partners as a result of their status as a Partner may be paid by or on behalf of the Partnership but shall not be treated as Partnership Expenses); (xi) costs and expenses incurred in connection with the dissolution, winding up, liquidation or termination of the Partnership; (xii) costs and expenses

incurred in connection with any meeting of the Partners relating to the Partnership; (xiii) any insurance premiums and other insurance-related expenses for any insurance that the General Partner causes the Partnership to purchase to insure the Partnership, General Partner, Investment Manager, any other Indemnified Party (as defined below) or any person indemnified by the Partnership against liability in connection with the activities of the Partnership; provided, that, in the event the General Partner seeks primary coverage for acts or omissions for which Indemnified Parties are not entitled to indemnification in accordance with the Partnership Agreement, the Partnership shall not bear the cost of any such coverage; (xiv) any reimbursement of the General Partner or the Investment Manager for the full amount of any Partnership Expenses incurred or advanced by the General Partner or Investment Manager, as applicable, hereunder on behalf of the Partnership, and the General Partner's or Investment Manager's estimate of the Partnership's pro rata share of any Partnership Expenses incurred or advanced by the General Partner or Investment Manager on behalf of the Partnership and other clients of the Investment Manager; (xv) any reasonable issuance expenses, including legal, tax, accounting, filing and other organizational expenses incurred in connection with the formation of the Partnership and related entities, as well as fees and expenses relating to the offer and sale of Interests (including, without limitation, organizational fees and expenses), which may, in the General Partner's sole discretion, be amortized over a sixty (60) month period; and (xvi) all other expenses associated with the operations of the Partnership and its investment activities as the General Partner or the Investment Manager deems necessary or advisable to incur.

Certain expenses that would otherwise be payable by the Partnership are reduced using "soft" or commission dollars, as discussed in Item 12 below.

Allocation of Expenses

In exercising its discretion to allocate fees and expenses, the Investment Manager faces a variety of potential conflicts of interest. With respect to allocating expenses, including to the extent not addressed in the Organizational Documents, the Investment Manager makes allocation determinations in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. The Investment Manager will make any corrective allocations and take mitigating steps if it determines such actions are necessary or advisable.

The Investment Manager, from time to time, engages third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities. Any fees and expenses associated with such investment opportunities will be allocated consistent with the allocation process described above and, accordingly, the Investment Manager allocates certain appropriate fees and expenses to the Partnership.

Brokerage Fees

When a broker is used in connection with an investment by the Partnership, the Partnership incurs brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

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

With respect to the Partnership, a portion of its profits are allocated to the capital account of the General Partner as a performance allocation, subject to loss recovery account protection (the “Performance Allocation”). The precise amount of, and the manner and calculation of, the Performance Allocation is set forth in the Partnership Agreement received by each investor prior to investment in the Partnership. The General Partner is a related person of the Investment Manager.

The General Partner currently waives the Performance Allocation with respect to the Investment Manager, the General Partner, their affiliates, their respective current or former partners and/or employees, and their respective relatives and estate planning and charitable vehicles, which waivers will not be separately disclosed to other investors in the Partnership.

Item 7. Types of Clients

The Investment Manager provides investment supervisory services to the Partnership. Investment advice is provided directly to the Partnership and not individually to investors in the Partnership.

Interests in the Partnership are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Partnership are generally “qualified purchasers” as defined in the 1940 Act, and include, among others, charitable and not-for-profit organizations, university endowments, high net worth individuals, trusts, and other entities.

The Investment Manager does not currently have a minimum commitment size for investment in the Partnership but reserves the right to establish such a minimum in the future.

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

Methods of Analysis and Investment Strategies

Investment Strategy

The strategy of the Partnership is to invest in securities that can be purchased at a significant discount to underlying economic value. The Partnership seeks to do so by combining investment expertise and the ability to be flexible across a variety of different asset classes, industries and geographies with fundamental analysis, thoughtful consideration of risk, intellectual honesty and a disciplined investment approach. Portfolio construction is determined with the long-term preservation of the Partnership’s capital as a paramount objective. In considering the composition of the overall portfolio, the Investment Manager will seek to identify investment opportunities that offer appropriate expected risk/return characteristics. There may be times when the Investment Manager ascertains that the best investment strategy is to be patient and hold cash.

Portfolio Construction

The Partnership has a broad investment mandate that contemplates investing in a range of financial instruments, asset classes and geographic regions, including those with respect to which the Investment Manager has limited experience. An investment in the Partnership entails various risks, including the speculative nature of the Partnership’s activities; the illiquidity of interests in the

Partnership; the illiquidity of certain investments the Partnership makes; the risk that the markets continue indefinitely to undervalue the Partnership's investments or that the investments fail to appreciate as anticipated by the Investment Manager; and the fact that the Partnership is permitted to invest in, subscribe for, purchase or otherwise acquire, and/or sell (including short sales) or otherwise dispose of investments of all types, including, without limitation, stock (including preferred and convertible stock as well as common stock of any type), warrants, options, swaps, trade claims, bank debt (including undrawn revolvers), bonds, other debt instruments including self-originated loans, currency, futures, derivatives, commodities, contract rights of any kind, royalty interests, non-U.S. securities and other assets (including in emerging and frontier markets), structured investment vehicles, secured and unsecured instruments, asset-backed securities, commercial and residential mortgage-backed securities, real estate and related instruments, other complex financial instruments and rights and distressed assets. The assets in which the Partnership invests include securities which are listed or traded on domestic or non-U.S. exchanges or other trading networks (including over the counter markets), as well as assets that are unlisted and trade infrequently or not at all. Short positions are not expected to constitute a major part of the Partnership's investment activities.

At times, a significant amount of the Partnership's investments are expected to be in securities or other assets that are not freely tradeable or are otherwise illiquid. Such investments include interests in private equity investments, real estate, leveraged buyout vehicles and joint ventures, which are typically organized as limited partnerships or limited liability companies, and in some cases are managed by third-party asset managers that specialize in the particular class of assets under management. The Partnership also participates in private investments in public equity ("PIPEs"), which are generally not registered with the SEC until after a certain time period from the date the private sale is completed, and otherwise privately-placed securities, interests and loans.

The Partnership utilizes leverage and typically obtains leverage in its accounts with its prime brokers and through derivatives contracts. The Partnership may also obtain leverage through other means, including, without limitation, other forms of direct and indirect borrowings and other instruments and transactions that are inherently leveraged. Any such borrowing or other leverage may be incurred directly by the Partnership or through other subsidiaries or special purpose vehicles, structured products, or otherwise. The amount of leverage employed at any time will vary (potentially significantly) as a function of the risk characteristics of the portfolio, investment opportunities, borrowing rates, and other factors determined by the Investment Manager in its sole discretion.

To the extent not otherwise invested, the Partnership generally expects to hold cash, cash equivalents, U.S. treasuries or other short-term securities, or money market funds to attempt to minimize counterparty credit exposure.

In making investment decisions, the Partnership relies on the advice of the Investment Manager rather than any specific objective criteria. There is no guarantee that the Partnership will achieve its investment objective. Prospective investors should be prepared to suffer a significant or even total loss on their invested capital. An investment in the Partnership involves a high degree of risk, including the risks associated with price volatility and the potential for principal loss. The Partnership could realize substantial losses, rather than gains, from some or all of the positions or

strategies described herein. Prospective investors must bear the economic risk of an investment in the Partnership for an indefinite period. The ability of investors to withdraw Interests is limited.

