
Part 2A of Form ADV: Firm Brochure

Trian Fund Management, L.P.

March 2011

Trian Fund Management, L.P.

280 Park Avenue, 41st Fl

New York, NY 10017

Tel: 212-451-3000

Fax: 212-451-3134

This brochure (this "Brochure") provides information about the qualifications and business practices of Trian Fund Management, L.P. (the "Adviser" or "Trian" or the "Firm"). If you have any questions about the contents of this Brochure, please contact Howard M. Felson, Chief Compliance Officer, at 212-451-3000 or helson@trianpartners.com. 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.

The Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

Item 2 – Material Changes

This Brochure is the Adviser's first Form ADV Part 2A submitted to the SEC pursuant to amendments made to certain rules promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the form formerly known as Form ADV Part II. The Adviser previously provided to its clients a Form ADV Part II, dated November 23, 2010 (the "Old Part II"), which was used as a basis for certain disclosure provided in this Brochure. Differences between the Old Part II and this Brochure are generally attributable to the new disclosure rules and the new form. If the Adviser makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

Item 3 – Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management	9
Item 7 – Types of Clients.....	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9 – Disciplinary Information.....	43
Item 10 – Other Financial Industry Activities and Affiliations	44
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	46
Item 12 – Brokerage Practices and Trade Error Policy	50
Item 13 – Review of Accounts.....	54
Item 14 – Client Referrals and Other Compensation	55
Item 15 – Custody	56
Item 16 – Investment Discretion	57
Item 17 – Voting Client Securities	58
Item 18 – Financial Information	59

Item 4 – Advisory Business

A. General Description of Advisory Firm

The Adviser is an alternative investment management firm, founded in 2005 by Nelson Peltz, Peter May and Edward Garden (the “Principals”). The Adviser has offices in New York, New York.

B. Description of Advisory Services

Triam provides discretionary investment advisory services to a variety of private investment partnerships and other investment vehicles (collectively, the “Funds” or each a “Fund”). As used herein, the term “client” generally refers to each Fund.

This Brochure generally includes information about the Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in the Funds generally must be both “accredited investors,” as defined in Regulation D, and “qualified purchasers,” as defined in the Investment Company Act of 1940, as amended. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

1. Investment Strategy

For its equity-focused Funds, the Adviser typically invests in public companies with attractive business models that it believes trade significantly below intrinsic value primarily due to operating underperformance and/or under-management. The Adviser looks to work constructively with management and boards of directors to execute the Adviser’s strategic and operational plan designed to increase the long-term earnings power of the company. The Adviser’s price objective for each investment is driven primarily by increasing earnings and cash flow (higher sales, lower expenses), and not by financial engineering (e.g., leveraged recapitalization or “break-up” of the company) or assumed multiple expansion. Generally, the Adviser does not invest in companies that it believes are subject to high exogenous risk factors, including obsolescence (e.g., technology and biotechnology), commodities exposure and substantial government regulation.

For its credit-focused Funds, the adviser invests primarily in debt instruments and other securities related to leveraged companies and other entities. The Adviser believes that all parts of the credit cycle offer attractive investment opportunities for investors, but that the nature of these opportunities changes throughout the cycle. As part of this strategy, the Adviser may seek, through its ownership of fulcrum debt securities, to accumulate control positions in select investments and seek to influence the operational and strategic direction of those issuers. The Adviser also may seek to invest in fundamentally sound companies without the use of an intermediary, thus driving terms and conditions and positioning itself to benefit from the long-term growth of its investments.

A chart outlining the various Funds as of the date of this Brochure is set forth below:

Equity Funds	<p>Trian Partners, L.P. <i>Feeder Fund: Trian Partners II, L.P.</i> Trian Partners Master Fund, L.P. <i>Feeder Funds: Trian Partners, Ltd.</i> <i>Trian Partners II, Ltd. feeds into Trian Partners, Ltd.</i> Trian SPV (SUB) V, L.P. <i>Feeder Funds: Trian SPV V, L.P.</i> <i>Trian SPV V, Ltd. feeds into Trian SPV V, L.P.</i> Trian Partners Strategic Investment Fund, L.P. Trian Partners Strategic Investment Fund-A, L.P. Trian Partners Master Fund (ERISA), L.P. <i>Feeder Fund: Trian Partners (ERISA), Ltd. (the "ERISA Fund")</i> Trian Partners Parallel Fund I, L.P.</p>
Credit Funds	<p>Trian Credit Partners, L.P. <i>Feeder Fund: Trian Credit Partners II, L.P.</i> Trian Credit Partners Master Fund, L.P. <i>Feeder Fund: Trian Credit Partners, Ltd.</i></p>

