

MAST CAPITAL MANAGEMENT, LLC

FIRM BROCHURE

(PART 2A OF FORM ADV)

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This brochure provides information about the qualifications and business practices of MAST Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at: (617) 375-3000, or by email at: investorrelations@mastcapllc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

MAST Capital Management, LLC is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended. Registration with the SEC does not imply a certain level of skill or training.

Additional information about MAST Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

Material Changes since the Last Annual Update

This brochure contains the following material changes to MAST Capital Management, LLC's last brochure annual update, dated March 22, 2011:

- (a) Christopher B. Madison is no longer an owner of MAST Capital Management, LLC nor does he have control over client assets. However, Mr. Madison continues to sit on the board of directors of certain private funds advised by MAST Capital Management, LLC, although it is expected that Mr. Madison will be removed from those boards of directors in the near future.
 - (b) MAST Capital Management, LLC's operations are also conducted through MAST Capital Management IA Holdings, LLC, an affiliate of MAST Capital Management, LLC (collectively, "MAST").
 - (c) Investment funds affiliated with Dyal Capital Partners (a subsidiary of Neuberger Berman) have acquired a minority interest in MAST. Those investment funds have no authority over the day-to-day operations or investment decisions of MAST, although those funds possess certain informational and negative control rights in respect of MAST.
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ITEM 4: ADVISORY BUSINESS

Firm Description and Principal Owners

MAST Capital Management, LLC is a Delaware limited liability company with its principal office at 200 Clarendon Street, 51st Floor, Boston, MA 02116. MAST Capital Management, LLC is registered as an investment adviser with the Securities and Exchange Commission (the "SEC") and is subject to the rules and regulations governing registered investment advisers under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). MAST Capital Management, LLC was formed in May of 2002. The business of Mast Capital Management, LLC is also conducted through its affiliate, Mast Capital Management IA Holdings, LLC. As used in this brochure, "MAST" refers to Mast Capital Management, LLC and Mast Capital Management IA Holdings, LLC.

The principal owner of MAST is David J. Steinberg. In addition, investment funds affiliated with Dyal Capital Partners (a subsidiary of Neuberger Berman) hold a minority interest in MAST. Those investment funds have no authority over the day-to-day operations or investment decisions of MAST, although those funds possess certain informational and negative control rights in respect of MAST.

Types of Advisory Services

MAST manages portfolios invested in debt instruments, equity securities and derivatives including credit default swaps, for taxable and tax-exempt investors, both foreign and domestic. MAST offers investment advice with respect to both international and domestic securities.

Currently, MAST offers its investment advisory services to eleven pooled investment vehicles: MAST Credit Opportunities I Master Fund Limited; MAST Credit Opportunities I, Limited; MAST Credit Opportunities I, L.P.; MAST OC I Master Fund L.P.; MAST OC I Limited; MAST Distressed Opportunities I, L.P.; MAST AK Fund, L.P.; MAST Select Opportunities Master Fund, L.P.; MAST Select Opportunities, Limited; MAST Select Opportunities, L.P.; and MAST PC Fund, L.P. (each of these pooled investment vehicles is referred to in this brochure as a "Private Fund" and collectively, the "Private Funds").

MAST may manage other pooled investment vehicles or separate accounts in the future.

Tailored Relationships

Investors are advised of MAST's investment strategy for a Private Fund before they make their investment subscription. MAST makes all investment decisions on behalf of each Private Fund. Investors in a Private Fund do not participate in the decision of whether or not the Private Fund makes any particular investment. Generally investors in one of the Private Funds do not have the ability to individually tailor their investment or impose unique investment restrictions, however, in certain

circumstances, a Private Fund may create a special class of interests or shares to accommodate a particular investor's or group of investors' unique investment restrictions.

Wrap Fee Programs

MAST does not participate in any wrap fee programs.

Assets under Discretionary and Non-Discretionary Management

As of December 31, 2011, MAST had \$1,411,531,366 in assets under management, all of which it manages on a discretionary basis.

ITEM 5: FEES AND COMPENSATION

Description of Fees and Fee Billing

MAST generally charges the portfolios that it manages both performance-based fees and asset-based management fees. Performance-based fees are charged in compliance with Rule 205-3 of the Advisers Act.

MAST Credit Opportunities I, LP (the "Credit Opportunities Onshore Feeder Fund") and MAST Credit Opportunities I, Limited (the "Credit Opportunities Offshore Feeder Fund") invest directly in MAST Credit Opportunities I Master Fund Limited (the "Credit Opportunities Master Fund" and together with Credit Opportunities Onshore Feeder and Credit Opportunities Offshore Feeder, the "Credit Opportunities Funds").

With respect to the Credit Opportunities Onshore Feeder Fund, MAST receives a monthly management fee in advance in an amount equal to 0.125% (1.5% annually) of each limited partner's capital account at the start of the month. MAST also receives an annual performance fee equal to 20% of the net appreciation in each limited partner's capital account (or 17% of the net appreciation in certain limited partners' capital accounts), subject to a "loss carry forward" provision.

With respect to the Credit Opportunities Offshore Feeder Fund, MAST receives a monthly management fee in advance in an amount equal to 0.125% (1.5% annually) of each shareholder's Class A shares, Class B shares, Class C shares, Class D shares, Class E shares and Class F shares at the start of the month and 0.167% (2% annually) of each shareholder's Class G shares. MAST also receives an annual performance fee equal to 17% of the net appreciation in the value of each shareholder's Class A shares and Class B shares and 20% of the net appreciation in the value of each shareholder's Class C shares, Class D shares, Class F shares and Class G shares, subject to a "loss carry forward" provision.

With respect to MAST Distressed Opportunities I, L.P. (the "Distressed Opportunities Fund"), MAST receives a quarterly management fee equal to 0.375% (1.5% annually) of the aggregate called capital from limited partners (reduced by

the capital contributions attributable to any investment which has been realized or written off), calculated on a daily basis and payable quarterly in arrears. MAST also receives performance compensation based on the Distressed Opportunities Fund's net annualized internal rate of return.

MAST OC I Master Fund L.P. (the "OC Master Fund") and MAST OC I Limited (the "OC Feeder Fund" and together with the OC Master Fund, the "OC Funds") are Private Funds open for investment only to the clients of a single third-party investment manager. Each of the OC Feeder Fund and the OC Master Fund is charged monthly management fees, and the OC Master Fund is charged annual performance fees, each in accordance with the fund documents at rates that have been negotiated with such third-party investment manager on behalf of its clients. The OC Feeder Fund is a feeder fund into the OC Master Fund, and as a limited partner in the OC Master Fund, the OC Feeder Fund is subject to the performance fees described above, although the OC Feeder Fund is not also charged management fees at the level of the OC Master Fund.

MAST Select Opportunities Master Fund L.P. (the "Select Opportunities Master Fund"), MAST Select Opportunities I Limited (the "Select Opportunities Offshore Feeder Fund") and MAST Select Opportunities, L.P. (the "Select Opportunities Onshore Feeder Fund" and together with the Select Offshore Feeder Fund, the "Select Opportunities Feeder Funds") (the Select Opportunities Feeder Funds together with the Select Opportunities Master Fund, the "Select Opportunities Funds") are Private Funds open for investment only to the clients of a single third-party investment manager. The Select Opportunities Master Fund is charged monthly management fees and annual performance fees in accordance with the fund documents at rates that have been negotiated with such third-party investment manager on behalf of its clients. Each of the Select Opportunities Feeder Funds is a feeder fund into the Select Opportunities Master Fund, and as a limited partner in the Select Opportunities Master Fund, each Select Opportunities Feeder Fund is subject to the management fees and performance fees described above.

