

## **Boundary Creek Advisors LP**

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New York, NY 10017**

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This “**Brochure**” provides information about the qualifications and business practices of Boundary Creek Advisors LP (hereinafter “**Boundary Creek**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Ian Cohen, by email at [icohen@boundarycreek.com](mailto:icohen@boundarycreek.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Boundary Creek has applied as an “Investment Adviser Expecting to be Eligible for Commission Registration within 120 Days” with the SEC. Registration as an investment adviser does not imply that Boundary Creek or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Boundary Creek Advisors LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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This Brochure is Boundary Creek's update to its 120-day registration filing with the SEC. Since that filing, the Firm has begun to manage regulatory assets and those assets have been added to the brochure.

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#### Item 4: Advisory Business

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Boundary Creek Advisors LP (hereinafter “**Boundary Creek**”, “**we**”, “**us**”, “**our**” or the “**Firm**”) is organized as a Delaware limited partnership with a principal place of business in New York, New York. We are an affiliate of the following entities: Boundary Creek Partners LLC (the “**General Partner**”), the general partner of the Firm, and Boundary Creek Investments LLC (the “**Special Limited Partner**”). Peter Greatrex (the “Chief Investment Officer”) is the majority beneficial owner of Boundary Creek and will direct the investment activities and operations of the Funds (as defined below).

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Boundary Creek manages the following private, pooled investment vehicles:

- Boundary Creek Master Fund LP, a Cayman Islands exempted limited partnership (the “**Master Fund**”).
- Boundary Creek Fund Offshore Ltd, a Cayman Islands exempted company (the “**Offshore Fund**”);
- Boundary Creek Fund LP, a Delaware limited partnership (the “**Onshore Fund**”);

The Master Fund, the Offshore Fund, and the Onshore Fund and are herein each referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”.

The Onshore Fund’s “**Limited Partners**” and the Offshore Fund’s “**Shareholders**” are hereafter collectively referred to as the “**Investors**” where appropriate.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**.”

We do not currently participate in any Wrap Fee Programs.

As of July 1, 2019, the firm had \$157, 574, 975 regulatory assets under management.

## Item 5: Fees and Compensation

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The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

### ***Management Fee***

Boundary Creek is paid an investment management fee ("**Management Fee**") ranging from 1.00% - 1.75% per annum of the applicable Fund. The Management Fee is, normally calculated and payable monthly in arrears based on the balance of each capital account.

Generally, the Management Fee is not negotiable. However, Boundary Creek in its sole discretion, may waive, reduce or modify the Management Fee at any time, without notice to or consent from any Fund (or underlying investor in such Fund).

Pursuant to the terms of the applicable investment advisory agreement, if the investment advisory relationship is terminated (or funds are withdrawn or redeemed) as of any date other than the last business day of the applicable payment period, we typically charge a prorated Management Fee based on the ratio that the number of days for which investment advisory services were rendered bears to the total number of days in that payment period, and we return any unearned fees to the Client or underlying Investor.

### ***Other Types of Fees or Expenses***

Boundary Creek and the General Partner are authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Firm.

The Funds bear all other expenses, which include, without limitation, the following expenses incurred by or allocable to the Funds: (a) expenses associated with all investments and transactions considered, evaluated and/or consummated by the Funds, including, without limitation, those expenses incurred before the initial closing of the Funds, including, without limitation, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including, without limitation, third-party research, data, analytics, modeling, structuring, pricing, execution and other third-party information systems, software and service fees (including, without limitation, the expenses with respect to data feeds, subscriptions, expert networks, political intelligence providers, and reports); (b) research-related computer hardware and software expenses, including, without limitation, Bloomberg terminals; (c) the Funds' pro rata share of the Firm's order management system, portfolio management system and any other software used for accounting and/or monitoring of the portfolio; (d) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all investments of the Funds and all transaction and other costs associated therewith; (e) travel and related expenses associated with investments and potential investments; (f) professional fees associated with investments and potential investments, including, without limitation, consulting, due diligence, accounting, valuation, financial, legal, and other advisory fees and expenses; (g) transaction fees, brokerage commissions, custodial

fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments; (h) expenses associated with legal and regulatory filings of the Funds (including, without limitation, pursuant to Section 13 and 16 of the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”)) and the Funds’ pro rata portion of the expenses associated with preparation of the Firm’s Form 13F, Form 13H and Form PF, and any other similar filing in any other U.S. or non-U.S. jurisdiction; (i) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees and expenses associated with the Funds’ operations, investments and transactions, including, without limitation, fees and expenses of the Funds’ administrator; (j) expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization and all extraordinary expenses; (k) broken-deal, failed transaction, break-up and similar fees, costs and expenses, if any; (l) costs and expenses of leverage or any other borrowings of the Funds, including, without limitation, interest charges and fees; (m) expenses incurred in the collection of monies owed to the Funds, as applicable; (n) auditing and accounting expenses of the Funds, including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedules K-1 and the fees and expenses of the auditor; (o) any entity level taxes, fees or other governmental charges on the Funds, including, without limitation, any withholding taxes not due to the status or noncompliance of a particular Investor; (p) costs and expenses associated with investor communications and reports and the delivery thereof to investors; (q) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions; (r) insurance expenses; including, without limitation, directors’ and officers’ liability insurance, general partner liability insurance, errors and omissions insurance and other policies, if any; (s) costs and expenses (including, without limitation, entity-level taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company, or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Funds; (t) wind-up, liquidation, termination and dissolution expenses; (u) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including, without limitation, blue sky fees, Form D, Form 8.3, CFTC filings and notices and other securities and/or investment-related filing expenses; (v) costs related to any transfers of interests in the Funds, unless otherwise charged to or borne by the applicable transferor and/or transferee; (w) expenses incurred in connection with the preparation of any amendment to the Funds’ governing documents and/or Offering Documents; (x) expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding by the Funds; (y) any extraordinary expenses (including, without limitation, all litigation-related and indemnification and contribution expenses, including, without limitation, the amount of any judgment or settlement paid in connection therewith); (z) the Management Fee; and (z) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Funds.