2. Types of Investments

Trian's equity-focused Funds invest primarily in publicly-traded equity securities. However, under the terms of the offering documents the Funds are generally permitted to invest in a broad range of securities and instruments, including, without limitation, U.S. and non-U.S. equity and equity-related securities (including distressed investments), bonds, bank debt and other fixed income investments, futures, forward contracts, warrants, options, repurchase agreements, reverse repurchase agreements, bankruptcy and trade claims, swaps and other derivative instruments, currencies, commodities, money market securities and other cash equivalents. The equity-focused Funds generally may take either long or short positions and they generally may use leverage in

connection with their activities. The equity-focused Funds may also participate in going-private transactions and invest in privately held companies.

Depending on the investment environment at the time, Trian's credit-focused Funds pursue various types of investments including: stressed or distressed fixed income securities; loans; liquid, performing debt instruments; credit derivatives; equity securities; and currency forward contracts. Pursuant to the offering documents, the credit-focused Funds are permitted to invest in a broad range of securities and instruments, including, without limitation, bonds, bank debt, notes, loans, debentures (whether subordinated, convertible or otherwise) and other credit-oriented investments, futures, forward contracts, warrants, options, repurchase agreements, reverse repurchase agreements, bankruptcy and trade claims, swaps and other derivative instruments, currencies, commodities, equity and equity-related securities (including distressed investments), money market instruments and other cash equivalents. The credit-focused Funds may use leverage in connection with their activities and may also make direct loans to, or otherwise engage in the active management of, a U.S. company.

The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

3. Other Services

The Adviser may cause one of the Funds, either alone or together with other Funds, to acquire a "control" position in the securities of a company, and may secure the appointment of persons selected by the Adviser to the company's management team or board of directors. In so doing, management persons of Trian, including one or more of the Principals, may acquire fiduciary duties to the company and to its other shareholders. These fiduciary duties may compel the Adviser to take actions that, while in the best interest of the company and/or its shareholders, may not be in the best interest of the Funds. Accordingly, the Adviser may have a conflict of interest between the fiduciary duties (if any) that it owes to such companies and their shareholders, on the one hand, and those that it owes to the Funds, on the other.

The Adviser and Wendy's/Arby's Group, Inc. ("Wendy's/Arby's") are parties to a services agreement that terminates on June 30, 2011, under which the Adviser assists Wendy's/Arby's with strategic advice and related legal matters. In addition, the Adviser and Wendy's/Arby's are parties

to a separate services agreement that terminates no later than June 30, 2011 that provides for the Adviser to assist Wendy's/Arby's by offering strategic advice in connection with the sale, liquidation or other disposition of certain legacy (non-restaurant related) assets of Wendy's/Arby's. Messrs. Peltz and May and certain of the Funds managed by the Adviser are significant shareholders of Wendy's/Arby's and Messrs. Peltz, May and Garden are the non-executive Chairman, non-executive Vice Chairman and a director, respectively, of Wendy's/Arby's.

C. Availability of Customized Services for Individual Clients

As Trian provides investment advisory services to private investment vehicles, it tailors its advisory services to the specific needs of the Funds, taking into account the particular strategies of the Funds as well as the legal and/or tax implications of investing in certain securities. From time to time, Trian may enter into agreements, commonly known as "side letters," with certain investors under which it may agree to waive or modify the application of certain investment terms applicable to such investor, without obtaining the consent of any other investor in the Funds (other than such an investor whose rights would be materially and adversely changed by such waiver or modification). The Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

D. Wrap Fee Programs

Trian does not participate in wrap fee programs.

E. Assets Under Management

As of March 1, 2011, Trian had approximately \$2,958,200,000 of assets under management. In addition, Trian has received contractual commitments with respect to April 1, 2011 for an additional \$446,800,000, net of anticipated redemptions. All of these assets are, and will be, managed on a discretionary basis.

Pursuant to a written sub-advisory agreement entered into between the Adviser and Trimaran Credit Managers LP, a Delaware limited partnership ("Trimaran"), the Adviser formed an investment committee (the "Investment Committee"), consisting of representatives from both entities, which, subject to the terms of the sub-advisory agreement, has discretionary trading authority with respect to the assets under management of the credit-focused Funds (collectively, the "Credit Funds"). The Investment Committee has delegated discretionary trading authority directly to Trimaran with respect to a portion of the assets under management of the Credit Funds. See Item 10 and Item 16.