MAST PC Fund, L.P. (the "PC Fund") is a Private Fund established for a single investor and is not open to any other investors. The PC Fund is charged monthly management fees and pays incentive compensation in accordance with the fund documents.

With respect to the PC Fund, Select Opportunities Funds, OC Funds and the Credit Opportunities Funds, performance fees are generally paid on or about December 31 of each year, upon termination of the Private Fund or upon the withdrawal of any capital by an investor. Monthly and quarterly management fees are pro rated, and refunded accordingly, if MAST provides management services for less than a full month or quarter, as applicable.

MAST AK Fund, L.P. (the "AK Fund") is a Private Fund established for a single investor and is not open to any other investors. The AK Fund is charged monthly management fees and pays incentive compensation in accordance with the fund

documents.

MAST's standard fees are set forth above, however, MAST retains the right to negotiate different fees with an investor in any of the Private Funds. MAST has and may in the future, in its sole discretion, negotiate fees with a particular client depending upon certain factors, including, but not limited to, investment objectives, investment restrictions, the nature and extent of the relationship with such client and other business factors. The fees noted above may be waived or reduced when, for example, a new Private Fund is expected to grow rapidly in size, a relationship exists with a present investor in a Private Fund, or for other reasons at MAST's discretion.

Fees are deducted from client assets.

Other Fees or Expenses

Each of the Private Funds pays or reimburses MAST for all legal, accounting and other expenses in connection with the organization of such Private Fund.

Each of the Private Funds is also responsible for its ongoing operating expenses, including, but not limited to, legal, accounting and audit expenses.

The Private Funds will also incur custodial, brokerage and other transaction costs. For more information regarding MAST's brokerage arrangements see Item 12 below.

Other Commissions and Sales Charges

Neither MAST nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

As described above under Item 5. Fees and Compensation, MAST receives both asset-based management fees and performance-based compensation from each of the Private Funds. Although all of the accounts managed by MAST are charged both a performance-based fee and an asset-based management fee, since the amount of the performance-based fee varies among the Private Funds, MAST may have an incentive to favor a Private Fund that pays a higher performance-based fee over another Private Fund that pays a lower performance-based fee in order to earn higher performance-based fees.

MAST has addressed this conflict by adopting and following a trade allocation policy that no allocation decisions may be based on the fees paid by a particular Private Fund. A description of MAST's policy on addressing potential portfolio trading

conflicts can be found below under “Trade Aggregation and Allocation” under Item 12.

ITEM 7: TYPES OF CLIENTS

Currently, MAST provides its services solely to the Private Funds. Investors in the Private Funds include:

- Individuals, including high net worth individuals
- Trusts, estates or charitable organizations
- Banks or other thrift institutions
- Corporations or other business entities
- Private and public pension and profit sharing plans
- Foundations and endowments
- Fund of funds
- Government or political subdivisions

The minimum investment required to invest in each Private Fund is set forth below, however, MAST reserves the right to reduce these minimum amounts on a case-by-case basis:

- \$1 million to invest in one of the Credit Opportunities Funds;
- \$1 million to invest in one of the OC Funds;
- \$5 million to invest in the Distressed Opportunities Fund;
- \$100 million to invest in the AK Fund;
- \$1 million to invest in one of the Select Opportunities Funds; and
- \$35 million to invest in the PC Fund.

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

Methods of Analysis and Investment Strategies

The Private Funds pursue the following strategies:

1. The Credit Opportunities Funds: Through the Credit Opportunities Funds, MAST seeks to achieve attractive, stable, risk-adjusted total returns by applying the key principles of value investing to the capital structures of leveraged issuers. Preservation of capital is central to the investment thesis. As such, MAST follows a bifurcated portfolio approach, which should act to stabilize returns while minimizing correlation to the broader equity and fixed income markets. Core holdings (the "Core Holdings") generally represent 60%-80% of the portfolio. The Core Holdings are generally comprised primarily of long positions in high-yield bonds of issuers which in MAST's view display three key characteristics: (1) capacity to generate free cash flow; (2) strong market position and management team; and (3) a capital structure featuring limited amounts of secured debt as a percentage of total indebtedness. The aforementioned selection criteria should work to mitigate credit risk, which MAST believes to be the primary driver of high-yield bond volatility. The other main volatility drivers inherent in high-yield bonds are (a) interest rate risk and (b) funds flow risk. To further insulate the Core Holdings from volatility produced by these risks, each Core Holding is generally expected to fit into one of three baskets: (1) short maturity, (2) short dated call, or (3) likely/announced tender, in each case determined by MAST in its discretion. 20%-40% of the portfolio is generally devoted to investments which fit into one of the following two categories: (1) capital structure arbitrage; and (2) directional positions (both long and short) in stressed and distressed securities.
2. OC Funds: The OC Funds' strategy includes possible investments in the credit default swap market but may also include investments in equities, bonds, notes, options, other types of debt instruments and derivatives. MAST is opportunistic with respect to its investment approach, which may vary over time as market conditions change. In managing the OC Funds, MAST is not restricted from pursuing any particular investments or strategy.
3. AK Fund: The AK Fund is a multi-strategy fund which makes concentrated investments across all asset classes, including liquid distressed assets. The AK Fund is a capital draw-structured product and will likely have moderately higher volatility and longer termed investment strategies.
4. Distressed Opportunities Fund: Through the Distressed Opportunities Fund MAST seeks to invest for its clients in publicly-traded securities and other financial obligations of financially troubled and undervalued companies. MAST seeks to build meaningful positions in the fulcrum (the senior-most impaired class) security of such companies' capital structures and use its influence as a major investor to exert

change and enhance value. MAST focuses on small- and mid-sized companies that have demonstrated the ability to generate cash flow, but may be over leveraged, mismanaged, in an unfavorable economic or industry cycle, or facing inadequate liquidity. The Investment Period for the Distressed Opportunities Fund concluded in July 2010.

5. The Select Opportunities Funds: Through the Select Opportunities Funds, MAST seeks to achieve attractive, stable, risk-adjusted total returns by applying the key principles of value investing to the capital structures of leveraged issuers. Preservation of capital is central to the investment thesis. As such, MAST follows a bifurcated portfolio approach, which should act to stabilize returns while minimizing correlation to the broader equity and fixed income markets. Core holdings (the "Core Holdings") generally represent 60%-80% of the portfolio. The Core Holdings are generally comprised primarily of long positions in high-yield bonds of issuers which in MAST's view display three key characteristics: (1) capacity to generate free cash flow; (2) strong market position and management team; and (3) a capital structure featuring limited amounts of secured debt as a percentage of total indebtedness. The aforementioned selection criteria should work to mitigate credit risk, which MAST believes to be the primary driver of high-yield bond volatility. The other main volatility drivers inherent in high-yield bonds are (a) interest rate risk and (b) funds flow risk. To further insulate the Core Holdings from volatility produced by these risks, each Core Holding is generally expected to fit into one of three baskets: (1) short maturity, (2) short dated call, or (3) likely/announced tender, in each case determined by MAST in its discretion. 20%-40% of the portfolio is generally devoted to investments which fit into one of the following two categories: (1) capital structure arbitrage; and (2) directional positions (both long and short) in stressed and distressed securities. The Select Opportunities Funds generally allow for greater position concentration than the Credit Opportunities Funds.