In general, each Investor will bear its proportionate share of the Fund expenses on a pro rata basis with respect to the size of such Investor’s capital account(s) or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund General Partner and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating

certain expenses to certain (but not all) Investors, if the Fund General Partner and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. We may waive any such reimbursement with respect to any Fund expenses. Any waiver by us for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by us or our affiliates.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

#### **Item 6: Performance-Based Fees and Side-By-Side Management**

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We and our affiliates are entitled to an annual performance-based allocation, ranging from 15% - 30% of realized and unrealized income and gains of the Funds, subject to a high watermark and hurdle, as described in the Offering Documents.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement in an effort to maximize a Client's gross profits and receive greater compensation.

In the event that the investment advisory relationship is terminated (or funds are withdrawn or redeemed) other than at the end of a performance allocation calculation period, such termination (or withdrawal or redemption) date shall typically be treated as the end of a performance allocation calculation period.

#### **Item 7: Types of Clients**

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Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, funds of funds, pension plans, foundations, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors.

Generally, the minimum initial investment in the Funds is \$5 million. However, the Fund General Partner and/ or Boundary Creek, as applicable, may, in its sole discretion, accept smaller initial investments from time to time.

#### **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared

to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

### ***Investment Objective***

The Fund's primary objective is to seek to generate high, risk-adjusted absolute returns, with limited correlation to traditional fixed income and equity portfolios, by investing in or shorting the securities, loans and other obligations of primarily U.S., Canadian, U.K. and European companies.

The Firm will trade in a broad range of listed and unlisted instruments, whether publicly or privately offered, including, but not limited to, loans, corporate bonds of investment and non-investment grade credits, derivatives (single name credit, credit index, interest rate, currency and equity), convertible securities, equities, government bonds, futures (mainly for hedging purposes), options (credit, interest rate and equity), financing trades, margin loans, repurchase agreements, reverse repurchase agreements and total return swaps. There are no limitations on the markets, sectors or instruments in which the Fund may trade, or the trading strategies that the Fund may employ.

The Fund will generally invest its assets through the Master Fund, a Cayman Islands exempted limited partnership formed to conduct trading activities on behalf of the Fund, or other entities managed by the Firm or its affiliates in a manner consistent with the investment program of the Fund. The purpose of the Master Fund is to achieve trading and administrative efficiencies. The Fund may invest a portion of its assets directly rather than through the Master Fund for tax, regulatory or other purposes.

### ***Risk Management***

The Peter Greatrex, Vincent Cooper, Ian Cohen and Areti Loizou (the "**Principals**") are responsible for all risk management functions pertaining to the Fund and the Master Fund. The Principals' extensive experience at a variety of institutions informs their implementation of the Fund's objective of capital appreciation and preservation. The Principals measure and manage risk in a number of ways, including:

1. Portfolio review and approval of macro factor exposure & limits;
2. Review and approval of basis/curve risks & limits; and
3. Portfolio market sensitivity and stress scenario review.

The investment objectives and methods summarized above represent the General Partner's and the Firm's current intentions. Depending on conditions and trends in the securities markets and the economy in general, the General Partner and the Firm may pursue any objectives, employ any investment techniques or purchase any type of security or other asset that they consider appropriate and in the best interests of the Fund whether or not described in this section.

The exact details of the Firm's investment strategies are proprietary and may vary over time. In addition, the Firm may modify and revise its investment strategies from time to time. The foregoing discussion includes and is based upon numerous assumptions and opinions of the General Partner and the Firm concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the Fund's investment strategy will achieve profitable results.



The following risks are not intended to be a complete list or explanation of the risks involved in an investment in the Funds or strategies advised by the Firm. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Firm.

### ***Risk of Loss Factors***

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Boundary Creek.

*General Risks Associated with Credit Strategies.* The Fund will invest in some credit instruments issued by distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Evaluating reorganizations and bankruptcies can be a complex, time consuming and expensive process that requires specialized expertise. Although such investments have the potential to achieve significant returns, they involve a high degree of risk, and may fail to show any return for a considerable period of time or result in substantial or complete loss. There is no assurance the Firm will accurately evaluate the prospects for a profitable return on the Fund's investments. While exit from distressed trading strategies may come through recovery and/or appreciation and subsequent sale in financial markets, other means of exit take alternate and sometimes suboptimal forms, including, but not limited to: (i) a refinancing, sometimes providing for redemption of positions held by the Fund; (ii) reset terms and conditions, including but not limited to a longer tenure and/or a diminished coupon; (iii) conversion of debt instruments to further subordinated debt, hybrid, or equity securities; (iv) sale of the entire company to a strategic or financial buyer; (v) government nationalization; (vi) liquidation of assets or creation of liquidation trusts for assets; and (vii) cash settlement of claims from others involved in restructuring.

