

Item 1 Cover Page

Castlelake, L.P.

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Part 2A of Form ADV: Firm Brochure

March 29, 2018

This brochure provides information about the qualifications and business practices of Castlelake, L.P. which does business under the name “Castlelake”. If you have any questions about the contents of this brochure, please contact us at (612) 851-3031. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Castlelake is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of Castlelake provide you with information about which you determine to hire or retain Castlelake.

Item 2 Material Changes

This Item of the Brochure discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. The last update of our brochure was April 20, 2017. This annual amendment filing to our Brochure, dated March 29, 2018, reflects changes to the following items within this document:

- Item 4: Update to reflect increase in calculation of regulatory assets under management
- Item 5: Enhanced disclosure regarding expenses
- Item 8: Enhanced disclosure regarding subscription lines of credit
- Item 10: Enhanced disclosure regarding servicing fees

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure may also be requested by contacting Kevin Hiniker, Castlelake's General Counsel and Chief Compliance Officer, at (612) 851-3031.

Additional information about Castlelake is also available via the SEC's web site www.adviserinfo.sec.gov.

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Item 4 - Advisory Business

Castlelake, L.P., which does business under the name “Castlelake” (“Castlelake”) was established in 2005 and serves primarily as (1) the investment adviser to private investment funds (the “Funds”) that focus on investments in alternative assets, sub-performing loans, dislocated industries and global special situations, and (2) the servicer of securitization trusts (the “Vehicles”) for which Castlelake manages aircraft leases, maintenance and disposition proceeds.

Castlelake is managed by Rory O’Neill, Evan Carruthers, Jonathan Fragodt, Luke Beltnick, Kevin Hackler, Peter Glerum, Kevin Hiniker, Brent de Jong, Eduardo D’Alessandro, Matt Little, Joe McConnell and Otto Verhoeff (collectively, the “Principals”). In the aggregate, the Principals own 100% of Castlelake.

The Funds are categorized as “lock-up funds” or “open-end funds”. Detailed information about the Funds and the Vehicles is located in their respective private placement memorandums and governing documents (the “Offering Documents”). Castlelake invests called capital and recycled proceeds in the lock-up funds during their respective commitment periods. The open-end funds do not have defined commitment periods but are currently continuing with an orderly liquidation and distribution to investors.

All discussions of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, the services provided to the Funds, the fees and other costs associated with an investment in the Funds and other terms, are qualified in their entirety by reference to each Fund’s respective Offering Documents. Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable Fund’s general partner and not individually to investors in the Funds.

As of December 31, 2017 Castlelake manages approximately \$14.9 billion in assets on a discretionary basis.

Item 5 - Fees and Compensation

Castlelake receives management or servicing fees (calculated and payable either monthly or quarterly) which are described in detail in the respective Offering Documents. Castlelake has the right to waive any Fund management fees at its sole discretion. Each Fund’s management fees are subject to an offset by all or the specified portion of the servicing and similar fees (net of expenses) relating to the making, disposition or management of Fund investments received by Castlelake or its affiliates. However, management fees are not offset by any servicing fees received by Castlelake or any affiliate through any securitization or similar vehicle, warehouse facility, joint venture, co-investment or other structure with respect to investments or debt that is not owned by a Fund, or activities that are not on behalf of a Fund (including, without limitation, providing services to any persons other than a Fund participating in the same investment or with respect to any other activities undertaken by such persons for the benefit of any third parties).

Each Fund pays or reimburses Castlelake for expenses including: organizational expenses (in some instances subject to maximum amounts, but including without limitation travel expenses and other direct costs of personnel of Castlelake, its affiliates or agents); expenses relating to each Fund’s operations and administration by a third party; expenses (including travel related expenses) relating to

discovery, development, structuring, making, monitoring, valuation and disposition of investments (including potential investments and co-investments that are not consummated); expenses of service companies, custodians, outside counsel, accountants and other experts; expenses for audit, legal and compliance services on behalf of a Fund; brokerage and commission charges for securities and commodity transactions and other trade-related fees; fees and profit sharing arrangements (that are not payable to a Fund's general partner or its affiliates) with third parties and/or operating partners in connection with a Fund's investments; data production and maintenance costs and services, communication expenses and third-party research expenses; any insurance expenses whether on behalf of a Fund, Castlelake or its affiliates, indemnification and litigation expenses to the extent provided in the Offering Documents; expenses relating to any governmental inquiry or public relations undertaking; regulatory and compliance expenses, taxes, fees or other governmental charges levied against a Fund; fees and expenses related to the organization, operation, administration, legal, tax and compliance expenses of special purpose vehicles ("SPVs") relating to a Fund. The foregoing types of expenses are not exclusive and investors are encouraged to review the Offering Documents for more detailed expense provisions.

The Vehicles pay or reimburse Castlelake for certain expenses specified in their Offering Documents. Such expenses include any fees, costs, expenses, taxes and indemnification amounts incurred on behalf of the issuer group member in the course of business activities permitted under a Vehicle's indenture, including, without limitation, issuer expenses, ordinary course expenses, service provider fees relating to the assets, maintenance and modification expenses and asset trade payments with respect to the assets (not funded out of the maintenance support account) and liquidity facility expenses.

Air travel expenses attributable to clients' activities and investments are charged accordingly as either economy or business/first class travel as the situation warrants. In circumstances where commercial air transportation is not available in a timely or efficient fashion, non-commercial air transportation expenses charged to clients are capped at commercial business/first class travel costs.

Valuation. Castlelake is responsible for valuing the securities and other investments comprising the assets of the Funds. Typically investments are "marked to market" by reference to the last generally available price quotation. Investments in non-marketable securities and other assets for which reliable market quotations are not readily available are valued in a manner as Castlelake may determine on a consistent basis, so long as such methodology is consistent with U.S. generally accepted accounting principles ("U.S. GAAP"). Castlelake will typically apply the valuation technique (income approach or cost approach) that is appropriate in the circumstances and will obtain and may rely on information provided by any source or sources reasonably believed to be accurate in determining the value of the investments or assets. This causes the potential for a conflict of interest due to the fact that a higher fair value assigned to such investment can result in greater management fees paid (where management fees are based on net asset values). Valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by the Funds on the sale of those securities and other investments. In addition, there is a risk that the valuations of an investment made pursuant to U.S. GAAP may differ from the price at which an investment may actually be sold.