6. The PC Fund: Through the PC Fund, MAST seeks to achieve attractive, stable, risk-adjusted total returns by applying the key principles of value investing to the capital structures of leveraged issuers. Preservation of capital is central to the investment thesis. As such, MAST follows a bifurcated portfolio approach, which should act to stabilize returns while minimizing correlation to the broader equity and fixed income markets. Core holdings (the "Core Holdings") generally represent 40%-80% of the portfolio. The Core Holdings are generally comprised primarily of long positions in high-yield bonds of issuers which in MAST's view display three key characteristics: (1) capacity to generate free cash flow; (2) strong market position and management team; and (3) a capital structure featuring limited amounts of secured debt as a percentage of total indebtedness. The aforementioned selection criteria should work to mitigate credit risk, which MAST believes to be the primary driver of high-yield bond volatility. The other main volatility drivers inherent in high-yield bonds are (a) interest rate risk and (b) funds flow risk. To further insulate the Core Holdings from volatility produced by these risks, each Core Holding is generally expected to fit into one of three baskets: (1) short maturity, (2) short dated call, or (3) likely/announced tender, in each case determined by

MAST in its discretion. 20%-60% of the portfolio is generally devoted to investments which fit into one of the following two categories: (1) capital structure arbitrage; and (2) directional positions (both long and short) in stressed and distressed securities. The PC Fund does not include the macro hedging component of the Credit Opportunities Funds as part of its investment strategy.

Risk of Loss

Investing in securities involves risk of loss that investors in Private Funds should be prepared to bear. An investment in a Private Fund may be deemed to be a speculative investment and is not intended as a complete investment program. Investment in a Private Fund is suitable only for 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 meet the conditions set forth in the applicable Private Fund's offering documents. There can be no assurances that a Private Fund will achieve its investment objective. Investment in a Private Fund involves significant risks. While the following summary of certain of these risks should be carefully evaluated before making an investment in a Private Fund, the following does not intend to describe all possible risks of such an investment:

High Yield Securities. A Private Fund may invest in fixed income securities rated lower than Baa by Moody's or lower than BBB by S&P (or, if not rated, deemed by MAST to be of comparable quality). Securities rated lower than Baa by Moody's or lower than BBB by S&P are sometimes referred to as "high yield" or "junk" bonds. Securities rated Baa are considered by Moody's to have some speculative characteristics. Lower-rated securities may include securities that have the lowest rating or are in default. Investing in lower-rated securities involves special risks in addition to the risks associated with investments in higher-rated fixed income securities, including a high degree of credit risk. Lower-rated securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. Lower-rated securities may be more susceptible to losses and real or perceived adverse economic and competitive industry conditions than higher grade securities. Securities that are in the lowest rating category are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default and/or to be unlikely to have the capacity to pay interest and repay principal. The secondary markets on which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the value of a Private Fund's portfolio. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower-rated securities, especially in a thinly traded market.

The use of credit ratings as the sole method of evaluating lower-rated securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of lower-rated securities. Also,

credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was rated.

Special Situations and Distressed Securities. A Private Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. The companies may also be out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions. These characteristics of these companies can cause their securities to be particularly risky investments, although they also may offer the potential for high returns. These companies' securities may be considered speculative, and the ability of the 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 the companies. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Private Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Private Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Private Fund may invest, there is a potential risk of loss by a Private Fund of its entire investment in such companies.

Defaulted Securities. A Private Fund may invest in the securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject a Private Fund to litigation risks or prevent a Private Fund from disposing of securities. In a bankruptcy or other proceeding, a Private Fund as a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While a Private Fund will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that a Private Fund will be able to successfully defend against them.

Post-reorganization Securities. Post-reorganization securities typically entail a higher degree of risk than investments in securities of companies which have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If MAST's evaluation of the anticipated outcome of an investment situation should prove incorrect, a Private Fund could experience a loss.

Risk of Litigation. Reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. MAST, a Private Fund and certain of MAST's personnel may be named as defendants in civil proceedings relating to such reorganizations. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by a Private Fund, and would reduce net assets or could require investors to return to a Private Fund distributed capital and earnings.

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

Debt instruments may become non-performing for a variety of reasons. Non-performing instruments may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal. A Private Fund may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a debt instrument. Although a Private Fund may have voting rights with respect to an individual holding, there can be no certainty that the Private Fund will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such holding to determine the outcome of such vote.

Credit Risk. Credit risk is the risk that a security in a Private Fund's portfolio will decline in price or the issuer will fail to make dividend, interest or principal payments when due because the issuer of the security experiences a decline in its financial status. Issuers may be highly leveraged and financial covenants may affect the ability of issuers to operate effectively. If the principal payments of a corporate debt cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity capital, the issuer's cash flow may not be sufficient to repay all maturing debt outstanding. In addition, an issuer's obligation to comply with financial covenants, such as debt-to-asset ratios and secured debt-to-total asset ratios, and other contractual obligations may restrict a company's range of operating activity. An issuer, therefore, may be limited from incurring additional indebtedness, selling its assets and engaging in mergers or making

acquisitions, which may be beneficial to the operation of the issuer.

Interest Rate Risk. Interest rate risk is the risk that fixed income securities will decline in value because of changes in market interest rates. Generally, when market interest rates rise, the market value of such securities will decline, and vice versa. A Private Fund's investment in such securities means that the Private Fund's net asset value may tend to decline if market interest rates rise.

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled, which is generally known as call or prepayment risk. If this occurs, a Private Fund may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

Credit Derivatives Risk. A Private Fund may enter into one or more credit default swaps ("CDS"). A CDS is a swap designed to transfer the credit exposure of fixed income products between parties. It is an agreement between a protection buyer and a protection seller whereby the buyer pays a periodic fee in return for a contingent payment by the seller upon a credit event (such as a certain default) happening in the reference entity. In general, a Private Fund is expected to enter into such swaps as a buyer of protection with a financial institution or broker/dealer as counterparty. The fees paid to enter into swaps will reduce returns, although the swaps should offer protection to a Private Fund from default and should reduce volatility in the portfolio.

The use of credit derivatives is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. If MAST is incorrect in its forecasts of default risks, market spreads or other applicable factors, the investment performance of a Private Fund would diminish compared with what it would have been if these techniques were not used. Moreover, even if MAST is correct in its forecasts, there is a risk that a credit derivative position may correlate imperfectly with the price of the asset or liability being protected. A Private Fund's risk of loss in a credit derivative transaction varies. For example, if a Private Fund purchases protection under a CDS, and if no default occurs with respect to the security, the Private Fund's loss is limited to the premium it paid for the CDS. In contrast, if there is a default by the seller of protection under a CDS, a Private Fund's loss will include both the premium that it paid for the CDS and the loss of payment under the swap.