Certain of these exit strategies may go beyond the expected tenure of the trading strategy and adversely impact liquidity, volatility and pricing. Many of the events within a bankruptcy case are adversarial and often beyond the control of creditors. There can be no assurances that the Fund will be able to adequately exercise and/or enforce its full rights under the stated terms of its investments, or that any actions taken by the Fund will be either beneficial or not harmful to final recovery value. In some situations, the market of available dealers for distressed positions may constrict and could impact the willingness to purchase or repurchase at an expected or modeled fair market value. Consequently, the Fund may sometimes exit positions at times or under conditions different than initially anticipated and accept substantial losses.

*Debt Instruments.* The debt instruments in which the Fund will invest may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The Fund will invest in non-investment grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect

equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. The Fund's investments in debt instruments may experience substantial losses due to adverse changes in interest rates and the market's perception of any particular issuer's creditworthiness, which may inhibit such issuer's ability to refinance, restructure or otherwise experience recovery. The Fund also will invest in certain hybrid debt arrangements, which are subject to risks in addition to the conventional risks of general interest-rate movements and the issuer's ability to pay the debt in accordance with its terms.

*Structured Credit Products.* Special risks may be associated with investments in structured credit products, collateralized debt obligations, synthetic credit portfolio transactions and asset-backed securities. For example, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that the Fund may incur losses on its investments in structured products regardless of their ratings by S&P or Moody's. Additionally, the securities in which the Fund is authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

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

*Subordinated Loans or Securities.* The Fund may purchase loans that are subordinated or may be subordinated in right of payment and ranked junior to other securities issued by, or loans made to, obligors. If a company borrower experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority to the Fund. Where debt senior to the Fund's loan exists, the presence of intercreditor arrangements may limit the Fund's ability to amend its loan documents, assign its loans, accept prepayments, exercise its remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers. Likewise, the ability of a company to redeem any preferred equity securities held by the Fund that have redemption rights may be limited as any debt holder of the company would generally be entitled to payment priority over the preferred equity, and any debt agreement may restrict or prohibit the borrower company from redeeming the preferred equity.

*Repayment Risk.* The Fund may be dependent on the ability of a company to obtain replacement financing or sell its collateral (i.e., its assets) to repay its loans held by the Fund, which could depend on market conditions and other factors. Loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses, and special hazard losses that are not covered by standard hazard insurance. In the event of any default under loans made by the Fund, the Fund bears the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the collateral and the principal amount and unpaid interest of the loan. To the extent the Fund suffers such losses with respect to any investment, the Fund's return may be negatively affected.

*Ability to Realize on Guaranties.* To the extent that the Fund provides financing to one or more companies, affiliates or beneficial owners of such companies may provide, and execute in favor of the Fund, a guaranty of payment. The guaranties provided by affiliates or beneficial owners, as applicable, of such companies in such situations may not be enforceable and, under specific circumstances, federal and state courts could void the guaranties under applicable fraudulent conveyance or other similar laws and require the Fund to return payments received from the affiliates or beneficial owners, respectively, in such capacity. In addition, the guarantors may lack sufficient assets to satisfy the guaranties.

*Financing Arrangements; Availability of Credit.* The Fund may use leverage as part of the Fund's strategies, and, as a result, the Fund may depend on the availability of credit in order to finance its portfolio. There can be no assurance that the Fund will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the Fund can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Fund to liquidate all or a portion of its portfolio at disadvantageous prices.

During the 2008 financial crisis the availability of financing for speculative strategies was materially restricted. In addition, many dealers materially increased the cost and margin requirements applicable to outstanding financing, which materially adversely affected certain funds.

*Leverage for Investment Purposes.* The Fund may use leverage in the Firm's discretion. The use of leverage will allow the Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Fund's portfolio. The effect of the use of leverage by the Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged.

*Borrowing for Cash Management Purposes.* The Fund has the authority to borrow for cash management purposes, such as to satisfy withdrawal requests.

*Collateral.* The instruments and borrowings that may be utilized by the Fund to leverage investments may be collateralized by all or a portion of the Fund's portfolio. Accordingly, the

Fund may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Fund 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. The banks and dealers that provide financing to the Fund can apply essentially discretionary margin, "haircut," financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Fund may have similar rights. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

*Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's portfolio.

*Investments in Corporate Bonds, Government Bonds and Sovereign Bonds.* The Fund may invest in corporate bonds, U.S. Treasuries and sovereign debt. Such investments are subject to a number of risks including, without limitation, credit risk, prepayment risk and interest rate risk. These risks could affect the value of a particular investment or investments by the Fund, possibly causing the Fund's net asset value and total return to be reduced and fluctuate more than other types of investments.