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

Castlelake's Fund clients are subject to performance-based compensation payable to Castlelake or its affiliates. The calculation of this performance compensation is described more fully in the respective

Offering Documents. With respect to the lock-up Funds, performance compensation commences after invested capital and a preferred return have been distributed to investors. The existence of performance-based compensation may create a conflict of interest by incentivizing Castlelake to make more speculative investments with the aim to increase performance compensation paid. This conflict is mitigated through the Funds' diversification requirements, ongoing risk management and the fact that Castlelake's Principals invested a significant amount of their net worth in the Funds. In addition, Castlelake's investment allocation process described in Item 10 of this brochure further mitigates the risk of investments being allocated for the primary purpose of increasing performance compensation.

With respect to the Vehicles, the following types of performance-based compensation may be incurred and payable to Castlelake as servicer: (1) servicer incentive fee is payable semi-annually if the amount of rent income received during certain periods of time, net of certain maintenance-related payments, is equal to or greater than an agreed upon percentage of the projected net amount for the related period of time; (2) sales fees are payable as incurred upon net sales proceeds arising from the sale of assets; and (3) end of lease compensation is payable on a percentage basis to the extent amounts of lease compensation exceed maintenance expenses actually incurred.

Castlelake manages multiple Funds at any given time. This side-by-side management creates a conflict of interest in that Castlelake could provide more favorable investment opportunities to Funds with more favorable compensation arrangements. Castlelake mitigates this risk by allocating suitable investment opportunities amongst the Funds on a *pro rata* basis unless otherwise equitably determined by Castlelake pursuant to factors (described in Item 10 of this brochure) within Castlelake's investment allocation policies and procedures.

Item 7 - Types of Clients

Castlelake's only clients are the Funds and the Vehicles. The Fund and Vehicle investors generally consist of state, local and corporate pension and profit sharing plans, trusts, estates, charitable organizations, endowments, corporations, business entities, private fund-of-funds, foreign sovereign wealth funds and high net worth individuals. Employees of Castlelake who qualify as "knowledgeable employees" under Rule 3c-5 of the Investment Company Act of 1940 are also permitted to invest (directly or indirectly) in the Funds.

Each Fund and each Vehicle imposes minimum investment requirements upon investors that can be waived in certain circumstances, as set forth in the respective Offering Documents.

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

Investment Strategies

Castlelake's investment strategies involve investments across the credit spectrum, including the areas of distressed opportunities as described below. More detailed information regarding Castlelake's investment strategies and activities is set forth in the Offering Documents.

Distressed Assets and Special Situations. Castlelake's asset strategies are centered on: (i) global aircraft assets and aviation finance; (ii) European non-performing loans and distressed assets; (iii) U.S. non-performing loans and distressed assets; (iv) dislocated industries; and (v) global special situations. Consistent with Castlelake's overall investment approach, there is an emphasis on smaller asset

opportunities. A key tenet is to provide liquidity to industries experiencing dislocation in either asset values, capital availability or both. With most investments in non-aircraft distressed assets and non-performing loan assets, Castlelake utilizes a series of joint-venture asset operating partnerships under which the operating partners provide a focus on managing the daily details of the investments regarding payments and administration. Castlelake maintains control over economic and strategic decisions, working either in collaboration with the specific operating partners, or within the governance structure of a portfolio company in which the Funds hold an equity interest.

Corporate Distressed Debt and Securities. Castlelake's corporate distressed investments include senior secured bonds, bank loans and trade claims with a focus on asset rich, middle market companies in the U.S. and Europe. A focus is maintained on deep value middle market opportunities where control can be established or an active role can be taken in a restructuring.

Global Aircraft and Aviation Finance. Castlelake aviation investments focus on building a diversified portfolio of aircraft with contractual operating leases that are likely to generate a post-debt service current yield and a risk appropriate investment return over the life of the relevant Funds. Depending on the strategy set forth in the Offering Documents, aviation investments may focus on younger mid-life aircraft yielding stable lower returns or older aircraft and related assets with a higher risk and higher return profile. Castlelake's aviation strategy also includes the Vehicles collateralized by aircraft.

Methods of Analysis

The methods of analysis are conducted at varying levels depending upon the markets and participants involved. Castlelake performs extensive quantitative and qualitative fundamental research to determine the suitability of a particular investment itself and in the context of the relevant industry as well as overall market. Investment professionals develop a financial model to perform an analysis of comparable valuations in the public and private markets, a discounted cash flow analysis, a reorganization analysis and liquidation analysis, and an analysis of potential returns for the investment and many other types of financial analysis as warranted. At the completion of a favorable due diligence process, Castlelake determines the price range at which to pursue the investment opportunity.

General Risks

The transactions in which Castlelake will engage involve substantial risks. Growing competition may limit the Castlelake ability to take advantage of investment opportunities in rapidly changing markets or to access investment opportunities believed to be attractive. Investing involves risk of loss that an investor should be prepared to bear.

Due to the nature of the Castlelake's trading and investment activities, results may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods. The material risks presented by Castlelake's strategies and investments are set forth below. Additional information is contained in the respective Offering Documents. This brochure does not purport to contain a complete disclosure of all risks that may be relevant to a prospective investor.

Material Risks

Concentration of Investments. In its multi-strategy Funds, Castlelake is generally not limited in the amount of the Funds' capital to one industry. Although Castlelake will follow a general policy of seeking to spread the Funds' capital among a number of investments and industries, Castlelake may depart from such policy from time to time and the Funds may hold one or more positions that are relatively large in relation to a Fund's capital or are concentrated in a single issuer or a group of related issuers or in a single industry to the extent permitted by the Offering Documents. The result of such concentration of investments is that a loss in any such position could materially reduce the relevant Fund's capital.

Competition for Investments. The activity of identifying, completing and realizing attractive investments can from time to time be highly competitive and involves a high degree of uncertainty. Funds may be unable to find a sufficient number of attractive opportunities in all market environments in order to meet their investment objectives or invest their capital fully.

Increases in Assets under Management. Despite limitations on commitments on a Fund-by-Fund basis, Castlelake has not presently agreed to limit the aggregate amount of assets it may manage. Subject to requirements in the Offering Documents, Castlelake will raise new Funds, Vehicles or other investment products, may pursue new investment strategies and will continue to seek new investment capital. There can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management, which may require Castlelake to modify its investment decisions for the Funds because it cannot deploy all the assets in the manner it desires.