The U.S. federal income tax treatment of CDSs, which in a typical case will be treated as "notional principal contracts," is complex, unresolved, and subject to considerable controversy. The U.S. federal income tax treatment of any particular

CDS will depend on the particular terms of that CDS.

Swap Agreements. In addition to CDSs, a Private Fund may enter into various types of swap agreements. A swap is similar to a futures contract but unlike a futures contract the terms of many swaps are not standardized nor are such non-standardized swaps traded on exchanges designated by the United States government. A discussion of the risks associated with the purchase of futures is set forth below. Additional risks also exist with respect to swaps. Swaps are subject to the credit risk of the principal or its refusal to perform and the imposition of exchange controls. Non-standardized swaps are not guaranteed by an exchange or a clearing house and the failure of a principal with whom a swap is made would likely result in a default. It may be difficult to enforce the contractual obligations of a principal in the event that a principal refuses to perform under a swap. The U.S. Congress, the SEC, the CFTC and other regulators are reviewing the over-the-counter swaps market. As a result of this review, the Dodd-Frank Act was recently enacted which, among other things, established a comprehensive framework for regulating the over-the-counter swaps market. In particular, the Dodd-Frank Act divides regulatory authority over swaps between the SEC and the CFTC, with the SEC having authority over security-based swaps, the CFTC having authority over commodity-based swaps and the SEC and CFTC having joint authority over "mixed swaps," which are security-based swaps that also have a commodity component. Among other things, the Dodd-Frank Act authorizes the SEC and the CFTC to provide for the registration and regulation of swap dealers and major swap participants. The Dodd-Frank Act also requires (i) clearing of all standardized swaps that can be cleared, (ii) trading of all cleared swaps and (iii) reporting of all swaps to the CFTC, SEC or a registered swap data repository. For swaps that are not sufficiently standardized to be accepted by a clearinghouse, the Dodd-Frank Act does not require central clearing but requires margin to be posted as well as significant capital to be maintained by the swap dealer or major swap participant and imposes certain reporting requirements. Proposed SEC and CFTC rules would govern these capital, margin, reporting and business conduct requirements. Compliance with these requirements may make trading non-standardized swaps more costly. MAST is monitoring final regulations as they are adopted, but it is unable to predict their impact on the Private Funds' ability to engage in swaps trading. In addition, other legislation may be passed or regulations adopted in the future with respect to the trading of swaps which could negatively impact a Private Fund and its strategy.

Derivative Investments Generally. Derivative securities and instruments, or "derivatives", include securities, instruments and contracts which are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain

derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, a Private Fund's assets are also subject to the risk of the failure of any of the exchanges on which positions trade or of applicable clearinghouses or counterparties.

Additional risks associated with derivatives trading include:

- *Tracking and Liquidity Risk.* When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative and the underlying investment sought to be hedged may prevent a Private Fund from achieving the intended hedging effect or expose the Private Fund to risk of loss. If a Private Fund invests in derivatives at inopportune times or incorrectly judges market conditions, the investments may lower the return of the Private Fund or result in a loss. A Private Fund also could experience losses if derivatives are poorly correlated with its other investments.
- *Liquidity.* Derivatives, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets, a Private Fund may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which a Private Fund may conduct its transactions in derivatives may prevent profitable liquidation of positions, subjecting the Private Fund to the potential of greater losses. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.
- *Operational Leverage.* Trading in derivatives can result in large amounts of operational leverage. Thus, the leverage offered by trading in derivatives may magnify the gains and losses experienced by a Private Fund and could cause the Private Fund's net asset value to be subject to wider fluctuations than would be the case if the Private Fund did not use the leverage feature of derivatives.
- *Over-the-Counter Trading.* Derivatives that may be purchased or sold by a Private Fund may include securities and instruments not traded on an exchange. The risk of nonperformance by the obligor on a security or instrument may be greater than, and the ease with which a Private Fund can dispose of or enter into closing transactions with respect to a security or instrument may be less than, the risk

associated with an exchange traded security. In addition, significant disparities may exist between "bid" and "asked" prices for derivatives that are not traded on an exchange. Derivatives not traded on exchanges also are not subject to the same type of government regulation as exchange traded securities, and many of the protections afforded to participants in a regulated environment may not be available in connection with the transactions.

A Private Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Private Fund and legally permissible. Special risks may apply to instruments in which a Private Fund may invest in the future that cannot be determined at this time or until such instruments are developed or utilized by a Private Fund.

Loans. The risks of loans include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower of such loan during periods of economic downturn, (iv) the obligor is often a small or mid-size company representing only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (vi) if subordinated, subordination to the prior claims of other loans or senior lenders. Loans are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and adversely affect the value of outstanding loans and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for loans is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

Loans are generally illiquid and possess credit risks. Loans may become non-performing for a variety of reasons. Non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and historically the trading volume in the loan market has been small relative to the market for high yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying borrower. In addition, a Private Fund may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan. Although a Private Fund may have voting rights with respect to an individual loan, there can be no certainty that the Private Fund will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such loan to determine the

outcome of such vote.

Loan Assignments and Participations. A Private Fund may acquire interests in loans either directly (by way of assignment) or indirectly (by way of participation). The purchaser of an assignment of a loan typically succeeds to all the rights and obligations of the selling institution and becomes a lender under the loan or credit agreement with respect to the loan. In contrast, participations ("Participation") acquired by a Private Fund in a portion of a loan held by a selling institution (a "Selling Institution") typically result in a contractual relationship only with such Selling Institution, not with the borrower. A Private Fund would have the right to receive payments of principal, interest and any fees to which it is entitled under the Participation only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the borrower. In purchasing a Participation, a Private Fund generally will have no right to enforce compliance by the borrower with the terms of the loan or credit agreement or other instrument evidencing such loan, nor any rights of set-off against the borrower, and the Private Fund may not directly benefit from the collateral supporting the loan in which it has purchased the Participation. As a result, the Private Fund will assume the credit risk of both the borrower and the Selling Institution. In the event of the insolvency of the Selling Institution, a Private Fund may be treated as a general creditor of the Selling Institution in respect of the Participation, may not benefit from any set-off exercised by the Selling Institution against the borrower and may be subject to any set-off exercised by the borrower against the Selling Institution.

Assignments and Participations are sold strictly without recourse to the seller or Selling Institution, and the seller and Selling Institution will generally make no representations or warranties about the loan, the borrower, the documentation of the loan or any collateral securing the loan. In addition, a Private Fund will be bound by provisions of the loan agreements that require the preservation of the confidentiality of information provided by the borrower.

When a Private Fund holds a Participation in a loan, the Private Fund may not have the right to vote to waive enforcement of any default by a borrower. However, most participation agreements with respect to loans provide that the Selling Institution may not vote in favor of any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal (whether a scheduled payment or a mandatory prepayment), interest or fees or releases any material guarantee or collateral without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). A Selling Institution voting in connection with a potential waiver of a default by a borrower may have interests different from those of a Private Fund, and the Selling Institution might not consider the interests of the Private Fund in connection with its vote. In addition, many participation agreements with respect to Loans that provide voting rights to the participant further provide that if the participant does not vote in favor of amendments, modifications or waivers, the Selling Institution may repurchase such Participation at par.