Risks

Equity Risk. The market price of securities owned by the Partnership may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Partnership is that the equity securities in the Partnership's portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Other risks of investing globally include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding or other taxes, and difficulty in obtaining and enforcing judgments against non-U.S. entities.

Investment in Illiquid Assets. The Partnership invests in illiquid and/or restricted investments including, but not limited to, securities whose disposition is restricted by securities laws, otherwise privately-placed securities or interests, and Bank Loans (as defined below). Illiquid investments include most investments the disposition of which is subject to substantial legal or contractual restrictions and are generally viewed as investments that cannot be disposed of within seven business days at approximately the amount which the Investment Manager has valued the investments. The Investment Manager may experience significant delays in disposing of illiquid investments and/or be unable able to sell them for the price the Partnership paid or the price at which the Investment Manager has valued them. The Investment Manager expects that transactions in illiquid investments will entail registration expenses and/or other transaction costs that are higher than those for transactions in liquid investments.

A withdrawing Limited Partner with an interest in a restricted investment should not expect to receive any amount with respect to such interest until the related restricted investment is realized or deemed realized.

The Partnership will, from time to time, (1) possess material, non-public information about a borrower or issuer, or (2) be an affiliate of a borrower or an issuer. Such information or affiliation will limit the ability of the Partnership to buy and sell investments.

Corporate Debt. Corporate debt securities are subject to (1) the risk of the issuer's inability to meet principal and interest payments on the obligation, and/or (2) price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

Bank Loans. The Partnership invests in corporate bank debt ("Bank Loans") and participations therein originated by banks and other financial institutions. It is anticipated that such Bank Loans will primarily be term loans, pay interest at a fixed or floating rate and may be senior or subordinated. There can be no assurance that there will be adequate liquidity for buying or selling

Bank Loans. The Partnership acquires interests in Bank Loans either directly (by way of sale or assignment) or indirectly (by way of participation). In purchasing participations and other derivatives, the Partnership generally has neither the right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower and may not directly benefit from the collateral supporting the underlying debt obligation in which it owns a participation. As a result, the Partnership will assume the credit risk of both the borrower and the institution selling the participation or other derivative contract.

Distressed Investments. The Partnership invests in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments and the amount of any recovery may be affected by the relative security of the Partnership's investment in the capital structure of the issuer. In certain periods, there may be little or no liquidity in the markets for these securities or instruments. In addition, the prices of such securities or instruments can be subject to abrupt and erratic market movements and above-average price volatility. It is generally more difficult to value such securities and the spread between the bid and ask prices of such securities may be greater than normally expected. If the Investment Manager's evaluation of the risks and anticipated outcome of an investment in a distressed security are incorrect, the Partnership could lose a substantial portion or all of its investment and/or be required to accept cash and/or securities with a value less than the original investment.

Fixed-Income Securities. The Partnership invests in bonds and other fixed-income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. Such securities may be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions, leading to the issuer's inability to make timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than higher rated securities. Companies issuing lower rated debt securities often are highly leveraged and may not have access to more traditional methods of financing.

Reorganization Transactions. The Partnership invests in the securities of companies involved in mergers, consolidations, liquidations and reorganizations or as to which there exist tender or exchange offers (collectively, "Reorganization Transactions"). There can be no assurance that any Reorganization Transaction proposed at the time the Partnership makes an investment will be consummated on the terms and timeframe contemplated or at all. In any Reorganization Transaction the Partnership could lose its entire investment, be required to accept cash or securities with a value less than the Partnership's original investment and/or be required to accept payment over an extended period. The Partnership may invest in negotiated (or "friendly") reorganizations, or in non-negotiated (or "hostile") takeover attempts. Participating in Reorganization Transactions generally requires more active involvement in the affairs of the issuer than is typical for other investors, which will result in increased legal expenses and/or other costs to the Partnership.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of litigation and to engage in litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Partnership.

Bankruptcy Claims. The Partnership invests in the debt and equity of financially distressed companies. If the issuer files for bankruptcy protection, the Partnership will likely be unable to sell its claims without realizing a significant loss and may be unable to recover current interest on such claims during the bankruptcy case. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. To the extent a debt investment is unsecured (i.e., has no collateral securing repayment), such claims may have a lower priority than secured claims (which have first recourse to the collateral securing such claim). In addition, the debt of an issuer in bankruptcy may be adversely affected by an erosion of the issuer's business and overall value. Accordingly, there can be no guarantee that a debtor will be able to satisfy all of its liabilities or that the Partnership will be able to recover the entire amount of its bankruptcy claim.

The Partnership invests in assets of issuers domiciled, or assets located, globally. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

The Partnership may purchase creditor claims after the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Leverage. Depending on the then-current makeup of the Partnership's portfolio, the Partnership will use short-term margin borrowing typically by pledging securities to its prime broker(s). When the securities pledged to brokers to secure the Partnership's margin accounts decline in value, the Partnership will be subject to a margin call, pursuant to which it must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Partnership's assets, it might not be able to generate sufficient funds quickly enough to satisfy its margin requirements or may be forced to forego investment opportunities in order to raise cash to satisfy these collateral requirements.

Real Estate Risks. As the Partnership invests in real estate related investments (including so-called "real estate investments trusts" or "REITs"), the Partnership is exposed to factors affecting the real estate industry, including the supply of real property in certain markets, overbuilding, changes in zoning laws, casualty or condemnation losses, delays in completion of construction, changes in operating costs and property taxes, levels of occupancy, adequacy of rent to cover operating

expenses, possible environmental liabilities, regulatory limitations on rent, fluctuations in rental income, increased competition and other risks related to local and regional economic conditions.

The market value of real estate related investments will also be affected by changes in interest rates, macroeconomic developments, and social and economic trends. For instance, during periods of declining interest rates, some mortgage REITs may hold mortgages that the mortgagors elect to prepay, which prepayment may reduce the yield on securities issued by those REITs. Some REITs have relatively small market capitalizations, which can tend to increase the volatility of the market price of their securities.

Equity REITs may be affected by any changes in the value of the underlying property owned by the trusts, while mortgage REITs may be affected by the quality of any credit extended. REITs are also subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REIT's manager and such manager's inability to effectively manage cash flows generated by the REIT's assets, prepayments and defaults by borrowers, self-liquidation, adverse changes in the tax laws, and, with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the U.S. Internal Revenue Code of 1986, as amended (the "Code") or to maintain their exemption from investment company status under the 1940 Act. If a REIT were not to be eligible for the favorable tax treatment afforded to REITs under the Code, it would be subject to federal income tax, thus reducing its value.

By investing in REITs indirectly through the Partnership, investors will bear not only their proportionate share of the expenses of the Partnership, but also, indirectly, similar expenses of REITs. In addition, REITs depend generally on their ability to generate cash flow to make distributions to investors. Investments in REITs are subject to risks associated with the direct ownership of real estate.

The Partnership expects, from time to time, to engage third-party operating partners to manage day-to-day operations of certain real estate interests. These operations are expected to be performed by the operating partner's personnel and the Investment Manager does not expect to exercise day-to-day control over or management of the operating partners. In addition, operating partners may identify potential investment opportunities to the Investment Manager.

The interests of operating partners will not be directly aligned with those of the Partnership and their decisions, actions or omissions may adversely affect the Partnership. Because operating partners may manage assets held by the Partnership and assets not held by the Partnership, operating partners face conflicts of interest between choices that favor one investment over another, as well as decisions regarding devotion of time and resources. Further, when the Partnership invests in joint ventures or pooled investment vehicles, the Limited Partners bear the cost of management and performance fees to third parties in addition to the Management Fee and Performance Allocation.