Asset Managers and Service Companies. Castlelake invests in assets that may be subject to fees or profit-sharing arrangements payable to asset managers or service companies (the "Asset Managers") based on the value or performance of specific assets serviced by them which are owned by the Funds. Such fees are in addition to the management fees and performance-based compensation to Castlelake and its affiliates and are not subject to an offset if paid to a third party. It is possible that certain Asset Managers may receive incentive compensation even though a Fund, as a whole, does not have positive returns. If an Asset Manager breaches its servicing agreement or otherwise fails to perform its responsibilities adequately, the clients may be adversely affected. In addition, given the specialized nature of these service providers, they may be difficult to replace if needed and transfers of servicing may cause a disruption of cash flow on the related investment.

Castlelake or its affiliates act as servicer and receive compensation from the Vehicles in which some Funds have an interest and may do so for other Fund investments or entities, provided that fees to affiliated servicers will typically be structured (via offset to management fees or otherwise) so that a Fund does not effectively bear the fees with respect to its allocable portion of investment in the Vehicles or other entity. This can be accomplished through special allocation of the relevant fees to investors other than the Funds, or if any Fund is subject to such fees payable to Castlelake or its affiliates, any such amounts (net of related expenses) are applied to offset the Fund's management fees.

Co-Investment Risks. Castlelake, when appropriate, may permit third party investors to co-invest with the Funds in certain investments. Such co-investments may have the effect of reducing the size of the Funds' investment in such opportunities. In addition, compensation arrangements and expenses with respect to co-investors may differ from those of the Funds (in particular, even though co-investors will be required to bear their pro rata portion of entity formation and transaction expenses incurred directly in connection with a portfolio investment, they may not be expected to bear indirect expenses, e.g., "dead deal" expenses).

Third Party Involvement. The Funds may co-invest with third parties through limited liability companies, joint ventures or other entities. These investments involve risks not present if a third party were not involved, including the possibility that the third party can take action contrary to the investment objectives of the Fund. In addition, a Fund may in certain circumstances be liable for actions of its third party co-investors. Castlelake's ability to exercise control or significant influence in connection with the joint venture may be limited and will depend on the nature of the governing documentation.

Prime Broker and Custody. Funds can rank as an unsecured creditor to its prime brokers in relation to assets that a prime broker borrows, lends or otherwise uses and, in the event of the insolvency of the prime broker, Funds might not be able to recover equivalent assets in full. In addition, if applicable law permits, cash or assets that a prime broker holds or receives on the Funds' behalf may not be treated by a prime broker as "client assets," may not be segregated from the prime broker's own assets and may be used by a prime broker in the course of its investment business. In such event, the Funds will rank as one of a prime broker's unsecured creditors. The Funds' custodian may not be responsible for cash or assets that are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Funds as a result of the bankruptcy or insolvency of any such sub-custodian. Custody services in certain non-U.S. jurisdictions remain undeveloped and accordingly there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions.

Execution Risks. The execution of the investment and trading strategies employed by Castlelake can involve complex transactions, use of negotiated terms with counterparties and difficult to execute trades. In each case, Castlelake seeks best execution and has trained execution and operations professionals devoted to executing, settling and clearing such trades. However, in light of the complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses to the Funds. Castlelake may choose to forego pursuing claims against brokers and counterparties on behalf of the Funds for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties. Castlelake is not liable to the Funds for losses caused by brokers or counterparties.

Counterparty and Settlement Risks. Some of the markets in which Castlelake effects transactions are "over-the-counter" or "interdealer" markets or through private transactions. The participants in these types of markets and the counterparties in such private transactions are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. There is a risk that a counterparty will not settle a transaction because of a credit or liquidity problem. In addition, there may be practical or time problems associated with enforcing a Fund's or a Vehicle's rights to its assets in the case of an insolvency of any such party. Many non-U.S. countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, recordkeeping and transfer of instruments can be carried out manually, which may cause delays in the recording of ownership. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk is more prominent.

Tax Considerations. The Funds may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by governing tax authorities, there could be a material adverse effect on the Funds.

Litigation. Litigation can and does occur in the ordinary course of the management of a Fund or a Vehicle. The Funds may be engaged in litigation both as a plaintiff and as a defendant. Such litigation can arise as a result of issuer defaults, issuer bankruptcies or other reasons. Castlelake and others are indemnified by the clients in connection with such litigation, subject to certain conditions. The expense of defending against third-party claims made against the Funds, Vehicles, their portfolio investments or persons indemnified by them and paying any amounts pursuant to settlements or judgments generally would be borne by the Funds or the Vehicles and may be significant unless indemnification or other rights against the relevant portfolio company can be enforced or insurance is available.

Limitations on Actions and Indemnification. The Offering Documents limit the circumstances under which Castlelake and respective general partners can be held liable to the Funds or the Vehicles. The Funds and the Vehicles indemnify Castlelake, its affiliates and members of the Funds' Advisory Committees for liabilities incurred in connection with the affairs of the Funds and/or the Vehicles, absent (among other things) bad faith, gross negligence or willful misconduct. The application of the foregoing standards can result in the Funds and the Vehicles bearing significant financial losses even where such losses were caused by the negligence (even if heightened) of the covered persons.

Cyber Security Breaches and Identity Theft. Castlelake's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Castlelake has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Castlelake and/or its clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Castlelake's reputation and subject it to legal claims and otherwise affect their business and financial performance.

Investment Risks

Aircraft and Aircraft Operating Leases. The Funds and the Vehicles acquire direct or indirect ownership interests in aircraft and related engines which are leased to airline or other operators. The aircraft leasing market is affected by various cyclical factors that are not within the control of Castlelake such as: interest rates; the availability of credit; fuel costs and general economic conditions affecting lessee operations; manufacturer production level; passenger demand; retirement and obsolescence of aircraft models; manufacturers merging or exiting the industry or ceasing to produce aircraft types; re-introduction into service of aircraft previously in storage; governmental regulation; and air traffic control infrastructure constraints. The availability of commercial aircraft for lease or sale has periodically experienced cycles of oversupply and undersupply, producing sharp decreases and increases in aircraft values and lease rates. Aircraft leasing is subject to lessee credit risk and default.