Second Lien Loans. A Private Fund may invest in loans that (i) are not (and by their terms are not permitted to become) subordinate in right of payment to any other debt for borrowed money incurred by the obligor on the loan, other than another senior secured loan and (ii) are secured by a valid and perfected security interest or lien on specified collateral securing the obligors' obligations on such loan, which security interest or lien is not subordinate to the security interest or lien securing any other debt for borrowed money other than another senior secured loan on such specified collateral; provided that, with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens. ("Second Lien Loans"). Generally, Second Lien Loans are structured as senior debt obligations that rank pari passu in right of payment with the first lien debt. However, Second Lien Loans are secured by a junior lien on the same pool of collateral that secures the first priority debt. Second Lien Loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the second lien creditors to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the obligor. In addition, during a bankruptcy of the obligor, the holder of a Second Lien Loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

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

Basis Risk. Generally, basis risk is the risk that arises when investments are comprised of multiple product classes. Prices or valuations of similar risks retained via different products may deviate due to product specific attributes. For example, hedging a bond position with a CDS incurs basis risk because changes in the swap spread may result in the hedge being imperfectly correlated. Basis risk increases the more the hedging instrument and the underlying investment are imperfect substitutes. During the fourth quarter of 2008, the CDS-bond market experienced widespread CDS-bond pricing dislocations due to funding markets shutting down after the bankruptcy of Lehman Brothers, a major participant in the CDS market. The U.S. and much of the rest of the world is in the midst of recovering from a recession, and it is possible that during this recovery period a number of

participants in the CDS market may declare bankruptcy or experience severe financial distress leading to further CDS-bond pricing dislocations.

Hedging. MAST will attempt to structure a Private Fund's investments, and/or use various investment strategies and instruments, in a manner intended to partially hedge the Private Fund's exposure to market movements or other risks. No assurance can be given that any hedging strategies or techniques employed by MAST will be successful or will operate as intended. The use of hedging instruments or strategies may reduce the profit realized by a Private Fund in some cases, and may cause the Private Fund to incur additional expenses. MAST is not obligated to adopt any particular hedging or risk management procedures. The PC Fund is not expected to hedge its portfolio against economic conditions and general market risks, and MAST will not seek to implement any such hedging on behalf of the PC Fund regardless of its views on the impact to the PC Fund's portfolio of expected changes in economic or market conditions. The lack of such hedging on behalf of the PC Fund may impair the PC Fund's profitability or result in losses, even in situations where MAST correctly foresaw such economic conditions or general market risks.

Non-Diversification. A Private Fund's portfolio may not be diversified among geographic areas or types of securities. Further, a Private Fund's portfolio may not be diversified among a wide range of issuers or industries. Accordingly, the investment portfolio of a Private Fund may be subject to more rapid change in value than would be the case if the Private Fund were required to maintain a wide diversification among industries, areas, types of securities and issuers.

Short Sales. A Private Fund may engage in short sales by selling securities that it does not own at the time of sale. By doing so, the Private Fund will become obligated to purchase and deliver securities against the short position. In the event that the price of a security increases between the short sale and a Private Fund's subsequent purchase of shares of that security, the Private Fund will suffer a loss on that transaction and the value of the investors' investments will decrease accordingly. There can be no assurance that a Private Fund will not suffer such losses. In theory, a short sale has the potential for unlimited loss. In connection with short sales, a Private Fund will have to deliver cash or U.S. Treasury securities or other securities to brokers to assure delivery of securities against short positions. A Private Fund will be able to keep only a negotiated percentage of the yield of such U.S. Treasury or other securities.

The availability of securities to borrow to execute a short can change quite dramatically and quickly. This presents a risk not faced with long positions. Recent moves by securities regulators all over the world to ban or limit short selling creates a new dimension of the risk. Dramatic changes in the availability of borrowed securities for shorting is an event not typically addressable through fundamental security analysis. Short squeezes or short covering rallies can be quite detrimental to overall profits. Avoiding hard-to-borrow shares or illiquid names is a basic risk management discipline. Easy-to-borrow securities can become hard-to-borrow quickly. The negative "crowding out" effect is more prevalent with the rapid growth

in the number of long-short funds.

Taxes on Dividends. The current maximum U.S. federal rate of taxation on most dividends is 15%. (The maximum U.S. federal rate for most other ordinary income is 35%.) However, payments in lieu of dividends received by a person who lends securities for a short sale transaction are not eligible for the reduced rate. It is possible that this differential tax treatment will cause securities lenders to be more reluctant to lend dividend-paying securities or that lenders will demand additional compensation for such loans. As a result, a Private Fund may encounter difficulties, or incur additional expense, in order to engage in short sales. In addition, at present, it is unknown whether these tax rates will continue to apply for the 2011 taxable year and beyond.

Leverage. As noted above, MAST may cause a Private Fund to leverage its investment positions by borrowing funds from securities broker-dealers, banks, or others. Such leverage increases both the possibilities for profit and the risk of loss. In a downward trending market the use of leverage for long positions could have a material adverse effect on a Private Fund's profitability and operations, and the reverse is true in a rising market with respect to short positions. Extensions of credit and guarantees by broker-dealers of performance of a Private Fund's obligations will typically be secured by the Private Fund's securities and other assets. Under certain circumstances, a broker-dealer may demand an increase in the collateral that secures a Private Fund's obligations, and if the Private Fund were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the Private Fund's obligation to the broker-dealer. Liquidation in such manner could have materially adverse consequences. In addition, the amount of a Private Fund's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Private Fund's profitability.

Non-U.S. Securities. A Private Fund may invest in non-U.S. securities. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies, and utilization of currency forward contracts and options on currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Small Cap Stocks. At any given time, a Private Fund may have investments in smaller-to-medium sized companies of a less seasoned nature. These securities are traded in the over-the-counter market or recognized stock exchanges. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies.

Contingent Liabilities. From time to time a Private Fund may incur contingent liabilities in connection with an investment. For example, a Private Fund may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, a Private Fund would be obligated to fund the amounts due. A Private Fund may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to the Private Fund.

Options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of an investor's investment in a Private Fund to be subject to more frequent and wider fluctuations than would be the case if the Private Fund did not invest in options.

Counterparty Risk. A Private Fund may purchase and sell derivative instruments such as swaps in "over-the-counter" or "interdealer" markets. The participants in these markets typically are not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. Entering into such transactions exposes a Private Fund to the risk that a counterparty will not settle a transaction in accordance with contractual obligations whether due to insolvency, bankruptcy or other causes. Moreover, disputes over the terms of a derivatives contract (whether or not bona fide) may cause settlement delays because OTC markets may lack the established rules and procedures for swift settlement of disputes among market participants found in "exchange-based" markets. These factors may cause a Private Fund to suffer a loss due to adverse market movements while replacement transactions are executed or otherwise. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Private Fund has concentrated its transactions with a single or small group of counterparties.

In addition, there are risks involved in dealing with the custodians or brokers who broker CDS contracts. Such custodians or brokers may guarantee the performance of the counterparty. However, in the event of widespread defaults in the swap market, such custodians or brokers may be unable to meet their commitments and a Private Fund may sustain losses in such an event.

Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. If there is a default by the counterparty to such a transaction, a Private Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a Private Fund being less than if the Private Fund had not entered into the

transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of a Private Fund's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Private Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, a Private Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties may be subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Private Fund's assets are frequently subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Private Fund and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to a Private Fund, which could be material.

High Growth Industry Related Risks. A Private Fund may invest in the securities of high growth companies (e.g., healthcare companies). To the extent that a Private Fund does invest in such securities, it is noted that these securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

Trading in Futures Contracts. A Private Fund may invest in futures. A futures contract is an agreement between two parties which obligates the purchaser of a futures contract to buy and the seller of a futures contract to sell a security or basket of securities for a set price on a future date. Unlike most other futures contracts, a stock index futures contract does not require actual delivery of securities, but results in cash settlements based upon the difference in value of the index between the time the contract was entered into and the time of its settlement. The risk of loss in trading futures can be substantial. If a Private Fund purchases a future it may sustain a total loss of the initial margin funds and any additional funds deposited with a broker to establish and maintain its position in the future. If the market moves against a Private Fund's position, the Private Fund may be required to deposit a substantial amount of additional margin funds in order to maintain its position. The placement of contingent or stop orders by a Private Fund will not necessarily limit its losses to the intended amounts, as market conditions may make it impossible for such orders to be executed. There can be no assurance that, at all times, a liquid market will exist for offsetting a futures

contract that a Private Fund has bought or sold. This could be the case if, for example, a futures price has increased or decreased by the maximum allowable daily limit and there is no one presently willing to buy the futures contract a Private Fund wants to sell or sell the futures contract a Private Fund wants to buy. The high degree of leverage that can be used in trading futures can lead to large losses.

Futures Trading Is Highly Leveraged. The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investors. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

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

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

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Private 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.

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

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

A Private Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Directorships on Boards of Portfolio Companies or Participation on Creditors' Committees. MAST or its affiliates or designees may serve as directors of, or in a similar capacity with, portfolio companies, the securities of which are purchased or sold on behalf of a Private Fund, and MAST may also serve as a member of an official or unofficial creditors' committee in connection with activist investments in companies. This activity may increase the likelihood that MAST (or its affiliates or designees) or a Private Fund may be named as defendants in civil proceedings relating to such investments. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by a Private Fund and would reduce net assets or could require investors to return to the Private Fund distributed capital and earnings. Additionally, in the event that MAST, its employees or its affiliates obtain material, non-public information with respect to such companies or a Private Fund becomes subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the Private Fund may be prohibited for a period of time from purchasing or selling the securities of such companies, which prohibition may have an adverse effect on the Private Fund.

Exchange Rate Risk. Each Private Fund maintains accounts in U.S. dollars and occasionally in local currencies as well to facilitate trading. Volatility in international

exchange rates between the United States Dollar and foreign currencies may affect pricing and the profit margin on sales of certain securities. This, in turn, could adversely affect a Private Fund's rate of return.

Trading in Forward Contracts to Hedge Currency Risk. A Private Fund may, but is not obligated to, elect to hedge its exposure to fluctuations in the United States Dollar relative to foreign currencies by entering into forward contracts with respect to such currencies. A forward contract is similar to a futures contract but unlike a futures contract the terms of a forward contract are not standardized nor are forward contracts traded on exchanges designated by the United States government. Forward contracts are subject to the credit risk of the principals or a principal's refusal to perform and the imposition of exchange controls. Forward contracts are not guaranteed by an exchange or a clearing house and the failure of a principal with whom a forward contract is made would likely result in a default. It may be difficult to enforce the contractual obligations of a non-United States principal in the event that a principal refuses to perform under a forward contract. The Commodity Futures Trading Commission does not regulate foreign currency forward contract trading.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Private Fund. Prospective investors should read the applicable Private Fund's offering documents and consult with their own legal, tax and financial advisers before deciding to invest in a Private Fund.

ITEM 9: DISCIPLINARY INFORMATION

MAST has no legal or disciplinary events to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration

MAST does not have a registration or an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Futures, Commodity Pool Operator, Commodity Trading Advisor

MAST does not have a registration or an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Related Person Arrangements

Neither MAST nor any of its management persons have any relationship or

arrangement with a related person that is material to MAST's advisory business or to its clients it has not otherwise disclosed.

Arrangements with Other Investment Advisers

MAST does not recommend or select other investment advisers for its clients nor does it have any other business relationships with any other advisers that create a material conflict of interest.

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

Code of Ethics

MAST has adopted a Code of Ethics (the "Code") in accordance with Rule 204A-1 of the Advisers Act. A copy of the Code is available to clients and prospective clients upon request without charge. The purpose of the Code is to set forth certain key guidelines that have been adopted by MAST as office policy for the guidance of all personnel and to specify the responsibility of all employees of MAST to act in accordance with their fiduciary duty to MAST's clients and to comply with applicable federal and state laws and regulations. The Code requires that all employees conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry.

The following is a summary of certain provisions of the Code:

Confidential Information. As an investment adviser, MAST has a fiduciary duty to its clients not to divulge or misuse information obtained in connection with its services as an adviser. Therefore, all information, whether of a personal or business nature, that an employee obtains about a client's affairs in the course of employment with MAST should be treated as confidential and used only to provide services to or otherwise for the benefit of the client. Such information may sometimes include information about non-clients, and that information should likewise be held in confidence. Even the fact that person has invested in a Private Fund should ordinarily be treated as confidential.

The Code sets forth steps employees should take to help preserve confidential information including the following: avoiding inadvertent or accidental disclosure through careless conversation or describing details of a current or proposed trade, investment or transaction in a public place; employing physical safeguards, such as locking file cabinets and using password protected computer files or disks; and careful use of email.

A copy of MAST's privacy policy is distributed to investors in the Private Funds on an annual basis.

Material Non-Public Information. All employees of MAST (in any capacity) and all persons - friends, relatives, business associates and others - who receive material nonpublic information concerning an issuer of securities (whether such issuer is a client or not) are subject to these rules. Generally speaking, material non-public information is material information about an issuer's business or operations (past, present or prospective) that becomes known to an employee and which is not otherwise available to the public.

Although the exact meaning of "material" is unclear, if a person knows information about an issuer which the person believes would influence an investor in any investment decision concerning that issuer's securities and which has not been disclosed to the public, the person should not buy or sell that issuer's securities. The Code sets forth an extensive list of examples of types of information which are likely to constitute material non-public information. The Code also explicitly forbids disclosing material non-public information to another person ("tipping") who subsequently uses that information for his or her profit.

All personnel receiving material, non-public information have the same duty not to disclose or use information about persons or issuers who are not clients of MAST in connection with securities transactions as they have with respect to client securities. In other words, employees may not purchase or sell any securities with respect to which they have material non-public information for their own, MAST's or for a client's account or cause clients to trade on such information until such information becomes public. The foregoing prohibition applies whether or not the material non-public information is the basis for the trade. Whenever employees come into possession of what they believe may be material non-public information about an issuer, they must immediately notify MAST's Compliance Officer. The Compliance Officer shall maintain a list of all issuers about which MAST has material non-public information and shall circulate such list to the appropriate personnel at MAST so as to prevent any trading in securities of such issuers.