*Investing in Fixed Income Securities.* The Fund may invest in bonds or other fixed income securities, including without limitation, commercial paper and "higher yielding" (including non-investment grade and, therefore, higher risk) debt securities. The Fund will, therefore, be subject to credit, liquidity and interest rate risks. Higher-yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher-yielding sectors reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitation on additional indebtedness. In addition, evaluation of credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. It is likely that a major economic event, such as a recession or reduction of liquidity in the market could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such an economic event could adversely affect the ability of issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

*Below Investment-Grade Securities.* A portion of the Fund's investments may be in obligations or securities that are rated below investment grade by recognized rating services such as Moody's and Standard & Poor's. Securities rated below investment grade and unrated securities generally offer a higher current yield than that available from higher-grade issues but typically involve greater risk. Securities rated below investment grade and unrated securities are typically subject to adverse changes in general economic conditions, changes in the financial condition of their issuers and price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of securities rated below investment grade and unrated instruments may experience financial stress that could

adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of securities rated below investment grade and unrated securities, especially in a market characterized by a low volume of trading. In addition, the secondary market for high yield securities, which is concentrated in relatively few market makers, may not be as liquid as the secondary market for more highly rated securities. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded.

*Interest Rate Fluctuations.* The prices of portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, to the extent that the Fund holds borrowed securities and leveraged investments, an increase in interest rates will increase the Fund's borrowing costs.

The Federal Reserve and other central banks around the world have lowered interest rates to historically low levels. It is reasonable to assume that, if and when normal economic conditions return, interest rates will rise. Rising interest rates could lead to material losses in the Fund and interest rate increases generally will increase the interest carrying costs to the Fund of borrowed securities, as well as the cost of leverage, if any, used by the Fund.

*Loan Interests Risk.* Loan interests generally are subject to restrictions on transfer, and the Fund may be unable to sell loan interests at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than what the Fund regards as their fair market value. Accordingly, loan interests may at times be illiquid. Loan interests may be difficult to value and may have extended settlement periods, which expose the Fund to the risk that the receipt of principal and interest payments may be delayed until the loan interest settles. Interests in loans made to finance highly leveraged companies or transactions, such as corporate acquisitions, may be especially vulnerable to adverse changes in economic or market conditions.

Interests in secured loans have the benefit of collateral and, typically, of restrictive covenants limiting the ability of the borrower to further encumber its assets. There is a risk that the value of any collateral securing a loan in which the Fund has an interest may decline and that the collateral may not be sufficient to cover the amount owed on the loan. In most loan agreements there is no formal requirement to pledge additional collateral. In the event the borrower defaults, the Fund's access to the collateral may be limited or delayed by bankruptcy or other insolvency laws. Further, in the event of a default, second lien secured loans will generally be paid only if the value of the collateral exceeds the amount of the borrower's obligations to the first lien secured lenders, and the remaining collateral may not be sufficient to cover the full amount owed on the loan in which the Fund has an interest. In addition, if a secured loan is foreclosed, the Fund would likely bear the costs and liabilities associated with owning and disposing of the collateral. The collateral may be difficult to sell and the Fund would bear the risk that the collateral may decline in value while the Fund is holding it.

The Fund may acquire a loan interest by obtaining an assignment of all or a portion of the interests in a particular loan that are held by an original lender or a prior assignee. As an assignee, the Fund normally will succeed to all rights and obligations of its assignor with respect to the portion of the loan that is being assigned. However, the rights and obligations acquired by the purchaser of a loan assignment may differ from, and be more limited than, those held by the original lenders or the assignor.

Alternatively, the Fund may acquire a participation interest in a loan that is held by another party. When the Fund's loan interest is a participation, the Fund may have less control over the exercise of remedies than the party selling the participation interest, and it normally would not have any direct rights against the borrower. As a participant, the Fund also would be subject to the risk that the party selling the participation interest would not remit the Fund's pro rata share of loan payments to the Fund. It may be difficult for the Fund to obtain an accurate picture of a lending bank's financial condition.

Loan interests may not be considered "securities," and purchasers, such as the Fund, therefore may not be entitled to rely on the anti-fraud protections of the federal securities laws.

The Fund also may be in possession of material non-public information about a borrower as a result of its ownership of loans issued by such borrower. Because of prohibitions on trading in securities of issuers while in possession of such information, a Fund might be unable to enter into a transaction in a publicly.

*Credit Risk.* Credit risk refers to the likelihood that an issuer will default in the payment of principal or interest on a bond or other debt security. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack of or inadequacy of collateral or credit enhancements for a fixed income security may affect its credit risk. This risk may be minimal for investments in insured or U.S. government bonds. However, this risk may be high for high-yield bonds, which are bonds with a credit rating of BB or lower (i.e., not investment grade) issued by companies that do not have substantial sales and earnings track records or that have questionable creditworthiness. The Fund may be subject to risk of loss in the event of such an issuer's bankruptcy or other inability to meet its payment obligations under its high-yield securities.

*Prepayment Risk.* Prepayment risk refers to the risk that the issuers of bonds will prepay (call) them prior to the bond maturity dates at a time when interest rates have declined. This risk is sometimes also known as "call risk." If interest rates decline, the Fund may have to reinvest the proceeds in bonds with lower interest rates, which can reduce the return. Not all bonds, however, can be prepaid.

*Interest Rate Risk.* Interest rate risk refers to the risk that the market value of the bonds will fluctuate as interest rates go up and down. In general, an increase in interest rates will negatively impact the value of a bond and falling interest rates will have a positive effect on value. The degree to which a bond's price will change as a result of changes in interest rates is measured by its "duration." Generally, bonds with longer maturities have a greater duration and thus are subject to greater price volatility from changes in interest rates. Because of this type of risk, bond investors may suffer losses, including those investors in insured bonds or government bonds.