Investments in Undervalued and Distressed Assets. The Funds invest in undervalued and distressed assets, including financial assets such as mortgage servicing rights, transportation assets such as those in aviation, and shipping, consumer debt as well as assets in other industries. While investments in undervalued or distressed assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Such assets may be required to be held for a substantial period of time before realizing their anticipated value. In addition, these assets will often require additional ongoing maintenance capital. Indebtedness may be incurred in connection with such asset acquisitions, which debt would typically be secured by the assets so acquired and nonrecourse to the Funds and the Vehicles. The industries in which the Funds invest may be subject to extensive rules and regulations limiting rights or otherwise impacting the risk profile. Castllake in some instances enters into arrangements with industry specialized management or servicing teams to acquire, manage and dispose of these assets, which are expected to include fixed payments and/or profit-sharing arrangements with such persons. The failure on the part of Castllake to select the right management or advisory team for an asset class and/or to establish a governance and compensation structure that provides for the appropriate balance of economic incentives to the team and oversight by Castllake, or to provide servicing with respect to the Vehicles and assets on its own, would have a material adverse effect on the clients' investment in such asset class.

Illiquidity of Investments. The Funds invest in assets, loans or securities for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on the assets. Castllake may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

A portion of the investments may consist of securities that are subject to restrictions on resale because they were acquired in a "private placement" transaction or for other reasons. In addition, the Funds may hold securities and other assets subject to contractual restrictions on transfer. The sale of illiquid assets and restricted securities often requires more time and results in higher brokerage charges and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

Investments in Real Estate. Castllake may, from time to time, invest in a variety of real estate and related transactions, either as a direct investment or through investment in other entities, including affiliates. Investing in real estate entails certain risks including: the burdens of ownership of real property; local, national and international economic conditions; the supply and demand for properties; the financial condition of tenants, buyers and sellers of properties; changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; changes in environmental laws and regulations, planning laws and other governmental rules and fiscal and monetary policies; environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; changes in real property tax rates; changes in energy prices; negative developments in the economy; uninsured casualties; force majeure acts, terrorist events, under-insured or uninsurable losses; and other factors which are beyond the reasonable control of Castllake. In addition, as recent experience has demonstrated, real estate assets are subject to long-term cyclical trends that give rise to significant volatility in values.

Exit Risk. There is risk that Castllake will be unable to realize investment objectives through the sale or disposition of investments at an attractive price, within any given period of time, or will otherwise be unable to complete any exit strategy. In particular, these risks could arise from the absence of an established market for investments, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which investments are located.

Investment in Loans. Castllake may invest in loans which may entail the following risks:

- *General Credit Risks* – Investors may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and the priority of the lien are each of great importance (although the Funds may invest in subordinate or second priority liens). In the event of a foreclosure, the Funds may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss.
- *Lower Credit Quality Loans* - Because there are no restrictions on the credit quality of loans. Loans purchased by the Funds may be deemed to have substantial vulnerability to default in payment of interest and/or principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.
- *Second Lien Loans* – The Funds may invest in loans that are secured by a second lien on assets. Second lien loans are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products.
- *Direct Loans* - On occasion, Castllake's clients may provide financing to borrowers that have difficulty obtaining financing from other sources. Deterioration in a borrower's financial condition and prospects may be accompanied by a decrease in the value of any collateral and a reduced likelihood of the borrower's repayment and of Castllake capitalizing on any guarantees it may have obtained from the borrower's management or other parties. Some direct loans may be subordinated to a senior lender and interest in any collateral would, accordingly, likely be subordinate to another lender's security interest.
- *Equitable Subordination* - Loans to companies operating in workout modes or under Chapter 11 of the Bankruptcy Code are, in certain circumstances, subject to certain potential liabilities which may exceed the amount of the loan. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.
- *Non-Performing Loans ("NPLs")* - Investments in non-performing and sub-performing loans may involve workout negotiations, restructuring and the possibility of foreclosure. These processes

can be lengthy and expensive. In addition, these investments can include securities and debt obligations of financially distressed issuers, including companies involved in bankruptcy or other reorganization and liquidation proceedings. As a result, such investments may be subject to additional bankruptcy related risks, and returns on such investments may not be realized for a considerable period of time.

- *Modification and Refinancing* – Investments in loans may involve making modifications which may include permanently or temporarily reducing or otherwise changing the interest rate, forgiving payments of principal or interest, extending the final maturity date, capitalizing or deferring delinquent interest and other amounts owed under the loans, deferring principal payments with or without interest or any combination of these or other modifications. These modifications may reduce the value of the loans. Castlelake may seek to refinance a loan to realize the greater value from such loan. However, there may be impediments to executing a refinancing strategy to the extent other lenders have adjusted their loan programs and underwriting standards to be more conservative. The effect of the above would likely serve to make refinancing of NPLs potentially more difficult and less profitable.

Shipping and Tanker Assets. The Funds may invest in shipping and tanker vessels or assets. The shipping and tanker industries are both cyclical and volatile in terms of market values of vessels and profitability. Fluctuations in vessel values result from changes in supply and demand and, specifically with respect to tanker capacity (and therefore, tankers), changes in the supply and demand for oil, oil products and chemicals. The factors affecting the supply and demand for vessels are outside of Castlelake's control, and the nature, timing and degree of changes in industry conditions is unpredictable. Profitability of these investments will depend on Castlelake's projections with respect to future supply/demand and pricing that may not prove to be accurate. The market value of any vessels is also expected to fluctuate depending on general economic and market conditions affecting the shipping industry, as well as other modes of transportation, types, sizes and ages of vessels, applicable government regulations and the cost of new builds.

Non-Controlling Investments. The Funds may make non-controlling investments and, therefore, may have a limited ability to protect its investments although Castlelake may seek to have control rights with respect to the investments.

Leverage. Castlelake uses leverage for certain purposes in managing client portfolios. Although the use of leverage increases returns on investments if there is a greater return on the incremental investments purchased with the borrowed funds than the cost for such funds, the use of leverage decreases returns if it fails to earn as much on such incremental investments as it pays for such funds. The lenders that provide financing may apply discretionary covenants or repayment obligations which, if not met, may result in loss of financing and forced liquidations of investments at disadvantageous prices.