Non-U.S. Investments. The Partnership invests in securities and other instruments traded outside the U.S. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments,

capital gains, or other income, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Investment Manager. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the Partnership may invest have substantially less volume than those in the U.S., and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the U.S. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the U.S. Non-U.S. securities settlements may be subject to delays and related administrative uncertainties. In some countries there are restrictions such that the only practicable way for the Partnership to invest is by entering into swaps or other derivative transactions. Such transactions involve counterparty risks which are not present in the case of direct investments and not all of which are controllable by the Investment Manager.

Convertible Securities. The Partnership invests in convertible securities, which are debt securities or preferred equity securities that are exchangeable for other debt or equity securities of the issuer at a predetermined price. Convertible securities entitle the holder to receive interest payments paid on corporate debt securities or the dividend preference on preferred equity securities until such time as the convertible security matures or is redeemed or until the holder elects to exercise the conversion right. The potential for appreciation on convertible securities can be less than that of a common stock equivalent. Convertible securities may not be rated as investment grade or not rated, in which case there would be greater risk as to timely payment of the principal, interest or dividends on those securities. Also, in the absence of adequate anti-dilution provisions in a convertible security, the value of the Partnership's holding may be diluted.

High Yield Securities. The Partnership invests in "high yield" debt and preferred securities which are rated lower than investment grade by the various credit rating agencies (or in comparable non-rated securities). Securities that are rated lower than investment grade are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may cause a decrease in the value and liquidity of such lower-rated securities.

Loan Origination. The Partnership may engage in loan origination activities. Such activities may subject the Partnership, the General Partner or their affiliates to additional regulatory requirements.

Mortgage-Backed Securities. The Partnership may take long and/or short positions in mortgage-backed securities ("MBS") (*i.e.*, asset-backed securities backed by residential or commercial mortgage loans). The yield and payment characteristics of MBS differ from traditional debt

securities. Interest and principal prepayments are made more frequently, usually monthly, over the life of the mortgage loans and principal generally may be prepaid at any time because the underlying mortgage loans are generally repayable at any time. Faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield to maturity of a MBS.

The value of most MBS, like traditional debt securities, tends to vary inversely with changes in interest rates. When interest rates rise, the value of MBS generally will decline; however, when interest rates decline, the value of MBS with prepayment features may not increase as much as other fixed income securities because prepayment of mortgages tends to accelerate during periods of declining interest rates.

The value of MBS may be substantially dependent on the servicing of the underlying asset pools and therefore subject to risks associated with the performance of their servicers.

Asset-Backed Securities. Asset-backed securities (“ABS”) can be highly volatile and illiquid. ABS are comprised of underlying assets such as home equity loans, auto loans, credit card receivables and student loans, and unlike MBS, ABS generally do not have the benefit of a security interest in such collateral. ABS are bonds backed by pools of loans and other receivables, and are issued through special purpose vehicles that are bankruptcy remote from the issuer of the collateral. The credit quality of an ABS transaction depends on the performance of the underlying assets. To protect ABS investors from the possibility of borrowers missing payments or even defaulting of their loans, ABS often include various forms of credit enhancement.

The value of some ABS is subject to interest-rate risk and prepayment risk. ABS also carry credit or default risk. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in an ABS transaction. Additionally, ABS have structure risk due to a unique characteristic known as early amortization, or early payout, risk.

Investments in China-A Shares. The Partnership may, directly or indirectly (through, for example, participation notes or other types of equity-linked notes), purchase shares in mainland China-based companies that trade on Chinese stock exchanges such as the Shanghai Stock Exchange and the Shenzhen Stock Exchange (“China A-Shares”) through the Shanghai and Shenzhen-Hong Kong Stock Connect (“Stock Connect”), or that may be available in the future through additional stock connect programs, a mutual market access program designed to, among other things, enable foreign investment in the People’s Republic of China (“PRC”) via brokers in Hong Kong. There are significant risks inherent in investing in China A-Shares through Stock Connect. The underdeveloped state of PRC’s investment and banking systems subjects the settlement, clearing, and registration of China A-Shares transactions to heightened risks. Stock Connect can only operate when both PRC and Hong Kong markets are open for trading and when banking services are available in both markets on the corresponding settlement days. As such, if either or both markets are closed on a U.S. trading day, the Partnership’s ability to dispose of its China A-Shares in a timely manner will be affected, which could adversely affect the Partnership’s performance. Additionally, Stock Connect is subject to daily quota limitations on purchases of China A-Shares. Once the daily quota is reached, orders to purchase additional China A-Shares through Stock Connect will be rejected. The Partnership’s investment in China A-Shares can only be traded through Stock Connect and is not otherwise transferable. Stock Connect utilizes an omnibus clearing structure, and the Partnership’s shares will be registered in its custodian’s name on the

Central Clearing and Settlement System. This exposes the Partnership to the credit risk of its custodian or to greater risk of expropriation. Stock Connect restrictions also potentially limit the ability of the Partnership to sell its China A-Shares in a timely manner, or to sell them at all. Further, different fees, costs, and taxes are imposed on foreign investors acquiring China A-Shares acquired through Stock Connect, and these fees, costs, and taxes may be higher than comparable fees, costs, and taxes imposed on owners of other securities providing similar investment exposure. Finally, the Partnership may be subject to restrictions in the shares it may purchase, or be subject to divestment requirements, due to evolving U.S. sanctions targeting publicly traded securities of certain Chinese companies.

Investments in Emerging and Frontier Markets. The Partnership is permitted to invest in emerging and frontier markets in Asia, Latin America, Eastern Europe and Africa. Investments in emerging and frontier markets involve a greater degree of risk than investing in developed countries. These risks are in addition to the usual risks inherent in non-U.S. investments described above. Because of greater risks of adverse political developments, the lack of effective legal structures and difficulties effecting securities transfers and settlements, the Partnership risks the loss of its entire investment when investing in companies located in certain emerging markets. Generally, emerging market debt securities are not required to meet any rating standards and may not be rated for creditworthiness by any internationally recognized credit rating organization.

Trade Claims Risks. An investment in trade claims is speculative and carries a high degree of risk. Trade claims are illiquid instruments which generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation. Such claims are typically unsecured and/or subordinated to other unsecured obligations of a debtor, and generally are subject to defenses of the debtor with respect to the underlying transaction giving rise to the trade claim. Trade claims are subject to risks not generally associated with standardized securities and instruments due to the idiosyncratic nature of the claims. These risks include the risk of the debtor contesting the allowance of the claim due to disputes the debtor has with, or the inequitable conduct of, the original claimant, or due to administrative errors in connection with the transfer of the claim. Recovery on allowed trade claims also may be impaired if the timing of the bankruptcy distribution is delayed. There is a risk that the Partnership will receive payments in an amount less than what the Partnership paid for or otherwise expects to receive in respect of the claim.

Additionally, there can be restrictions on the purchase, sale, and/or transferability of trade claims during all or part of a bankruptcy proceeding. The markets in trade claims generally are not regulated by U.S. securities laws or the SEC. Further, because they are not negotiable instruments, trade claims are typically less liquid than negotiable instruments. Given these factors, trade claims often trade at a discount to other *pari passu* instruments.