*Distressed Securities.* The Fund may invest in securities issued by companies in weak and/or deteriorating financial condition, experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Securities of this type may involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the issuers. Among the risks inherent in investments in troubled companies is the fact that it frequently may be difficult to obtain information as to the true condition of such companies. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability

and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Fund will correctly evaluate the value of the assets underlying distressed securities or the prospects for a successful reorganization or similar action. Investments of this type are complex in their analysis, require significant resources and may involve substantial financial and business risk and can result in significant or even total losses to the Fund.

The market for distressed securities is expected to be less liquid than the market for securities of companies that are not distressed. A substantial length of time may be required to liquidate such securities. Furthermore, at times, a major portion of an issue of distressed securities may be held by relatively few investors, and the market may be limited to a narrow range of potential counterparties, such as institutions and investment banks. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, the Fund may find it more difficult to sell such securities when the Firm believes it advisable to do so or may only be able to sell such securities at a loss. The Master Fund may also find it more difficult to determine the fair market value of distressed securities for purposes of computing the Fund's net asset value. In some cases, the Fund may be prohibited by contract from selling distressed securities for a period of time. There is, therefore, a significant risk that the investment by the Fund in companies involved in distressed securities could expose the Fund to significant losses.

*Asset Backed Securities.* Asset backed securities ("ABS") generally refers to securities backed by assets other than mortgages, mortgage-backed securities or other mortgage-related assets. The investment characteristics of ABS differ from those of traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying assets generally may be prepaid at any time. Credit card receivables, automobile, boat and recreational vehicle installment sales contracts, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, corporate debt securities and various types of accounts receivable commonly support ABS. However, there can be no assurance that innovation in the relevant markets will not transform ABS by adding new classes of assets, new structures or other features not now familiar in the asset-backed markets. ABS securities present certain risks that are not presented by mortgage-backed securities. Primarily, ABS securities are often backed by unsecured receivables. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these

securities. The risk of investing directly or indirectly in ABS is ultimately dependent upon payment of consumer loans by the debtor.

*Risks Associated with Residential Mortgage-Backed Securities.* Holders of residential mortgage-backed securities ("RMBS") bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represents interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgages will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage may be a lengthy and difficult process, and may involve significant expenses. Residential mortgage loans may be more susceptible to geographic risks relating to an area in which the collateral is concentrated, such as adverse economic conditions, adverse events affecting industries located in such area and natural hazards affecting such area, than would be the case for a pool of mortgage loans having more diverse property locations.

Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

*Risks Associated with Commercial Mortgage-Backed Securities.* The value of commercial mortgage-backed securities ("CMBS") will be influenced by factors affecting the value of the underlying real estate portfolio, and by the terms and payment histories of such CMBS. The value of CMBS in which the Master Fund may be indirectly exposed to generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments, while the principal on most residential mortgage loans generally may be prepaid at any time without penalty.

*Trade and Other General Unsecured Claims.* The Fund may acquire interests in claims of trade creditors and other general unsecured claim holders of a debtor ("Trade Claims"). Trade Claims generally include, but are not limited to, claims of suppliers for goods delivered and for which payment has not been made, claims for unpaid services rendered, claims for contract rejection and claims related to litigation. Trade claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of Trade Claims is subject to significant uncertainties, including potential set-off by the debtor, characterization of "preferences" in bankruptcy as well as the other uncertainties described herein with respect to other distressed debt obligations.



*Enhanced Equipment Trust Certificates ("EETCs").* The Fund may invest in EETCs. Although any entity may issue EETCs, to date, U.S. airlines are the primary issuers. An airline EETC is an obligation secured directly by aircraft or aircraft engines as collateral. EETCs tend to be less liquid than bonds. Other asset-backed securities may be collateralized by the fees earned by service providers. The value of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools and therefore is subject to risks associated with the negligence of, or defalcation by, their servicers. In certain circumstances, the mishandling of related documentation also may affect the rights of the security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the assets may result in added cost and delays in addition to losses associated with a decline in the value of the underlying asset.

*Investments in Collateralized Loan Obligations.* The Fund may invest in collateralized loan obligations ("CLO Investments") through purchases in the primary or the secondary market. The CLO Investments into which the Fund expects to invest are principally collateralized by senior secured assets. CLO Investments are subject to various risks including the following credit, liquidity, interest rate and other risks. The Fund's investment in CLOs involves significant leverage, which could result in a substantial loss to the investor in the CLO. The value of the CLO Investments owned by the Fund generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), market conditions, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Under certain circumstances, cash flows from CLO Collateral that otherwise would have been paid to the holders of its mezzanine CLO debt and the related CLO equity will be used to redeem the related CLO senior tranches. This could result in an elimination, deferral or reduction in the interest payments, principal repayments or other payments made to the holders of such CLO debt, which are the CLO Investments in which the Fund will invest, which could adversely impact the returns to the Fund. An optional redemption by a CLO of its notes could require the collateral or portfolio manager of the related CLO to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the items of CLO Collateral sold (and which in turn could adversely impact the holders of any related CLO equity securities, including the Fund). The prices of the CLO Collateral are highly volatile. Price movements are influenced by, among other things: changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; U.S. and foreign political events and policies; changes in national and/or international interest rates and rates of inflation; currency devaluations and revaluations, and market sentiments. None of these factors can be controlled by the Firm and no assurance can be given that the advice of the Firm will result in profitable investments for the Fund.