Because investments may include securities of companies with leveraged capital structures or because non-recourse leverage can be used in connection with acquisition of investments, such investments will be subject to increased exposure to adverse economic factors such as an increase in interest rates, a downturn in the economy or further deterioration in the economic conditions of such company or its industry. Similarly, the Funds may make investments that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of these could be significantly reduced or even eliminated due to further credit deterioration.

Subscription Lines of Credit. Certain Funds use subscription lines of credit pending receipt of capital calls from investors and to manage the overall cash in the Fund. Lines of credit can enable the Funds to generate returns even before investors contribute capital and can help smooth investor cash flows and ease the administrative burden of responding to capital calls. The use of subscription lines of credit exposes Castllake to potential conflicts of interest. All costs of a subscription line of credit are borne by the Funds. The Funds' governing documents may permit the use of a subscription line of credit to pay for management fees and other expenses. The use of a subscription line of credit may result in both Castllake and investors benefiting from the enhanced internal rates of return of the Funds, particularly early in the term of a Fund, as a result of the use of a subscription line of credit. Castllake provides disclosure of its economic terms in the Funds' partnership agreements. Additionally, the Funds' partnership agreements have provisions limiting the scope and amount of capital that can be drawn pursuant to a subscription line of credit.

Risks Associated with Bankruptcy Cases. Investment and lending activities, particularly involving companies in distressed situations, may result in the clients' becoming involved as a creditor in bankruptcy cases. In addition, the Funds may purchase securities or assets of, or claims against, companies in bankruptcy. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. Generally, the duration of a bankruptcy case can only be roughly estimated. This process can involve substantial legal, professional and administrative costs to investors; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to reorganize and may be required to liquidate assets.

The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the issuer's fundamental values. There exists a significant risk that Castllake's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by over the claims of certain creditors (for example, claims for taxes) may be quite high.

Debt Securities. Debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. The ability of these companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

Distressed Securities. The Funds may purchase, directly or indirectly, securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such purchases may involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. There is no assurance that Castllake will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation, investors may lose their entire investment or may be required to accept cash or securities with a value less than the original investment.

Defaulted Securities. The Funds may invest in the securities of, and trade claims against, 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 investors to litigation risks or prevent the investors from disposing of securities. In a bankruptcy or other proceeding, the investors as creditors may be unable to enforce their rights in any collateral or may have security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors.

Trade and Other General Unsecured Claims. The Funds may acquire interests in claims of trade creditors and other general unsecured claim holders of a debtor (“trade claims”). Trade claims generally include, but are not limited to, claims of suppliers for goods delivered and not paid, claims for unpaid services rendered, claims for contract rejections and claims related to litigation. Trade claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of trade claims is subject to significant uncertainties, including potential set-off by the debtor as well as the other uncertainties described herein with respect to other distressed securities. An investment in trade claims and high risk receivables may also entail special risks including, but not limited to, fraud on the part of the assignor of the trade claim as well as logistical and mechanical issues which may affect the ability to collect the claim in whole or in part.

High Yield Securities. The Funds may invest in “high-yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities.) Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be greater risk with respect to the issuer’s capacity to pay interest and repay principal. Further, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which they can be sold.

Private Equity Securities. The Funds may make private equity investments from time to time, including investments in companies undergoing debt restructurings and recapitalized companies, which involve a high degree of business and financial risk. Such companies may have highly leveraged capital structures, require substantial additional capital to support expansion or to achieve or maintain a competitive position, produce substantial variations in operating results from period to period or operate at a loss. Although Castllake may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent it takes minority positions in companies in which it invests, Castllake may not be in a position to exercise control over the management of such companies. Private equity investments may have extended holding periods of several years and there can be no assurance that a viable exit mechanism will be available at the end of the anticipated holding period.

Derivative Instruments. Castllake may use various derivative instruments which may be volatile and which may be subject to wide and sudden fluctuations in market value. The Funds may enter into interest rate swaps and similar transactions primarily as a means of hedging borrowing against fluctuations in interest rates or preserving or enhancing a return or spread on a particular investment or portion of its portfolio. Castllake may enter into interest rate swaps on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities. Castllake may also

enter into credit default swaps and may either buy protection or sell protection from losses caused by the occurrence of a negotiated default event.

Mortgage-Backed and Asset-Backed Securities. The Funds may invest in any tranche, including unrated tranches, of a variety of types of asset-backed securities, including residential and commercial mortgage-backed securities and other asset-backed securities. These types of securities are primarily exposed to the performance and credit risk of the underlying collateral. They are also substantially dependent on the servicing of the underlying asset pools and therefore subject to risks associated with the negligence of, or misappropriation by, their servicers.

Non-U.S. Investments and Currencies. Castlelake invests on a global basis and may invest a significant portion of its clients' assets in non-U.S. positions. This requires consideration of certain risks typically not associated with investing in U.S. assets or securities. These risks include, among other things, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, U.S. and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties and economic or political instability in foreign nations. Laws and regulations of foreign countries may impose restrictions that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States.

Because investments in other countries will likely be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar may well result in a corresponding change in the U.S. dollar value of the assets denominated in those currencies. The value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. Castlelake may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed. Accordingly the clients, may at times be, directly or indirectly, subject to foreign exchange risks.

Emerging Market Opportunities. The Funds invest in assets or companies located or doing business in emerging market geographies. An "emerging market" geography is any country determined to have an emerging market economy, considering factors such as the country's credit rating, the development of its financial and capital markets and its political and economic stability. In addition, emerging markets may be commodity-dependent in nature and hold lower gross national products relative to more developed countries. Investing in emerging market opportunities includes all of the risks of non-U.S. investments noted above, but to an increased degree. Emerging markets may have governments that are less stable, markets that are less liquid and economies that are less developed and variability in legal jurisdiction. These markets may have heightened volatility, greater political, regulatory, legal and economic uncertainties, less liquidity, dependence on particular commodities or international aid, high levels of inflation, restrictions on foreign investment and restrictions on repatriation of investment income and capital. Future economic or political situations could lead to price controls, forced mergers, expropriation, nationalization or the creation of government monopolies.

Risks Relating to Vehicles

Vehicle Structure: Limited Liquidity and Recourse. An investor's investment in a Vehicle is subject to the structure and terms of each Vehicle. Investors should have no expectation of a secondary market in notes issued by a Vehicle, or that markets would provide investors with liquidity. The notes issued by a

Vehicle are limited recourse obligations; investors must rely on available collections from the collateral pledged by a Vehicle, as issuer, pursuant to the indenture and will have no other source of payment.