Pooled Investment Vehicles and Pass-Through Entities. The Partnership invests in pooled investment vehicles and pass-through entities, including affiliated or third-party unregistered investment vehicles, master limited partnerships and real estate investment trusts (“Pooled Investment Vehicles”). The Partnership, at times, purchases these interests on the secondary market. These Pooled Investment Vehicles are typically subject to fees, including other asset-based or performance-based compensation, in addition to the Management Fee and Performance Allocation. In addition, such investments typically have limited liquidity and any such investment by the Partnership will have the risks inherent in the instruments in which such vehicles invest.

Company Ownership and Special Purpose Entity Risks. The Partnership may hold a controlling interest in companies in which it has invested, leading the Partnership to be perceived as controlling, participating in the management of, or influencing the conduct of such companies due to its ownership or other relationship with such companies. As a result, the Partnership's assets would be exposed generally to claims (e.g., arising from environmental, pension or Foreign Corrupt Practices Act exposure) by such company, its other stakeholders, creditors, governmental agencies or other third parties. Such liability may (1) not be limited to any particular asset, such as the investment giving rise to the liability, and (2) exceed the value of the particular investment giving rise to the liability. In addition, the General Partner uses special-purpose entities in connection with certain transactions. Similar considerations apply to these special-purpose entities. In addition, the bona fides of such entities may be subject to later challenge based on a number of theories, including veil piercing or substantive consolidation.

Third-Party Involvement. The Partnership holds a portion of its investments through partnerships, joint ventures, or other entities with third-party investors. Joint venture investments involve various risks, including the risk that the Partnership will not be able to implement investment decisions or exit strategies because of limitations on the Partnership's control of the investments under applicable agreements with joint venture partners, the risk that a joint venture partner becomes bankrupt or at any time has economic or business interests or goals that are inconsistent with those of the Partnership, the risk that a joint venture partner acts contrary to the Partnership's objectives, the risk of liability based on the actions of a joint venture partner and the risk of disputes or litigation with such partner and the inability to enforce fully all rights (or the incurrence of additional risk in connection with enforcement of rights) one partner may have against the other. In addition, the Partnership may be liable for actions of its joint venture partners.

Control Positions. The Partnership generally does not intend to purchase securities for the purpose of influencing or controlling management of the issuer, but rather generally intends to do so for investment purposes. However, the Partnership may seek to influence or control management. Such potential actions include investing in a potential takeover, leveraged buy-out or reorganization. The Partnership may also seek to influence or control management by, for example, discussing formally or informally with management different operating strategies, proposing shareholder resolutions, engaging in a proxy contest, serving on a board of directors or serving on a creditors' committee established in connection with a company's insolvency. There can be no assurance that the Partnership's efforts to influence or control will be successful.

Investment in Funds in Early Stages of Formation and Related Investments. The Partnership invests in funds that are in an early stage of formation or operation, as well as newly formed investment managers and/or related management entities, which investments may include or be solely comprised of an investment in the funds managed by such investment managers and/or related management entities. In connection with such investments, the Partnership, in some instances, receives an equity interest, income streams, a "revenue share" or other economic benefit in the revenues otherwise payable or allocable to such investment managers.

Investments in Less Established Companies. The Partnership invests, either directly or through special purpose vehicles, in the securities of less established companies or early-stage companies. Investments in such early-stage companies involve greater risks than are generally associated with investments in more established companies. Less established companies tend to have lower

capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Start-up enterprises typically do not have significant or any operating revenues, and any such investment should be considered highly speculative and may result in the loss of the Partnership's entire investment.

Risks of Master Limited Partnerships. Risks of investments in securities of master limited partnerships ("MLPs") include risks related to limited control and voting rights with respect to matters germane to MLPs, risks related to potential conflicts of interest between an MLP and the general partner of such MLP, including those arising from performance-based compensation payments, cash flow risks, dilution risks and risks related to the general partner's right to require unit-holders to sell their common units at an undesirable time or price. Investments in MLPs may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. In addition, certain tax risks are associated with investments in MLPs.

Hedging. The Partnership utilizes certain financial instruments (including derivatives) and investment techniques for risk management or hedging purposes, but the portfolio is not expected to be completely hedged at all times, if at all, at the discretion of the Investment Manager. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, the Investment Manager's ability to predict the future correlation, if any, between the performance of the hedging instruments and the performance of the investments being hedged. The success of the Partnership's hedging strategies is also subject to the Investment Manager's ability to correctly readjust and execute hedges in an efficient and timely manner. Accordingly, the Partnership's assets may not be adequately protected from market volatility and other conditions.

Risks of Derivative Instruments. The Partnership engages in a variety of derivative transactions. A derivative is a financial contract the market value of which depends on, or is derived from, the value of underlying assets, reference rates or indices. Derivatives can relate to securities, commodities, currencies, currency exchange rates, interest rates, inflation rates and related indices, and include futures, non-U.S. currency contracts, swap contracts, options on securities and indices, options on futures contracts, credit default swaps, credit default swap indices, options on swap contracts, forward contracts, contracts for differences, interest rate caps, floors and collars, repurchase or reverse repurchase agreements and other over-the-counter contracts. The Partnership uses derivatives for many purposes, including as a substitute for direct investment, as a way to adjust its exposure to various securities, markets and currencies without actually having to sell existing investments and/or make new investments, and as a means to hedge other investments and to manage liquidity and excess cash.

The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the assets, pool of assets, rates, currencies or indices they are designed to track. In addition, all derivative instruments involve risks that are in addition to, and potentially greater than, the risks of investing directly in securities, including:

- **Management Risks.** Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with equities and fixed income securities. This requires an understanding not only of the underlying instrument but also of

the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to the portfolio.

- **Counterparty Risks.** This is a risk of loss by the Partnership as a result of the failure of its counterparty to comply with the terms of the derivative contract. The Partnership typically posts or receives collateral related to changes in the market value of a derivative. The Partnership also may invest in derivatives that (i) do not require the counterparty to post collateral, (ii) require collateral where the Partnership's security interest is not perfected, (iii) require significant upfront deposits unrelated to the derivatives' fundamental fair (or intrinsic) value, or (iv) do not require that collateral be regularly marked-to-market. Please also refer to "Counterparty Risk," below.
- **Documentation Risks.** Documentation risk exists where ambiguities, inconsistencies or errors in the documentation relating to a derivative transaction may lead to a dispute with the counterparty or unintended investment results. Contractual terms (*e.g.*, the definition of default) can be interpreted by the counterparty differently than the Partnership and, in those circumstances, the Partnership may decide not to pursue its claims against the counterparty to avoid the cost and unpredictability of legal proceedings. The Partnership, therefore, may be unable to obtain payments the Investment Manager believes are owed to the Partnership.
- **Illiquidity Risks.** If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many over-the-counter derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. Less liquid derivative instruments also may fall more in price than other securities during market falls.
- **Leverage Risks.** Because many derivatives have a leverage component (*i.e.*, a notional value in excess of the assets needed to establish or maintain the derivative position), adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself.
- **Derivatives Regulation.** The U.S. government enacted legislation that provides for new regulation of the derivatives market, including clearing, margin, reporting, and registration requirements, which could restrict the Partnership's ability to engage in derivatives transactions or increase the cost (including by increasing margin burdens or otherwise) or uncertainty involved in such transactions. The European Union (and some other countries) are implementing similar requirements, which will affect the Partnership's derivatives transactions with a counterparty organized in that country or otherwise subject to that country's derivatives regulations. Because these requirements are relatively new and evolving, their ultimate impact remains unclear.
- **Other Risks.** Other risks in using derivatives include mispricing or incorrect valuation of derivatives. Valuation risk is more pronounced with over-the-counter derivatives with specialized terms because the market value of those derivatives in some cases is determined in part by reference to similar derivatives with more standardized terms. Inaccurate valuations may result in increased cash payment requirements to counterparties, over-

and/or under-collateralization, and/or errors in calculation of the Partnership's net asset value.