*Small- and Mid-Cap Companies.* Investments in small capitalization stocks involve greater risk than is customarily associated with larger, more established companies. These companies often have sales and earnings growth rates that exceed those of large companies. Such growth rates may in turn be reflected in more rapid share price appreciation. However, smaller companies often have limited product lines, markets or financial resources, and they may be dependent upon one-person management. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.

The Fund may purchase equity, convertible securities and fixed-income obligations the disposition of which may be restricted under the Securities Act. Whether or not so restricted, the market to resell such securities may be illiquid. Therefore, such investments may be

required to be held for a lengthy period of time or, if the Fund were forced to liquidate its position in such securities, such liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such investment, and may also involve higher transaction costs.

*Fraud.* Investing involves the possibility of material misrepresentation or omission on the part of the borrower or issuer, respectively. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loan or assets of an issuer. The Fund will rely upon the accuracy and completeness of representations made by borrowers and issuers, but cannot guarantee such accuracy or completeness.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company may involve the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Fund; it is subject to unpredictable and lengthy delays; and during the process, the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Investment in the debt of companies domiciled outside the United States that become financially distressed 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.

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

The Firm, on behalf of the Fund, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Fund's positions as creditors or equity holders. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Firm concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Fund, it may resign from that committee or group, and the Fund may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if the Fund is represented on a creditors' committee or group, the Fund may be restricted or prohibited under applicable law from disposing of its investments in such company while the Fund continues to be represented on such committee or group.

If the Fund were to purchase creditor claims subsequent to the commencement of a bankruptcy case, it is possible under judicial decisions 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.

*Equitable Subordination.* If a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). The Fund does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of debt obligations and the Fund’s focus on “active management” of its investments, the Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor that are held by the Fund should be equitably subordinated.

*Counterparty Risk.* Because many purchases, sales, financing arrangements (including, the financing of underlying portfolio companies) and derivative instruments in which the Fund may invest are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Fund may be subject to the risk that a counterparty will be unwilling or unable to perform its obligations under the related contracts. These obligations of counterparties may arise in the context of investments in bonds, loans, swaps, “synthetic” or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. investments. The Fund may be subject to risk of loss in the event of a counterparty’s bankruptcy. This risk also includes the risk of settlement default. Although the Firm intends to enter into transactions only with counterparties that the Firm believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Fund will not sustain a loss on a transaction as a result.

*Derivative Instruments Generally.* Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, the Fund may, in the future, take advantage of opportunities. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which the Fund may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Fund.

*Call Options.* The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium.

Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Master Fund will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Fund also is subject to the Firm's ability to correctly predict movements in the direction of the market.

*Swaps.* Whether the Fund's use of swap agreements or options on swap agreements ("swaptions") will be successful will depend on the Firm's ability to select appropriate transactions for the Master Fund. Swap agreements and swaptions can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Fund's portfolio. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Fund to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Fund's ability to terminate swap transactions or to realize amounts to be received under such transactions.

*Futures Contracts.* The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest

rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Fund's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the U.S. Commodity Futures Trading Commission could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

*Forward Contracts.* Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Firm would otherwise recommend, to the possible detriment of the Fund. In its forward trading, the Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Fund trades. Master Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Firm may order trades for the Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Fund to the risk of loss.

*Contracts for Differences.* Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer's initiative. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and

adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Master Fund's obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Master Fund's financial risk.

*Credit Default Swaps.* The Fund may purchase and sell credit derivative contracts – primarily credit default swaps – both for hedging and other purposes. A credit default swap is a contract between two parties under which they both agree to isolate and separately trade the credit risk of at least one third-party entity. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that they buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Fund may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

The Firm, on behalf of the Fund, may use credit default swaps to hedge a portion of the default risk on a single debt obligation or portfolio of obligations. The Firm may also use credit default swaps to implement its theory that a particular credit or group of credits will experience credit improvement or credit deterioration. The leverage involved in many credit default swap transactions, and the possibility that a widespread downturn in the market could cause massive defaults, both add to the uncertainty of an investment in these instruments.

As a buyer of credit default swaps, the Fund will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will be unsuccessful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller's payment obligation has occurred. The creation of the new ISDA Credit Derivative Determination Committee (the “**Determination Committee**”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determinations Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Fund would not be able to realize the full value of the credit default swap upon a default by the reference entity.

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

Credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.

It appears that there are likely to be widespread defaults under certain credit default swaps as a result of the current credit market disruptions. The credit derivative market may become

subject to increased regulation, which could increase costs or even prevent participation by the Fund.

*Repurchase and Reverse Repurchase Agreement.* Under a repurchase agreement, an investor sells securities yet also agrees to repurchase them at an agreed upon date and price. Under a reverse repurchase agreement, an investor buys securities but agrees to sell them in the future. These agreements involve the risk that market developments cause the repurchase contract terms to become undesirable during the term of the transaction. In particular, there is a risk that the investor must sell the securities at a fixed price that is lower than the securities' current market value. Also, these transactions involve the risk that the other party to the agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses.