Subordination. Payments on the senior-most class(es) of a Vehicle's securities are subordinate to the payment of certain fees and expenses payable by us to other parties pursuant to the indenture. Payments of principal and interest on any junior class of securities are subordinated under the priority of payments to payments on any senior class of securities or other instruments. To the extent any losses are suffered by any securities or other instruments, those losses will be borne by each class of securities or other instruments in order of subordination. Accordingly, the most subordinated classes of securities or other instruments may not be paid in full and may be subject to 100% loss. In addition, the most subordinated class(es) of interests in a Vehicle's securities represent highly leveraged investments and will be most affected by any changes of market value of the collateral, including, but not limited to, defaults, prepayments and other risks associated with the collateral.

Remedies. If an event of default occurs under a Vehicle's indenture, the controlling class (generally the most senior class of notes then outstanding) will generally be entitled to determine the remedies to be exercised under the indenture. The interests of the controlling class of a Vehicle may be adverse to those of the subordinated classes, and in pursuing this interest the controlling class will have no obligation to consider any possible effect on other interests. In addition, the junior-most class of securities or other instruments is not generally entitled to exercise remedies under the indenture, nor is the trustee generally obligated to act on behalf of the holders of these securities or other instruments.

Sale of Collateral Upon Default. If an event of default occurs under a Vehicle indenture, there can be no assurance that the proceeds of any sale of collateral will be sufficient to pay in full transaction expenses and principal and interest on the securities or other instruments.

Reinvestment Risk. In certain circumstances, certain funds will be reinvested in additional or substitute assets. A number of factors, including the need to satisfy certain reinvestment criteria set forth in the indenture, may result in a lower yield on additional or substitute assets. In addition, due to significant restrictions set forth in the Vehicle indenture on the ability to buy and sell collateral, the issuer may be unable to buy or sell obligations or take other actions which might be in the best interests of the security holders in the absence of these restrictions.

Valuation. For the Vehicles, Castlake is responsible for arranging for relevant third party valuation in accordance with the Vehicle Documents.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events that would be material to an evaluation of Castlake or the integrity of Castlake's management. Castlake has no legal or disciplinary event responsive to this Item to report.

Item 10 - Other Financial Industry Activities and Affiliations

Castlake is the investment manager for each of the Funds and the Vehicles. The general partner of Castlake is Castlake Holdings, LLC, a Delaware limited liability company. Castlake is a related person to the general partners or managing members to the Funds. Please see Item 6 of this brochure

regarding performance-based fees that may be paid by a Fund to its general partner or managing member.

Castlelake (UK), LLP (“Castlelake (UK)”), a United Kingdom limited liability partnership, is an investment adviser authorized and regulated by the UK Financial Conduct Authority. Castlelake (UK) provides sub-advisory investment management and research services to Castlelake. Castlelake (UK)’s managing member is Castlelake Holdings (UK) Ltd., which is wholly owned by Castlelake.

Conflicts of Interest

Investors should be aware that there will be occasions where Castlelake and its affiliates may encounter potential conflicts of interest in connection with the clients’ investment activities. The following discussion enumerates certain of those potential conflicts of interest.

Coordination Among Clients. While Castlelake is required to devote substantially all of its time and attention to the affairs of the Funds and the Vehicles, it can’t devote all of its time and attention to any single Fund or Vehicle. Castlelake will engage in investment activities for multiple clients and, to the extent permitted by Castlelake’s compliance policies act for its own account. This can result in certain conflict of interest situations, including the following:

- *Co-Investments.* Where appropriate based on the size of the opportunity and other factors, co-investment opportunities may be offered to various clients or to third parties, whether through collectively owned SPVs and otherwise. When co-investment opportunities are available, they will be allocated by at the discretion of Castlelake based on a variety of factors that may include: suitability; prior expression of interest by a third party; timing, existing third party obligations; legal, regulatory, tax, underwriting or other considerations affecting co-investment participation; and the size of the commitment by a third party or other clients. Third party co-investors may be required to pay management and performance fees, but Funds in a co-investment are not assessed any management or performance fees. In addition, assets of each co-investor may become exposed to the risk of claims involving one or more other co-investors, e.g., a third party to a transaction may require the co-investing Funds or Vehicle to agree to joint and several liability, or certain types of trades may be pooled together in a common SPV without segregation of liabilities arising from different trades even though not all participating accounts participate in all trades entered into by the SPV. Castlelake intends to mitigate such risks as it deems appropriate from time to time, such as through cross-indemnification arrangements, but there can be no guarantee that such risks can be mitigated in full.
- *Allocation of Investment Opportunities.* When a limited opportunity to acquire or dispose of an investment which is either suitable for, or already held by, more than one client with similar investment objectives, Castlelake seeks to allocate investment opportunities in such a manner that, to the extent feasible, no client receives consistently more or less favorable treatment than any other client. Investment opportunities suitable for more than one client will be allocated on a *pro rata* basis amongst the clients based on total capital commitments. However, such investment opportunities may be allocated other than on a *pro rata* basis where Castlelake determines another equitable allocation is appropriate in light of one or more relevant factors affecting each client, including available capital, capital constraints, portfolio diversification, status of investment as a follow-on investment with respect to any Fund, duration of investment and timing of the Fund’s commitment period and term, investment horizon (i.e., capital

obligations, funding or distribution requirements), tax and other structural considerations, provisions in the operating agreements.

- *Investments at Different Levels of Capital Structure.* The Funds may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent or suffers financial distress, there may be a conflict between the interests insofar as the issuer may be unable to satisfy the claims of all classes of its creditors and security holders. Under these circumstances it may not be feasible for Castllake to reconcile the conflicting interests of the clients in a way that protects all of the interests.