Counterparties to derivatives contracts generally have the right to terminate such contracts if the Partnership's net asset value declines below a certain level over a specified time period. The exercise of such a right by the counterparty could have a material adverse effect on the Partnership's operations.

The Partnership's use of derivatives may be subject to special tax rules and generate additional taxable income for investors. In addition, the tax treatment of the Partnership's use of derivatives may be unclear because there is little case or other law interpreting the terms of most derivatives or determining their tax treatment.

Counterparty Risk. The Partnership is exposed to counterparty risk to the extent it uses over-the-counter derivatives, enters into repurchase agreements, has unsettled trades, lends its portfolio securities or allows a prime broker or an over-the-counter derivative counterparty to retain possession of collateral. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, it could result in losses for the Partnership. The Partnership is not subject to any limits on its exposure to any one counterparty nor to a requirement that counterparties maintain a specific rating by a nationally recognized rating organization to be considered for potential transactions. To the extent that the Investment Manager's view with respect to a particular counterparty changes (whether due to external events or otherwise), existing transactions are not required to be terminated or modified. The Partnership may invest in derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties should be expected to have a pronounced effect on the Partnership. Counterparty risk will be particularly pronounced at times when the Partnership is relying on its counterparties for exposure through swaps. In addition, the creditworthiness of a counterparty may be adversely affected by greater than average volatility in the markets. The Investment Manager routinely evaluates the creditworthiness of its large counterparties. The inability of the Partnership to transact business with its counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses.

There can be no assurance that a counterparty will be able or willing to satisfy its payment or other obligations, especially during unusually adverse market conditions. The Partnership typically may only (1) close out over-the-counter transactions with the relevant counterparty, and (2) transfer a position with the consent of the relevant counterparty. When a counterparty's obligations are not fully secured by collateral, the Partnership is essentially an unsecured creditor of the counterparty. If a counterparty defaults, the Partnership will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations or that, in the event of default, the Partnership will succeed in enforcing contractual remedies. Counterparty risk still exists even if a counterparty's obligations are secured by collateral because the Partnership's interest in collateral may not be perfected or additional collateral may not be promptly posted as required. Counterparty risk will also be more pronounced if a counterparty's obligations exceed the amount of collateral held by the Partnership (if any), the Partnership is unable to exercise its interest in collateral upon default by the counterparty, or the termination value of the instrument varies significantly from

mark-to-market value of the instrument. To the extent the Partnership allows a counterparty to retain possession of any collateral, the Partnership may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency. Please also refer to "*Risks of Derivative Instruments*" above.

Options. The Partnership invests in options. Purchasing and/or writing put and call options are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. An uncovered call writer's loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted if trading in the underlying securities interest becomes restricted. Unlike exchange-traded options, which are standardized, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Partnership greater flexibility to tailor an option to its needs, over-the-counter options involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

Futures and Related Options. The Partnership invests in futures contracts and related options. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. The Partnership may also buy and sell call and put options on futures or on securities indices in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income. The use of futures and options involves certain special risks, potentially resulting in additional costs and/or losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in the Partnership's portfolio which are the subject of the hedge (to the extent the Partnership uses futures and options for hedging purposes). The successful use of futures and options further depends on the Investment Manager's ability to forecast market or interest rate movements correctly. Other risks arise from the Partnership's potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. Certain regulatory requirements may also limit the Partnership's ability to engage in futures and options transactions.

Forward Contracts. A forward contract is a contract to buy or sell an underlying security or currency at a pre-determined price on a specific future date. Forward prices are obtained by taking the spot price of a security or currency and adding to it the cost of carry. Generally, no money is transferred upon entering into a forward contract and the trade is delayed until the specified date when the underlying security or currency is exchanged for cash. Subsequently, as the price of the underlying security or currency moves, the value of the contract also changes, generally in the same direction. Forward contracts involve a number of the same characteristics and risks as futures contracts but there also are several differences. Forward contracts are not market traded and are not necessarily marked to market daily. They settle only at the pre-determined settlement date. This can result in deviations between forward prices and futures prices, especially in circumstances

where interest rates and futures prices are positively correlated. Second, in the absence of exchange trading and involvement of clearing houses, there are no standardized terms for forward contracts. Accordingly, the parties are free to establish such settlement times and underlying amounts of a security or currency as desirable, which may vary from the standardized provisions available through any futures contract. Finally, forward contracts, as two-party obligations for which there is no secondary market, involve counterparty credit risk not present with futures.

Swaps. The Partnership uses swaps and other derivative transactions to seek to achieve its objectives. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose the Partnership to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent the Partnership invests in repos, swaps, forwards, futures, options and other “synthetic” or derivative instruments, counterparty exposures can develop and the Partnership takes the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

Currency Risk. Investments of the Partnership that are not denominated in U.S. dollars are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may, from time to time, take actions in respect of their currencies that could significantly affect the value of the Partnership’s assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. The Investment Manager generally hedges all or a portion of the Partnership’s exposure to currencies other than the U.S. dollar, but is not required to do so, through foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, swaps or any combination thereof, but there can be no assurance that such hedging strategies will be effectively implemented.

Short Sales. From time to time the Partnership enters into short sale transactions. Short sales are sales of securities the Partnership borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Partnership will be able to make a profit by purchasing the securities at a later date at the lower prices. The Partnership will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Repurchase Agreements, Reverse Repurchase Agreements and Similar Transactions. When the Partnership enters into a repurchase agreement, the Partnership “sells” securities to a broker-dealer or financial institution, the “buyer”, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. The Partnership bears the risk of the “buyer’s” failure to meet its obligation to sell the security back to the Partnership when it is required to do so. In a reverse repurchase transaction, the Partnership “buys” securities from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Partnership, plus interest at a negotiated rate. The Partnership bears the risk that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Additionally, repurchase agreements and reverse repurchase agreements entail the same risks as over-the-counter derivatives and general counterparty risk.

Risks of Sovereign Debt Investments. Investments in sovereign or quasi-sovereign debt involve the risk that the governmental entities responsible for repayment may be unable or unwilling to pay interest and repay principal when due. A governmental entity’s ability and willingness to repay interest and repay principal in a timely manner may be affected by a variety of factors, including its cash flow, the size of its reserves, its access to foreign exchange, the relative size of its debt service burden to its economy as a whole, and political constraints. Sovereign debt risk is greater for fixed income securities issued or guaranteed by emerging and frontier countries, including as a result of financial or political instability. Investments in quasi-sovereign issuers are subject to the additional risk that the issuer may default independently of its sovereign. Holders of sovereign debt may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which sovereign debt on which governmental entities have defaulted can be collected in whole or in part.

Depository Receipts. The Partnership expects to periodically purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively “Depository Receipts”) typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Because the value of a Depository Receipt is dependent on the market price of an underlying non-U.S. security, Depository Receipts are subject to most of the risks associated with investing in non-U.S. securities directly.