*Total Return Swaps.* A total return swap is a contract between two parties under which one party makes payments based on a set rate, while the other party makes payments based on an underlying asset's return. The underlying asset is usually a publicly-traded security, but may also be an index or a loan or bond. Risks associated with total return swaps include the risk that the obligor of the underlying asset will default on its obligations and any risks associated with owning the underlying asset.

*Exchange Traded Funds and Other Similar Instruments.* Shares of exchange traded funds ("ETFs") may be purchased or sold long or short by the Fund. An ETF is an investment company that is registered under the Investment Company Act that holds a portfolio of stocks or bonds designed to track the performance of a particular index. Investments in ETFs involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks or bonds, including risks that the general level of stock or bond prices may decline, thereby adversely affecting the value of each unit of the ETF. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks or bonds held. Because ETFs bear various fees and expenses, the Fund's investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. The Firm considers the expenses associated with an investment in determining whether to invest in an ETF.

The market value of ETF shares may differ from their net asset value. This difference in price may be due to the fact that, at any given point of time, the supply and demand in the market for ETF shares is not always identical to the supply and demand in the market for the underlying basket of securities. Therefore, an ETF share may trade at a premium or discount to its net asset value. Investments in ETFs could affect the timing, amount, and character of distributions to Limited Partners and may affect the tax liability of Limited Partners.

*Short Selling.* A short sale in equity creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In credit short sales the risk of loss is generally limited by spread tightening to risk free rate or zero bound in the case of CDS. There can be no assurance that the Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Fund can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices

or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Fund secures a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Fund to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Fund.

*Currency Risk.* The Fund expects to invest its capital in, among other things, debt and equity securities denominated in currencies other than the U.S. dollar and in other financial instruments the prices of which are determined with reference to currencies other than the U.S. dollar. The Firm values the Fund’s securities and other capital in U.S. dollars and intends to hedge most of its currency exposure. There can be no assurance that such hedging transactions will be effective. Additionally, to the extent currency risk is unhedged, the value of the Fund’s capital will fluctuate with the U.S. dollar exchange rate, as well as with price changes of the Fund’s investments in various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes its investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Fund’s securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Fund’s non-U.S. dollar securities. 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.

*Hedging Risks.* The Firm may employ certain hedging techniques to address perceived risks to the contents of the Fund’s portfolio and its ability to deliver attractive returns. Hedging against a decline in the value of a portfolio position is an imperfect science and may not eliminate anticipated fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline. The practice of hedging establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value. Such hedge transactions may also limit the opportunity for gain if the value of the portfolio position should increase. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Firm may not seek or be able to establish a sufficiently accurate correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Fund from achieving the intended result(s) of hedging or expose the Fund to risk of loss. The Firm has broad latitude in executing its hedging program based on prevailing market perceptions and its assessment of risks to the portfolio. As such, the implementation of hedges and the success or failure of those hedges in achieving their desired result will vary over time.

*Diversification.* Since the Fund’s portfolio will not necessarily be widely diversified, the investment portfolio of the Fund may be subject to more rapid changes in value than would be the case if the Fund were required to maintain a wide diversification among companies, securities and types of securities.

*Valuations.* From time to time, certain situations affecting the valuation of the Fund’s investments (such as limited liquidity, unavailability or unreliability of third-party pricing



information and acts or omissions of service providers to the Fund) could have an impact on the net asset value of the Fund, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Fund is not required to make retroactive adjustments to prior subscription or withdrawal transactions or Management Fees or Performance Allocations based on subsequent valuation data.

**Non-U.S. Exchanges.** The Fund may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities, futures, commodities and other securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

**Non-U.S. Investments.** Investing in the securities outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Fund's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Master Fund under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

**Exposure to Material Non-Public Information.** From time to time, the Firm or its affiliates may receive material non-public information in connection with investments of the Fund, with respect to an issuer of publicly traded securities. In such circumstances, the Fund may be prohibited, by law, policy or contract, including any "restricted list" maintained by the Firm, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer and (iii) pursuing other investment opportunities related to such issuer.

**Significant Positions.** The accumulation of a significant position in the shares of a single issuer could lead to increased compliance or legal risk and expense. The Fund may acquire more than 5% of a class of securities of a single issuer traded in the U.S., which would require the filing of a Schedule 13D or 13G statement with the SEC. In addition, the Fund may acquire a percentage of securities that are traded in non-U.S. jurisdictions that would trigger regulatory

reporting or other statutory requirements in other countries (e.g., filing a voting rights disclosure, making a mandatory tender offer). In such circumstances, the Fund may incur legal or other expenses in connection with its compliance with the relevant law. In carrying out the investment strategy, the Firm may make contact with other shareholders of the securities of a company. The Firm does not intend to form a group with such shareholders or to act in concert with them. Nonetheless, the SEC or foreign regulator may find that the Fund is part of a group or acting in concert with other shareholders, such that the Fund's holdings should be aggregated with those of the other shareholders. Such aggregation may result in the Fund's position exceeding the threshold for disclosure filings or other statutory requirements.

#### **Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

#### **Item 10: Other Financial Industry Activities and Affiliations**

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

Boundary Creek meets the definition of a commodity pool operator ("**CPO**") and, based on the amount of commodity interests that we trade, we are registered with the CFTC and are a member of the National Futures Association ("**NFA**").