Interfund Cross Transactions. From time to time Castllake may determine that a sale or lease of an investment from one or more of the Funds or the Vehicles to another is in their respective best interests. For example, one Fund may acquire an investment from an unrelated seller in anticipation of offering it to another Fund at a future date if the latter Fund does not have available capital to make the investment when it is being marketed by the unrelated seller. This may also arise, for example, if one Fund is being wholly or partially liquidated, while another account has cash available for investment. Further, a Fund may acquire or lease investments from, or sell or lease investments to, another Fund, the Vehicles, or an affiliate of Castllake that is in the business of originating and syndicating loans or other assets. In particular, the Funds can exit or partially exit an investment or a series of related investments through contribution of such assets to an affiliated securitization Vehicle or other entity established by Castllake or its affiliates in which the Funds. For a securitization Vehicle the Funds would typically hold junior tranches on a non-recourse basis while the senior tranches would typically be offered to third parties, including banks. For other entities, the Funds would typically hold direct or indirect equity interests in the entity established to hold the assets. While these transactions with related parties expand the universe of opportunities that are available to Castllake clients, all clients will not necessarily derive a benefit from each such transaction, and the clients and the other parties to a particular transaction may have divergent interests. In order to minimize the conflict, Castllake conducts any such transactions on an arms-length basis, including documentation/rationale to support fair market value of the purchase, lease or contribution of assets. In addition, if required by the Offering Documents, Castllake will seek advice by the advisory committees of the relevant clients.

Transactions with Affiliates. Castllake and/or its affiliates enter into servicing agreements with the Vehicles and other debt facilities and may do so for certain Fund investments or entities. Pursuant to these servicing agreements, Castllake and/or its affiliates receive certain fees. Because these fees are paid at the Vehicle or facility level, both equity owners, such as the Funds, and third party debt owners bear such fees. Castllake is subject to a conflict of interest in creating these Vehicles and facilities because of its ability to receive additional compensation by retaining all or a portion of these fees. Castllake addresses this conflict by ensuring that servicing fees attributable to the funds' investments are offset against each fund's management fee so that a Fund does not effectively bear the fees with respect to its allocable portion of investment in the Vehicles or other entity; provided that in some instances the offset may be limited as further detailed in the Offering Documents. In addition, Castllake may receive additional compensation when there is no offset of servicing fees associated with the debt or investments not held by the Funds. Castllake retains all servicing fees that are paid by any third parties with respect to investments in which the Funds also invest.

Access to Non-Public Information. From time to time, the Funds, through the Principals, employees or agents of Castlelake, may have access to nonpublic information or be otherwise restricted from initiating transactions in certain securities that are existing investments or potential investments of the Funds. Castlelake will not be free to act upon any such information. Due to these restrictions, Castlelake may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Board Participation. The investment programs of the Funds may from time to time enable Castlelake to place its representatives on creditors' committees and/or boards of certain companies in which the clients have invested. While such representation may enable Castlelake to enhance the sale value, it may also prevent Castlelake from freely disposing of investments and may subject clients to additional liability. The clients will indemnify Castlelake, its affiliates, or any other person designated by any of them for claims arising from creditors' committee and/or board representation. Castlelake will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise its rights with respect to such companies, but the exercise of such rights could produce adverse consequences in particular situations.

Different Types of Investors. The Funds and the Vehicles are commingled entities and their investors may have conflicting investment, tax and other interests. The conflicting interests of investors may adversely impact the nature of investments made by Castlelake, the structuring or acquisition of investments and the timing of disposition of investments.

Side Letters. Castlelake may enter into Side Letters with certain investors in the Funds which provide those investors with different rights or terms, including but not limited to information rights or other rights that may be material. These side letters are generally subject to "most favored nation" provisions rights in the Funds.

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

Code of Ethics. Castlelake has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics requires that all of Castlelake's employees and partners act in a professional and ethical manner. Persons subject to Castlelake's Code of Ethics are subject to, among other things, various restrictions relating to their purchase or sale of securities. These restrictions include pre-clearance and disclosure requirements, and general prohibitions on transactions in securities in certain circumstances, including when in possession of material non-public information; transactions in securities of issuers on Castlelake's restricted list; and acquisition of securities in initial public offerings. There are also restrictions on the acquisition by persons subject to Castlelake's Code of Ethics in private placements, which acquisitions require the prior approval of Castlelake's chief compliance officer and the satisfaction of certain conditions. A copy of Castlelake's Code of Ethics will be provided upon request by investors in a Fund.

The Code of Ethics also addresses the fiduciary duties expected of the persons subject to the Code, including confidentiality obligations, gift and entertainment policies, and restrictions on outside business activities.

Castlelake employees may trade for their own accounts in securities which are recommended to and/or purchased for the clients. Because Castlelake permits such personal trading, this creates the conflict that employees could use their knowledge of pending client transactions in an attempt to benefit their

own personal transactions. For example, if an employee owns a security the employee knows Castllake will be selling out of client accounts, the employee could sell the personal holding ahead of time in an effort to obtain a higher price than might exist when Fund holdings are sold. To address certain conflicts related to personal trading, the Code of Ethics requires pre-approval of many types of personal securities transactions. Because Castllake does not prohibit employees from investing in the same securities in which Funds invest, Castllake's Chief Compliance Officer monitors the periodic personal securities transactions and holdings reports in an effort to ensure that employees do not personally benefit from, or try to take advantage of, their knowledge of upcoming buys and sells by the Funds. In general, given the nature of the Funds' investments and the limited personal securities activities of our employees, Castllake does not believe as a practical matter that employees will be able to benefit personally from such knowledge.

Gifts. Castllake personnel may receive or give certain gifts and gratuities from or to broker-dealers or other persons with whom Castllake, its affiliates or clients do business (including portfolio brokers). Receipt of such gifts and gratuities might be viewed as causing a conflict of interest for Castllake in selecting brokers and dealers and other service providers. It is a violation of Castllake's Code of Ethics for employees to offer or accept inappropriate gifts, favors, entertainment, special accommodations, or other things that could be viewed as overly generous and could influence their decision-making. To address certain conflicts related to receipt or giving of gifts, the Code of Ethics requires pre-approval of gifts of more than a *de minimis* (\$250) value.

Item 12 - Brokerage Practices

Selection of Brokers. Securities transactions are executed by brokers selected by Castllake in its sole discretion. Castllake will take into account certain factors, including: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the level of trading expertise for the particular type of investment at hand; the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker. Castllake is not required to weigh any of these factors equally.