Digital Assets and Cryptocurrencies. The Partnership may make investments in cryptocurrency or related assets (“Digital Assets”). While all investments entail a risk of loss of capital, investments in Digital Assets should be considered substantially more speculative and significantly more likely to result in a total loss of capital than many other investments. The investment characteristics of Digital Assets differ from those of many traditional currencies, commodities and securities. Importantly, Digital Assets are not backed by a central bank or a national, supra-national or quasi-national organization, any hard assets, human capital, or other form of credit. Rather, such assets are market-based: a Digital Asset’s value is determined by (and fluctuates often, according to) supply and demand factors, the number of merchants that accept it, and the value that various market participants place on it through their mutual agreement, barter or transactions, among other factors. Additionally, any government action or regulation may indirectly affect the Digital Asset market or Digital Asset network, influencing Digital Asset usage or prices.

Concentration of Investments. The Partnership's assets may not be diversified. At times, a single investment or a group of similar investments could exceed 30% or more of the Partnership's net asset value. Any such non-diversification increases the risk of loss to the Partnership if there was a decline in the market value of any security or sector in which the Partnership had invested a large percentage of its assets. Investment in a non-diversified fund will generally entail greater risks than investments in a diversified fund.

Lack of Liquidity in Markets. The markets for many securities and other investments are thinly traded from time to time. This lack of liquidity and market depth could disadvantage the Partnership in the execution of orders at desired prices or in desired quantities. Also, U.S. and non-U.S. securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

Market Disruption and Geopolitical Risk. Factors such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, currency exchange controls, and national and international political circumstances (including wars and terrorism, natural disasters, financial market fluctuations, pandemics and other health emergencies) can affect the Partnership's investments and result in losses. These factors may affect, among other things, the level and volatility of investments' prices, the liquidity of investments and the availability of certain investments. The Investment Manager may maintain substantial trade positions that can be materially adversely affected by the level of volatility in the financial markets – the larger the positions, the greater the potential for loss. The Partnership may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Partnership from its banks, dealers and other counterparties will typically be reduced in disrupted markets, potentially resulting in substantial losses. Market disruptions may from time to time cause dramatic losses for the Partnership, and such events can result in historically low risk strategies performing with unprecedented volatility and risk.

The global financial markets have in the past gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions were unclear in scope and application, resulting in confusion and uncertainty which was materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. Any such future intervention could have a material adverse impact on the Partnership.

Prime Broker and Custody Risk. The Partnership's prime brokers and custodians have custody of the Partnership's securities, cash, distributions and rights accruing to the Partnership's securities accounts. Investors should assume that the insolvency of any of the Partnership's prime broker(s), other brokers, custodians, or banks or clearing corporations may result in the loss of all or a substantial portion of the Partnership's assets or in a significant delay in the Partnership having access to those assets.

SEC rules require prime brokers to maintain physical possession and control of fully paid securities held in the Partnership's account and to establish certain reserves for the benefit of customers. However, subject to these limitations, the prime brokers generally can loan, pledge, and rehypothecate the securities in the Partnership's account, as is typical market practice, and accordingly prime brokers (and custodians) may have insufficient assets to meet all of their obligations to customers in the event of an insolvency. In such an event, the Partnership would typically not have a right to recover its securities held by the prime broker or custodian, but would rather have only an unsecured claim, and participate *pro rata* with other customers. Also, even if the prime broker or other custodian does have sufficient assets to meet all customer claims, there will likely be a delay before the Partnership receives assets to satisfy its claims. To manage the risks associated with prime broker and other custodian insolvency, the Partnership has established relationships with multiple prime brokers and custodians. However, there is no assurance that the Partnership will be able to maintain such relationships. In addition, the Partnership may not be able to identify potential solvency concerns with respect to the Partnership's prime brokers or custodians or to transfer assets from one prime broker or custodian to another in a timely manner.

Cash and Other Investments. The Partnership may invest all or a portion of its assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items are expected to be of high quality at the time of investment and may include money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Investment Manager. While investments in cash items generally involve relatively low risk, they may produce lower than expected returns, and potentially result in losses. Investments in cash items may also provide less liquidity than anticipated at the time of investment.

Investment Process; Due Diligence. Before making investments, the Investment Manager intends to conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Such due diligence is typically expected to include complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Manager will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Investment Manager at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Cybersecurity. With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, the Partnership and its service providers (including the Investment Manager) are exposed to operational and information security risks resulting from cyber-attacks and/or other technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among other things, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Partnership, the Investment Manager or a custodian or other third-party service provider may adversely affect the Partnership or investors. For instance, cyber-

attacks may affect the Partnership's ability to calculate its net asset value, cause the release of private investor information or confidential Partnership information, impede trading, expose Partnership, Investment Manager or investor assets to theft or embezzlement, cause reputational damage, and subject the Partnership to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs, such as increasing and upgrading cybersecurity, protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, increased insurance premiums or difficulties obtaining insurance coverage, litigation and regulatory actions or other legal risks. While the Investment Manager has established business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified.

Systems Risks. The Partnership relies on computer programs to evaluate certain securities and other investments, to monitor the Partnership's portfolio, to trade, clear and settle securities transactions, and to generate asset, risk management and other reports that are utilized in the oversight of the Partnership's activities. In addition, certain of the Partnership's and the Investment Manager's operations interface with or depend on systems operated by third parties, including loan servicers, custodians, administrators, and prime brokers, and the Investment Manager will not always be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer 'worms,' viruses and power failures. Such failures could cause trade settlements to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Partnership's ability to monitor its investment portfolio and risk. Any such defect or failure could cause the Partnership to suffer financial loss, disruption of its business, liability to clients or third-parties, regulatory intervention or reputational damage.

Trade Errors. On occasion, errors may occur with respect to trades executed on behalf of the Partnership. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, or when the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded). Trade errors frequently result in losses but may, occasionally, result in gains. The General Partner and the Investment Manager will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, the General Partner and the Investment Manager may seek to recover any losses associated with such error from such third party. The Investment Manager will determine whether any trade error has resulted from gross negligence on its part, and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the Partnership. The General Partner and the Investment Manager have internal policies regarding the manner in which such determinations are to be made, but investors should be aware that, in making such determinations, the General Partner and the Investment Manager will have a conflict of interest. Generally, the Investment Manager and General Partner will not be held accountable for trade errors that do not breach the standard of care set forth above.

Performance Allocation. The General Partner and certain partners, employees and other related persons hold interests in the Partnership. However, the General Partner's Performance Allocation may create an incentive for the General Partner and the Investment Manager to cause the Partnership to make investments that are riskier or more speculative than would be the case in the absence of such allocation. In addition, because the Performance Allocation is calculated on a

basis that includes unrealized appreciation of the Partnership's assets, it may be greater than if the Performance Allocation were based solely on realized gains.

Availability of Investment Strategies. The success of the Partnership's investment and trading activities will depend on the ability of the General Partner and the Investment Manager to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in global capital markets. In addition, many of the markets in which the Partnership invests are extremely competitive for attractive investment opportunities. Identification and exploitation of the investment strategies to be pursued by the Partnership involves a high degree of uncertainty. No assurance can be given that the General Partner and the Investment Manager will be able to identify or successfully pursue suitable investment opportunities in which to deploy all the Partnership's capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investment strategies for the Partnership.

Misconduct of Employees and of Third-Party Service Providers. Misconduct by employees of the Investment Manager or by third-party service providers can cause significant losses to the Partnership. Employee misconduct may include binding the Partnership to transactions that present unacceptable risks and unauthorized activities or concealing unsuccessful activities, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Partnership, the improper use or disclosure of confidential or material non-public information, potentially resulting in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of the Partnership and noncompliance with applicable laws or regulations and the concealing of any of the foregoing (potentially resulting in unknown and unmanaged risks or losses). Actions by third-party service providers, including, without limitation, failing to record transactions or improperly performing its responsibilities as administrator, will also potentially result in losses to the Partnership. Although the Investment Manager has adopted measures reasonably designed to prevent and detect employee misconduct and to select reliable third-party providers, such measures may not be effective in all cases.