We do not recommend or select other investment advisers for our Clients.

#### **Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

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##### ***Code of Ethics***

Boundary Creek has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees are not permitted to maintain personal brokerage accounts for the purpose of trading "**Reportable Securities**" (as defined in the Code of Ethics, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives) except for the purpose of holding or liquidating any such holdings after the commencement of employment. Employees are permitted to liquidate positions held at the time of employment in Reportable Securities (a "**Liquidating Trade**") subject to pre-clearance by the CCO. Employees are prohibited from participating in Initial Public Offerings ("**IPOs**"). Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm's Restricted List.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request.

### ***Participation or Interest in Client Transactions***

#### ***Cross Trades and Principal Transactions***

While Boundary Creek does not anticipate transferring securities from one Client account to another Client account (each such transfer, a "**Cross Trade**"), the Firm would only do so if Boundary Creek determined the Cross Trade was in the best interests of both Clients. Further, Boundary Creek would seek to ensure that any such Cross Trade is consistent with the investment objectives and policies of each Client account involved in the trade and applicable law, as well as with the Firm's obligation to seek to obtain best execution for each Client.

#### ***Principal Transactions***

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Client by the Firm or its personnel, the Firm will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a Client and approved or disapproved by (i) an advisory board comprised of representatives of such investors; (ii) independent members of a board of directors; or (iii) a committee consisting of one or more persons selected by the Firm (or its affiliate), and any valuation approved by such a committee may, in the discretion of the committee, be determined by an independent third party that has appropriate experience in providing such valuations.

## **Item 12: Brokerage Practices**

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Boundary Creek has delegated authority to an outsourced trader for certain of its Clients' transactions. However, Boundary Creek will in many instances direct its outsourced trader to use a certain broker for a trade. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. The Funds' securities and other assets are held in securities accounts at our prime brokers that are "Qualified Custodians" as defined in the Advisers Act.

### ***Best Execution***

In selecting brokers and negotiating commission rates, we will take into account the financial stability and reputation of brokerage firms, and the research, brokerage, or other services provided by such brokers.

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “Best Execution,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favorable under the circumstances. Elements of Best Execution may include best price (best price is considered to be the highest price that a client can sell a security and the lowest price that a client can purchase a security), timeliness of execution, the value of research provided, the responsiveness of the broker-dealer, and the broker-dealer’s financial resources. Boundary Creek’s “Best Execution Policy” requires that all trades are executed through approved broker-dealers and that the Firm reviews the performance of its broker-dealers to evaluate whether the Firm is obtaining Best Execution for its Clients’ trades.

Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: execution quality; historical net prices (after markups, markdowns or other transaction-related compensation), the ability of the brokers and dealers to effect the transaction; the brokers’ or dealers’ facilities, reliability and financial responsibility; the availability of securities to borrow for short sales; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment and commitment of capital.

Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to a Client by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. The Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither Boundary Creek nor any Client separately compensates any broker or dealer for any of these other services.

Boundary Creek maintains policies and procedures to review the quality of executions, including periodic reviews by its trading and investment professionals.

### ***Soft Dollars***

The Firm currently does not have “**Soft Dollar**” arrangements. Boundary Creek may use Soft Dollars in the future. In such cases, Soft Dollar credits, generated by the Master Fund’s trading activities, would be used to purchase brokerage and research services or products that would otherwise have been a Fund expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

Neither Boundary Creek nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and

other services and property as opposed to solely seeking the most favorable execution for a client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

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**Item 13: Review of Accounts**

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Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Master Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Offering Documents. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

We will distribute annual audited financial statements with respect to the previous fiscal year to all Investors within 90 days of the relevant Fund's fiscal year end. We may also distribute other interim reports to Investors.

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**Item 14: Client Referrals and Other Compensation**

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

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**Item 15: Custody**

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We are deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Boundary Creek.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

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**Item 16: Investment Discretion**

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We have full discretionary investment authority with respect to the Funds including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

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**Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the “proxy voting rule”), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable Client’s best interests and is in line with the Client’s investment objectives.

The Firm determines whether and how to vote corporate actions and proxies on a case-by-case basis, and will:

- Attempt to consider all aspects of the vote that could affect the value of the issuer or that of the Client.
- Vote in a manner that it believes is consistent with the Client’s stated objectives.
- Generally, vote in accordance with the recommendation of the issuing company’s management on routine and administrative matters, unless the Firm has a particular reason to vote to the contrary.

We may, from time to time, make a recommendation to a Client regarding whether to participate in any class action suits in which one or more of the Clients are eligible, based upon a reasonable assessment of the costs and benefits relating to such participation. We may recommend not to participate in a class action suit for any number of reasons, including, without limitation, if we determine that the anticipated out-of-pocket costs associated with any potential recovery are likely to exceed the amount of the potential recovery or if the Client account intends to pursue its legal rights outside of the class. Any proceeds from a class action suit will be allocated among the participating Clients and their underlying Investors currently existing at the time of recovery of such proceeds.

Generally, Investors or Clients may not direct our vote in a particular solicitation. Investors may obtain a copy of our Proxy voting policies and procedures by contacting the CCO at (212) 503-6255. Investors may obtain and our Proxy voting record upon request.

#### **Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.