Soft Dollars. As a practical matter, the receipt of research from the broker-dealers that execute Castllake's transactions is not a material factor in the selection of such brokers. To the extent consistent with Castllake's obligation to seek best execution, and all other considerations being equal, Castllake will place trades with broker-dealers who provide Castllake with their own research ("proprietary research"). This determination is informal and is subject to the discretion of Castllake's head trader. There are no formal or informal commission targets for the broker-dealers that provide Castllake with research. Castllake receives the following types of proprietary research: reports and commentary on companies, industries and the economy; and access to broker-dealer research analysts to discuss companies. Castllake believes this research benefits all of the client accounts and does not seek to allocate the research proportionately to the specific accounts whose trades are with the broker-dealer that provides the research. Obtaining this research benefits Castllake because it does not have to produce or pay for the research itself. As a result, Castllake theoretically may have an incentive to select or recommend a broker-dealer based on Castllake's interest in receiving the research, rather than on the clients' interest in receiving most favorable execution. However, as noted above, Castllake's receipt of proprietary research is a very minor consideration in its selection of broker-dealers to execute transactions, Castllake does not "pay up" and it always seeks best execution.

Best Execution. Castlelake seeks best execution of transactions for client accounts in such a manner that is the most favorable under the circumstances. Although Castlelake generally seeks competitive commission rates, it will not necessarily pay the lowest commission. Given the differences in market structures or the characteristics of financial instruments, it is not possible to identify and apply a uniform standard of, and procedure for, best execution that would be valid and effective for all types of instruments. With the understanding that certain other circumstances, such as liquidity and complexity of the instrument, the clients have given the discretionary mandate that the best possible price available may not always represent best execution. Furthermore, in some circumstances there will only be a very limited number of venues through which the transaction can be executed. In such cases best execution is demonstrated through achieving the desired transaction at a price deemed appropriate by Castlelake.

Aggregations and Partial Fills. As applicable, Castlelake will place orders for all clients on a combined basis. If all such orders are not filled at the same price, they will be filled for each client at the average price. If it is not possible under prevailing market conditions to fill the entire order for all clients at the same price that would be obtainable if an order were placed for only one client, Castlelake will usually allocate the trade among the clients with transaction costs being shared pro rata, or otherwise on a basis that it considers in good faith to be equitable.

Cross Trades. Transactions between clients, with or without the involvement of a broker, may be permitted provided they are conducted on an arms-length basis and Castlelake does not receive any brokerage compensation in connection with the transaction which is settled at then existing market prices.

Trade Errors. The execution of the trading and investment strategies employed by Castlelake can involve complex trades, difficult to execute trades and use of negotiated terms with counterparties. In light of the complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses to clients. Castlelake will evaluate the merits of potential claims for damage against brokers and counterparties who are at fault, and to the extent practicable may seek to recover losses from those parties. Castlelake may choose to forego pursuing claims against brokers and counterparties on behalf of its clients for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties and overall market. In addition, Castlelake's own investment and operations professionals may be solely or partly responsible for errors in placing, processing, and settling trades. Losses resulting from such errors will be borne by the clients so long as such persons met the standard of care set forth in the Offering Documents.

Item 13 - Review of Accounts

Investments are reviewed daily by Castlelake's investment professionals and operations team. In addition, each client portfolio is reviewed regularly by Castlelake's Chief Administrative Officer, Chief Compliance Officer and the Principals. Compliance personnel also reviews and the clients' portfolios to provide oversight and review of the trading activity. An independent auditor annually audits each Fund's financial statements.

Statements are prepared and sent to Fund investors on either a monthly basis or quarterly basis. These statements include an investor's beginning account balance, contributions, distributions, periodic net income and ending balance. Additionally, investors in Funds with limited terms receive monthly or quarterly written updates of the Fund's activity and performance. The managing agents of the Vehicles

prepare and deliver monthly, quarterly and annual reports and other statements and reports as required under the indentures governing the Vehicles. Statements are prepared and sent to Vehicle investors on monthly, quarterly and annual basis.

On an annual basis, investors in Funds received audited financial statements. Also, investors in Funds have their income reported to them on Schedule K-1s, Schedule 1042s or a combination of the two.

Item 14 - Client Referrals and Other Compensation

In connection with the offering of interests in some of its Funds, the general partners of certain Funds have entered into agreements with a registered broker-dealer pursuant to which the broker-dealer acted or is acting as the exclusive placement agent for the relevant Fund. For this service, the placement agent was or will be paid a fee that is being offset against management fees that Castllake does or will earn for that Fund. This broker-dealer agreement also provides for Castllake to pay a percentage of the management fees received from certain advisory clients that may be referred by the placement agent to enter into direct advisory relationships with Castllake.

Item 15 - Custody

Castllake does not maintain physical custody of any securities or cash owned by the Funds or the Vehicles and does not serve as the qualified custodian of any of the assets owned by the Funds or the Vehicles. However, Castllake is deemed by the applicable regulatory rules to have constructive custody of the assets of each Fund. Castllake satisfies the applicable regulatory requirements related to custody by, among other things, ensuring that each Fund is subject to an annual audit by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and that audited financial statements for each Fund are provided to its investors within 120 days of the applicable Fund's fiscal year-end.

Item 16 - Investment Discretion

Castllake exercises broad investment discretion over all of the Funds it sponsors and manages. This discretion is established in and subject to the terms of the Offering Documents. Investors in the Funds and Vehicles endorse Castllake's discretionary authority by executing the subscription documents related to their investment and accepting the terms outlined in the respective Offering Documents.

Item 17 - Voting Client Securities

Castllake has the authority to vote the securities held by the Funds. Castllake's operations team is responsible for reviewing all proxies and voting them consistent with the Castllake policies and procedures. Castllake will endeavor to avoid material conflicts of interest in the voting of proxies. However, where material conflicts of interest arise, Castllake is committed to resolving the conflict in the clients' best interest. In situations where Castllake perceives a material conflict of interest, Castllake may defer to the voting recommendation of an independent third party provider of proxy services, or take such other action in good faith that would protect the interest of advisory clients.

Under certain circumstances, Castllake may not be able to vote proxies or may find that the expected economic costs from voting outweigh the benefits associated with voting. For example, Castllake may not vote proxies on certain foreign securities due to local restrictions or customs.

A copy of Castlelake's written proxy voting policies and procedures as well as information on how proxies were voted for the Fund in which they have invested is available to any investor upon request.

Item 18 - Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Castlelake has no financial condition that impairs its ability to meet contractual commitments to the Funds, and has never been the subject of a bankruptcy proceeding.