Other Possible Risks. There is no assurance that the above list is complete or that there are no other material risks that may exist now or arise in the future. The Partnership has a broad investment mandate and will make investments using strategies and financial techniques with significant risk characteristics. Further, the Partnership's investment mandate contemplates making investments in a range of financial instruments, asset classes and geographic regions, including those with respect to which the Investment Manager has limited experience. No guarantee is made that the investment objectives of the Partnership will be realized. The Partnership will have the discretion to supplement its principal investment strategy by making investments in any other securities or assets that the Investment Manager believes offer attractive trading or investment opportunities. The Partnership may invest in such securities and instruments for investment purposes, liability management purposes and/or as part of hedging and arbitrage strategies. In implementing the Partnership's investment program, the Investment Manager may utilize whatever investment, hedging, arbitrage or financing techniques it deems to be advisable (including participating in existing or future government-sponsored financing programs), regardless of whether any such technique is specifically described herein, is currently in existence or is hereafter created.

Item 9. Disciplinary Information

The Investment Manager has no legal or disciplinary events required to be disclosed pursuant to this Item 9.

Item 10. Other Financial Industry Activities and Affiliations

The Investment Manager has claimed, and expects to continue to claim, an exemption from registration as a commodity pool operator with respect to the Partnership, pursuant to Rule 4.13(a)(3) under the Commodity Exchange Act, as amended.

Neither the Investment Manager nor any of its partners or employees is registered, nor does any of the foregoing have any applications pending to register, with the SEC as a broker-dealer or a registered representative of a broker-dealer.

Michael DeMichele and Farhad Nanji are both key personnel of the General Partner and the Investment Manager.

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

Code of Ethics

The Investment Manager has adopted a written Code of Ethics that is applicable to all of its partners/members, officers and employees, and, potentially, certain independent contractors (collectively, “Investment Manager Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Investment Manager Personnel and their families and households are allowed, in limited circumstances, to purchase investments for their own accounts, including the same investments purchased or sold for the Partnership, subject to the terms of the Code of Ethics. Under the Code of Ethics, Investment Manager Personnel are also required to file certain periodic reports with the Investment Manager’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Investment Manager detect and prevent potential conflicts of interest.

Investment Manager Personnel who violate the Code of Ethics are subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Investment Manager Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Investment Manager Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client on written request to: legal@mfnpartners.com.

Conflicts of Interest

Management of the Partnership. The employees and members of the General Partner and the Investment Manager are not obligated to devote their full time to the Partnership, but will devote such time as, in the judgment of the General Partner, the Partnership's affairs reasonably require.

The Investment Manager may (but does not currently) provide investment advice to other clients, including investment funds, that may either co-invest with the Partnership or follow investment programs similar to or different from that of the Partnership (each, a "Related Fund"). In addition, the Investment Manager and the investment professionals thereof may (but do not currently) have investments in other Related Funds or interests in the performance of other Related Funds which pose conflicts of interest. The material conflicts of interest encountered by the Partnership or a Related Fund include those discussed below, although the discussion below does not describe all the conflicts that may be faced by the Partnership or a Related Fund. Other conflicts are disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

By reason of the investment advisory and other activities of the General Partner and the Investment Manager, Investment Manager Personnel periodically acquire confidential or material, non-public information or otherwise become restricted (including any voluntary restriction) from transacting in certain securities. Except as required by law, the General Partner and the Investment Manager are generally not free to divulge, or to act on, any such confidential information with respect to their performance of their responsibilities to the Partnership and that, due to such a restriction, the General Partner or its affiliate could be prevented from initiating a transaction on behalf of the Partnership that it otherwise might have initiated.

Farhad Nanji serves on the board of PennyMac Financial Services Inc (NYSE: PFSI), which tenure began before the formation of the Investment Manager or the Partnership. He receives standard board compensation from PennyMac for his services, which he retains. The Partnership is invested in, and expects to remain invested in, PennyMac.

Allocation of Investment Opportunities by the Partnership and other Related Funds. The Investment Manager may (but presently has not) organize Related Funds. In such case, purchase and sale orders may generally be combined for Related Funds with each entity paying its *pro rata* share of the total commission and paying or receiving its *pro rata* share of the cost or proceeds.

There may be a conflict of interest in the allocation of investment opportunities among the Partnership and other Related Funds. The Investment Manager will generally have sole discretion to allocate investment opportunities in a manner it so determines, in good faith, to be fair and equitable under the circumstances to all the entities involved, including based on such entities' investment objectives and strategies. There can be no assurances that an investment opportunity will not be allocated wholly or primarily to other Related Funds. The Investment Manager will evaluate a variety of factors which may be relevant in determining whether a particular situation or strategy is appropriate and feasible for the Partnership or another Related Fund at a particular time. Because these considerations may differ for the Partnership and a Related Fund, investment activities of the Partnership and a Related Funds may differ considerably from time to time. Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

Transactions with Affiliates. The Partnership Agreement allows the Partnership to participate in transactions in which the General Partner or the Investment Manager (or any of their employees, members and/or principals or any limited partner) is directly or indirectly interested. In connection with such transactions, the Partnership, on the one hand, and the General Partner, Investment Manager, their employees, members and/or principals or limited partners, on the other hand, should expect to have conflicting interests. The General Partner and the Investment Manager may also face conflicts of interest in connection with purchase or sale transactions (involving an investment by the Partnership) with an affiliate of the Partnership (including other Related Funds), including with respect to the consideration offered by, and the obligations of, the General Partner or the Investment Manager and such other affiliate.

Although other Related Funds may pursue investment objectives that are similar to the Partnership, the portfolios of the Partnership and a Related Fund may differ as a result of non-*pro rata* allocations, of purchases and redemptions being made at different times and in different amounts, as well as because of different tax and regulatory considerations. The Partnership is permitted to enter into cross-trades (*i.e.*, purchases and sales with other Related Funds), including “rebalancing” transactions with other Related Funds that have the same investment objectives as the Partnership. To the extent that cross trades may be viewed as principal transactions due to the ownership interest in the Partnership and/or a Related Fund by the Investment Manager or its personnel, or to the extent the Investment Manager otherwise engages in principal transactions, the Investment Manager will comply with the requirements of Section 206(3) of the Advisers Act.

Personal Trading. The Organizational Documents do not prohibit the General Partner, the Investment Manager, or their respective general partners or employees from buying or selling securities or other investments for their own account. However, as noted above in this Item 11, Investment Manager Personnel and their families and households are only allowed to purchase investments for their own accounts in limited circumstances. The records of any such trades will not be open to inspection by the Limited Partners. The Investment Manager maintains compliance policies and procedures, including personal trading policies and procedures, designed to reduce potential conflicts of interest. With respect to such personal accounts, the General Partner, the Investment Manager, or their respective general partners or employees are generally not allowed initiate investment positions in investments invested in by the Partnership.

Side Letter Agreements. There are currently no side letter arrangements. However, in accordance with the Partnership Agreement, the General Partner, in its sole discretion, is permitted to enter into separate agreements with Limited Partners setting forth the terms of investment by such Limited Partners in the Partnership, subject, in certain instances, to the rights of other Limited Partners to obtain additional rights granted by such agreements. Among other things, such agreements could provide for Management Fees, Performance Allocations, liquidity terms and/or transparency rights more favorable than are available to other investors.