In addition to the provisions in the Code described above prohibiting insider trading, MAST has also adopted a separate policy relating to MAST's use of research consultants aimed at preventing insider trading through MAST's use of such consultants.

Fiduciary Duty and Conflicts of Interest. MAST and its employees have a fiduciary duty to MAST's clients to act for the benefit of the clients and to take action on the clients' behalf before taking action in the interest of any employee or MAST. MAST and its employees must act for the clients' benefit and treat the clients fairly. The manner in which any employee discharges its fiduciary duty and addresses a conflict of interest depends on the circumstances. Sometimes general disclosure of common conflicts of interest may suffice. In other circumstances, explicit consent of the client to the particular transaction giving rise to a conflict of interest may be required or an employee may be prohibited from engaging in the transaction regardless of whether the client consents. The duty to disclose and obtain a client's consent to a conflict of interest must always be undertaken in a manner consistent with the employee's duty to deal fairly with the client. Therefore, even when taking

action with a client's consent, each employee must always seek to ensure that the action taken is fair to the client.

The Code sets forth several common examples of situations in which conflicts of interest may arise, including selection of broker-dealers, receipt of gifts, and service as a director of a public company, as well as the ways in which such conflicts may be avoided.

Scalping or Front-Running. Subject to MAST's personal trading policy (as further described below), if any employee knows of a pending "buy" recommendation or is aware of a pending "sell" recommendation, then that employee may not engage in the practice of purchasing or selling such security. Such activities may put MAST and its employees in a conflict of interest and give the employee an advantage at the client's expense. Any trades undertaken for an employee's own account, for the account of the Company, for the account of any non-Company client or for another related person must be done so as not to disadvantage a MAST client in any way.

Unfair Treatment of Certain Clients vis-à-vis Others. An employee who handles one or more clients may be faced with situations in which it is possible to give preference to certain clients over others. Employees must be careful not to give preference to one client over another even if the preferential treatment would benefit MAST or the employee. For example, an employee should not (i) provide better advice to a large, prestigious client than is given to a smaller, less influential one, (ii) give sale advice to one client ahead of another, or (iii) direct securities of a limited supply and higher potential return to particular clients because they generate larger fees for MAST.

Dealing with Clients as Agent and Principal. In accordance with Section 206(3) of the Advisers Act, the Code requires that employees involved in situations where MAST is buying or selling securities from a client or where MAST acts as a broker-dealer for a non-client in a transaction with an advisory client disclose to the client in writing the capacity in which MAST acts, its profits (if it acts as principal) and its commissions (if it acts as agent for another) and obtain the client's consent. MAST generally does not participate in these types of transactions, but any such transaction must not be entered into without prior consultation with MAST's Compliance Officer.

Personal Trading. The Code prohibits any employee, partner, officer or director of MAST ("Access Persons") from buying, selling, or pledging any security without obtaining written clearance from a portfolio manager and the Compliance Officer prior to executing the transaction. The written clearance must be dated, must specify the securities involved, and must be signed by the portfolio manager and the Compliance Officer.

Subject to certain limited exceptions, no Access Person may purchase a company specific security then currently owned by a Private Fund. A company specific security means any security issued directly by a company or economically related to a

company i.e. stocks, bonds and/or derivatives where the underlying security is a single issuer. Securities not covered by this policy are Exchange Traded Funds (ETFs), open and closed ended mutual funds, commodities, currencies, hedge funds and other entities not deriving performance from a single issuer and which hold securities of 10 or more different companies. If an Access Person owns a company specific security prior to it being acquired by a Private Fund, the Access Person may not engage in any additional trading in the security (i.e., buying or selling), unless there is an exceptional circumstance and approval is given by a portfolio manager and the Compliance Officer.

Employees are also discouraged from engaging in the purchase and sale, or sale and purchase, of the same (or equivalent) company specific security within any period of 30 calendar days.

Each new employee must submit a securities holdings report within 10 days of commencement of employment. In addition, each employee must disclose similar information within thirty (30) days after the end of each calendar year while employed by MAST. Such reports must be current as of a date not more than 45 days prior to the employee joining the company (for an initial report) or the date the report is submitted (for the annual report). Each employee must also report to the Compliance Officer within 30 days after the end of each calendar quarter all securities transactions in all of the employee's accounts during the preceding quarter.

Possible Conflicts of Interest

MAST currently provides advisory services solely to the Private Funds. Each of the Private Funds may have investment objectives or may implement investment strategies similar to those implemented by another Private Fund. As noted above under "Fiduciary Duties and Conflicts of Interest", MAST and its employees have a fiduciary duty to MAST's clients to act for the benefit of the clients and to take action on the clients' behalf before taking action in the interest of any employee or MAST.

MAST may give advice or take action with respect to a particular Private Fund that differs from the advice given to the other Private Funds.

As a result of the foregoing, MAST (and its principals) may have conflicts of interest in allocating their time and activity among the Private Funds, in allocating investments among the Private Funds and in effecting transactions among the Private Funds, including ones in which the MAST (and its principals) may have a greater financial interest.

MAST will use its best efforts in connection with the purposes and objectives of each Private Fund and will devote so much of its time and effort to the affairs of each Private Fund as may, in its judgment, be necessary to accomplish the purposes of each Private Fund. To the extent a particular investment is suitable for multiple Private Funds, such investments will be allocated among such Private Funds in accordance with the "Trade Aggregation and Allocation" policy described

below under Item 12.

MAST (and its principals) may conduct any other business, including any business within the securities industry, whether or not such business is in competition with a Private Fund. Without limiting the generality of the foregoing, MAST (and its principals) may act as investment adviser or investment manager for others, may manage funds or capital for others, may have, make and maintain investments in its own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. It may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the Private Funds for the same investment positions to be taken or liquidated at the same time or at the same price.

Participation or Interest in Client Transactions and Personal Trading

Recommending to Clients Securities in Which MAST has a Material Financial Interest. Purchase and sale transactions may be effected among the Private Funds subject to the following guidelines: (i) such transactions shall be effected for cash consideration at the current market price of the particular securities; (ii) no extraordinary brokerage commissions or fees (i.e., except for customary transfer fees or commissions) or other remuneration shall be paid in connection with any such transaction; and (iii) the transaction must be permissible under applicable law including ERISA.

MAST does not solicit clients to invest in funds (such as the Private Funds) in which MAST or a related person acts as general partner or investment manager.

Personal Trading. As discussed above under “Code of Ethics—Personal Trading Policy,” subject to certain exceptions, no employee may purchase a company specific security then currently owned by a Private Fund. However, MAST may determine that an investment already held by an employee represents an attractive investment for a Private Fund if it makes such determination without consideration of or regard for the investment held by such employee. If a situation arises in connection with such an investment where a conflict of interest may exist between the interests of the Private Fund and the interests of the employees who hold the investment, MAST shall resolve any such conflict in the best interests of the Private Fund consistent with its fiduciary duties.