Valuation of the Partnership’s Assets and Liabilities by the Investment Manager. The Investment Manager is responsible for valuing the Partnership’s assets and liabilities. Such valuations by the Investment Manager will be conclusive and binding on the Partnership. Because such valuations drive the calculation of the Management Fees and Performance Allocations, there is an inherent potential conflict of interest. The Investment Manager has policies and procedures (which are available for Limited Partners to review) designed to identify and manage such conflict.

Service Providers. For certain reasons, including efficiency and economic consideration, some services required by the Partnership or the Investment Manager are outsourced in whole or in part to third parties, in each case at the discretion of the Investment Manager.

The Investment Manager will have a conflict of interest in recommending the retention or continuation of a service provider to the Partnership as a result of certain service providers' business, personal, financial or other relationships with the Investment Manager. Such service providers (or their employees) may (1) be co-investors or commercial counterparties, (2) be entities in which the Investment Manager and/or the Partnership has an investment, (3) simultaneously represent the Partnership, the Investment Manager, and/or a portfolio company, or (4) be investors in the Partnership.

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

From time to time, Investment Manager Personnel and the Partnership invest in funds or other entities managed by limited partners of the Partnership, which could incentivize such Investment Manager Personnel to afford the limited partner preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds or other entities managed by such limited partner compete with the Partnership for investment opportunities.

Item 12. Brokerage Practices

To meet its fiduciary duties to the Partnership, the Investment Manager has written policies to address issues that arise with respect to purchasing, holding, and selling securities and other financial instruments.

The Investment Manager is solely responsible for choosing the broker or dealer used for each securities transaction for the Partnership. In negotiating commission rates and selecting broker/dealers, the Investment Manager seeks the best available combination of execution and price (which includes the cost of the transaction) and shall take into account all factors it deems relevant, including by way of illustration, but not limited to, the financial stability and reputation of the particular broker/dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker/dealer, among other factors. It is noted that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

From time to time, the Investment Manager may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Partnership transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer (which may be referred to as “soft dollars”). The Investment Manager will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Investment Manager believes it is important to its investment decision-making processes to have access to independent research.

In certain circumstances the Investment Manager receives brokerage and research services, other than execution, from a broker-dealer or other third party in connection with Partnership transactions, the costs of which are ultimately borne by the Partnership. Brokerage and research services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and hardware, software, databases and other technical services and equipment utilized in the investment management process.

The Investment Manager expects to enter into two formal commission sharing arrangements. Under these commission sharing arrangements, certain securities transactions will be effected with the relevant broker-dealer who will (i) retain a certain minimum amount of the transaction commission for itself and (ii) transfer the remaining amount into a commission accrual pool.

On a periodic basis, the Investment Manager will instruct such broker-dealer to remit payment from the commission accrual pool to one or more duly authorized service firms. Each such payment will be in return for research and brokerage services obtained by the Investment Manager from a service firm during the relevant time period, the value of which will be determined by the Investment Manager in good faith in compliance with Section 28(e).

Since a portion of the overall commissions generated through the commission sharing arrangement is utilized as credit towards the receipt of research services, the commissions are higher than would otherwise be paid outside of the commission sharing arrangement.

When brokerage commissions are used to obtain research or other products or services, the Investment Manager receives a benefit because it does not have to produce or pay for such research, products or services. The Investment Manager may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services. As the Investment Manager’s only client is the Partnership, the Partnership generates and utilizes any soft dollar benefits.

Neither the Investment Manager nor any related person receives client referrals from any broker-dealer or third party. Additionally, the Investment Manager does not recommend, request or require that a client direct the Investment Manager to execute transactions through a specified broker-dealer. Consistent with seeking to obtain best execution, the Investment Manager employs a number of policies and procedures designed to address the conflicts identified in this section.

Consistent with seeking to obtain best execution, the Investment Manager employs a number of policies and procedures designed to address the conflicts identified in this section, including review of trading commissions and brokerage relationships.

Item 13. Review of Accounts

Oversight and Monitoring

The Investment Manager regularly reviews and analyzes its existing positions to attempt to identify issues early on and to take action where necessary. The Partnership's portfolio of investments is reviewed by senior management and other investment professionals of the Investment Manager.

Reporting

Investors in the Partnership typically receive, among other things, a copy of audited financial statements of the relevant Partnership within 120 days after the fiscal year end of the Partnership, as well as quarterly performance reports after each fiscal quarter end. The Investment Manager and the General Partner will, from time to time, in their sole discretion, provide additional information relating to the Partnership to one or more investors in the Partnership as they deem appropriate.

Item 14. Client Referrals and Other Compensation

The Investment Manager does not compensate any person who is not a supervised person, including solicitors or placement agents, for client referrals. For details regarding economic benefits provided to the Investment Manager by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

Item 15. Custody

The Investment Manager is deemed to have custody of the Partnership's assets because of its authority over such assets. The Partnership's financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements of the Partnership will be distributed to each investor within 120 days of the Partnership's fiscal year end. The Partnership's audited financial statements are prepared in accordance with U.S. generally accepted accounting principles.

Item 16. Investment Discretion

Investment advice is provided directly to the Partnership (and not individually to the investors in the Partnership) on a discretionary basis. Services are provided to the Partnership in accordance with the Investment Management Agreement and/or the other Organizational Documents of the Partnership. Investment restrictions for the Partnership, if any, are generally established in the Organizational Documents of the Partnership.

Item 17. Voting Client Securities

The Investment Manager has established written policies and procedures setting forth the principles and procedures by which the Investment Manager votes or gives consent with respect to securities owned by the Partnership (“Votes”). The guiding principle followed by the Investment Manager is to vote in the best interests of the Partnership by maximizing the economic value of the relevant Partnership’s holdings, taking into account the relevant Partnership’s investment horizon, the provisions of the Organization Documents, and all other relevant facts and circumstances the Investment Manager determines to be appropriate at the time of the vote. The Investment Manager does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Investment Manager’s general policy to vote or give/decline consent on all matters presented to security holders in any Vote. However, the Investment Manager reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Investment Manager’s CCO or the relevant investment professional, the costs associated with voting such Vote outweigh the benefits to the Partnership or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the Partnership. The Partnership generally cannot direct the Investment Manager’s Vote.

The Investment Manager directs the Partnership’s participation in class actions, and the Investment Manager has class action policies and procedures in connection therewith. The Investment Manager determines whether the Partnership will (a) participate in a recovery achieved through a class action, (b) opt out of the class action and separately pursue its own remedy, or (c) not participate in a class action altogether. Potential reasons for not participating in a class action include, but are not limited to: (i) the Partnership did not own the applicable securities during the class action period; or (ii) the Partnership held the applicable securities during the class action period, but the cost of evidencing such ownership would be reasonably likely to outweigh the expected recovery.

Conflicts of interest may arise between the interests of the Partnership on the one hand and the Investment Manager and its affiliates on the other hand. Employees are required to notify the CCO if they are aware of any material conflict of interest associated with any Vote or participation in class actions. The CCO will evaluate any such conflicts and determine an appropriate course of action in accordance with the Investment Manager’s proxy voting policy.

A copy of the Investment Manager’s proxy voting policy, proxy voting record or class action policy is available to any client or prospective client by written request to: legal@mfnpartners.com.

Item 18. Financial Information

The Investment Manager does not require prepayment of Management Fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

Item 19. Requirements for State-Registered Investment Managers

Item 19 is not applicable to the Investment Manager.