ITEM 12: BROKERAGE PRACTICES

Selecting Brokerage Firms

MAST assumes general supervision over placement of securities orders for the client portfolios it manages. MAST has the authority to determine pursuant to the investment management agreement or limited partnership agreement, as applicable, the broker-dealer to be used in any securities transaction and the

commission rate to be paid. While the primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors are considered by MAST when arranging for the purchase and sale of clients' portfolio securities. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below. In determining the abilities of the broker-dealer to obtain best execution of a particular transaction, MAST will consider all relevant factors including the execution capabilities required by the transaction(s), the ability and willingness of the broker-dealer to facilitate the account's portfolio transactions promptly and at reasonable expense, the importance to the account of speed, efficiency or confidentiality and the broker-dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold, as well as any other matters MAST deems relevant to the selection of a broker-dealer for a particular portfolio transaction of the account.

Research and Other Soft Dollar Benefits

Ongoing research and live data feeds are critical elements of MAST's investment management process. Accordingly, MAST may use broker-provided products and services which assist MAST in carrying out its investment decision making responsibilities. These products and services may include, but are not limited to, Bloomberg, industry specific periodicals, quotation feeds from the AMEX, NYSE and other markets and research on markets, industries or companies.

When MAST uses client brokerage commissions, mark-ups or markdowns to obtain research or other products or services, MAST will receive a benefit because it will not have to produce or pay directly for the research, products or services that are provided. As a result, MAST may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution.

All research services received from broker-dealers to whom commissions are paid are used collectively. There is no direct relationship between commissions received by a broker-dealer from a particular client's transactions and the use of any or all of that broker-dealer's research material in relation to that client's account. MAST may pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for the same transaction in recognition of research and brokerage related services provided by the broker-dealer.

MAST uses soft dollars for research services and products that qualify for the safe harbor under Section 28(e) of the Exchange Act, and all soft dollar arrangements are approved by the firm's Chief Compliance Officer prior to submission for payment by the applicable soft dollar broker. The Chief Compliance Officer conducts semi-annual and annual reviews of research services used by MAST and the amount paid for such services using soft dollars to ensure compliance with MAST's soft dollar policies.

The services paid for using soft dollars during the past fiscal year of the Private

Funds included Bloomberg research services, trade publications and specific trade conferences for investment research. MAST does not acquire any products or services with soft dollars that have nonresearch/ nonbrokerage uses and thus MAST is not required to engage in mixed use allocations.

Brokerage for Client Referrals

MAST does not consider whether it receives client referrals from a broker in selecting broker-dealers.

Directed Brokerage

MAST does not recommend, request or require that a client direct MAST to execute transactions through a specified broker-dealer.

Trade Aggregation and Allocation

Allocation. Allocations of investment opportunities among client accounts are made in a fair and equitable manner. To the extent a particular investment is suitable for multiple Private Funds, such investments will be allocated among such Private Funds pro rata based on assets under management or in some other manner which MAST determines is fair and equitable under the circumstances to all clients. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares purchased will be allocated among the Private Funds in an equitable manner as determined by MAST. Since all clients are accorded individual investment advice and treatment, an account's allocation may be eliminated, reduced, or increased due to any of the following factors: (i) specific investment restrictions, guideline limitations, investment policies, investment objectives, or client risk tolerance; (ii) existing security positions, existing sector concentrations or a need to rebalance; (iii) current cash position, outstanding commitment amounts or liquidity requirements; and (iv) transaction tax consequences.

No allocations may be made to an account or set of accounts based on account performance or the amount or structure of fees. Allocations of limited opportunity investments such as IPO's will be allocated among eligible accounts in the same manner as other securities.

Aggregation. MAST may aggregate orders for the purchase or sale of securities on behalf of a client with orders on behalf of other portfolios it manages, or with orders for MAST's own account. Securities purchased or proceeds of securities sold through aggregated orders are allocated to the account of each portfolio that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, purchased securities or proceeds will generally be allocated pro rata among the participating portfolios in proportion to their planned participation in the aggregated orders. Transaction costs for any transaction are shared pro rata based on each portfolio's participation in the transaction.

ITEM 13: REVIEW OF ACCOUNTS

Reviews

Accounts (other than the Distressed Opportunities Fund) are reviewed on a daily basis by a portfolio manager as well as a trader and vice president of operations. The Distressed Opportunities Fund is reviewed on a regular basis by its portfolio manager.

Regular Reports

Investors in the Private Funds (other than the Distressed Opportunities Fund) receive (i) unaudited performance estimates on a weekly basis, (ii) unaudited reports of the performance of the Private Fund on a monthly basis from the applicable Private Fund's third party administrator, and (iii) audited year-end financial statements within 120 days of the Private Fund's fiscal year end. Investors in the Distressed Opportunities Fund receive periodic updates regarding performance as well as audited year-end financial statements within 120 days of the Distressed Opportunities Fund's fiscal year end.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

MAST does not have any arrangements under which it or a related person compensate another for client referrals. MAST does not have any arrangements under which it receives any economic benefit, including sales awards or prizes.

ITEM 15: CUSTODY

Goldman Sachs & Co. serves as prime broker and custodian (with respect to cash) for the Distressed Opportunities Fund. Goldman Sachs & Co. and JP Morgan Securities, Inc. serve as the prime brokers and custodians for the Credit Opportunities Funds, OC Funds, Select Opportunities Funds, PC Fund and AK Fund.

Each Private Fund has engaged a fund administrator whose responsibilities include sending account statements to the Private Fund investors. Since each Private Fund is a commingled account, the investors do not receive prime brokerage or custodial statements. However, each Private Fund's administrator reconciles the Private Fund's accounting records with the records of the prime brokers and custodians. As described above under Item 13, investors in the Private Funds receive monthly unaudited reports from the applicable Private Fund's third party administrator. In addition, in lieu of receiving quarterly custody statements from a custodian, investors in the Private Funds also receive audited year-end financial statements.

ITEM 16: INVESTMENT DISCRETION

MAST has complete discretionary authority over the purchase and sale decisions for each of the Private Funds. MAST has discretionary authority with respect to the Distressed Opportunities Fund, Credit Opportunities Onshore Feeder Fund and the OC Master Fund under the agreement of limited partnership between MAST and the limited partners of each such Private Fund. MAST has discretionary authority with respect to each other Private Fund under the investment management agreement between MAST and each such Private Fund.

ITEM 17: VOTING CLIENT SECURITIES

MAST has adopted a written proxy voting policy and related procedures which are intended to assure that client securities are voted in the best interests of the client, and which address material conflicts of interest that may arise between the investment adviser and its clients. MAST's proxy policy is to carefully review and vote every proxy received. MAST reviews each situation and votes in the way that will be most beneficial to MAST's clients. Because MAST invests primarily in bonds and syndicated loans, it is unusual that MAST's clients have the opportunity to vote on a matter. Such opportunities typically arise in the context of approving a debt restructuring plan. MAST will evaluate such plans on their merits and vote in a manner it believes preserves the most value for clients. Generally, MAST will not allow clients to direct MAST's vote in a particular situation. If MAST believes that it has a material conflict of interest with respect to any proxy vote, it will disclose the issue to the client and consult with the client on how to vote. Any client may request to see how proxies were voted for its account and such information will be made available to them upon request. Inquiries should be directed to Adam Kleinman at 617-375-3019.

ITEM 18: FINANCIAL INFORMATION

MAST does not solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, so this item is not applicable. Please refer to MAST's fee disclosure at Item 5 of this brochure.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This item is not required as MAST is a federally registered investment adviser.