Item 5 – Fees and Compensation

A. Management Fee and Performance-Based Compensation

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees and compensation is provided below.

Each Fund will typically pay the Adviser a quarterly management fee (the "Management Fee"), in advance, which is generally equal to a percentage within the range of 1.5%-2.0% per annum of the applicable Fund's net asset value, calculated and payable as of the beginning of each quarter, and in the case of Triam's long-only, drawdown style equity funds, the Management Fee is equal to a percentage within the range of 0.90% - 1.5% per annum of the portion of each investor's capital commitment that has been called or the investor's committed capital for the first three years of the Fund's term, and thereafter the balance of each investor's capital account. Funds whose only investors are affiliates of the Adviser are not subject to a Management Fee. To the extent a Fund is permitted to have "segregated investments," the Adviser charges Management Fees on those investments based on the lower of cost or fair value.

In the event that a client's net asset value is reduced in connection with a withdrawal or redemption by an investor of such client other than as of the last day of a quarter, the Adviser will return to such client an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such quarter, and such client will distribute such amount to the applicable investor.

Each Fund (in the case of the offshore investment funds, through their investment in the applicable master fund), except for certain of the Adviser's long-only, drawdown style equity funds, will typically be subject to an annual incentive allocation (the "Incentive Allocation") that is allocated to the general partner of the applicable Fund equal to a range of 15%-20% of the realized and unrealized net profits (if any) allocated to a capital account of each investor or a series of shares, as the case may be, in the applicable Fund for the fiscal year subject to a "high water mark" provision and excluding unrealized profits on segregated investments. Investors are permitted to elect to invest in options of interests or shares for which the Incentive Allocation is measured over one-year or three-year performance periods. For the three-year option of interests, a portion of the Incentive Allocation that has been allocated to the applicable general partner remains subject to a "clawback." As such, certain amounts of the Incentive Allocation may not be withdrawn by the applicable general partner until a determination of the net capital appreciation or net capital depreciation attributable to investments in the classes that feature a three-year performance period is made at the end of the performance period. In the event there is net capital depreciation attributable to an investment in a class that features a three-year performance period, a portion of such net capital depreciation will be reallocated from such investors to the applicable general

partner. Funds whose only investors are affiliates of the Adviser are not subject to an Incentive Allocation. From time to time, certain of the Funds that feed into other Funds may be subject to an annual incentive fee (the "Incentive Fee"), rather than an Incentive Allocation, equal to a range of 15%-20% of the net realized and unrealized appreciation in a series of shares for the fiscal year subject to a "high water mark" provision and excluding unrealized profits on any segregated investments, to the extent permitted by a specific Fund.

Certain of the Adviser's long-only, drawdown style equity funds will typically be subject to a carried interest distribution (the "Carried Interest Distribution" and together with the Incentive Allocation and the Incentive Fee, the "Performance Compensation") that is distributed to the general partner of these Funds equal to 15%-20% of distributions made by this Fund after capital is returned to each investor in this Fund subject to a catch-up provision and in certain cases subject to a preferred return.

From time to time, the Adviser establishes certain special purpose vehicles to co-invest with the Adviser's equity Funds in a single investment. The Management Fees and Performance Compensation charged or allocated may vary from the Management Fees and Performance Compensation described above.

Upon the complete or partial withdrawal or redemption by an investor of a Fund other than at the end of a fiscal year, the Performance Compensation, if any, will be made or allocated with respect to the amount being withdrawn or redeemed, as applicable.

The Adviser and the applicable general partner, if applicable, reserve the right to waive or modify any fee arrangements or performance compensation for any investor or to impose different terms and conditions on future investors.

B. Fund Expenses and Other Costs

The expenses identified below may not be applicable to all of the Funds. To the extent permitted under the applicable offering documents, each Fund generally bears its own operating and other expenses (and in the case of a feeder fund, its pro rata share of the applicable master fund's expenses), including, without limitation, expenses relating to the cost of purchasing investments, the actual or proposed acquisition, financing, holding, monitoring, hedging or disposition of investments (e.g., interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, clearing and settlement charges, finders' fees, interest expenses, travel expenses, brokerage commissions (see Item 12 below) and trading costs), fees of the administrator (or to the extent any services typically provided by an administrator are provided by the management company, the general partner or the managing general partner, as applicable, the sub-adviser or any of their respective employees or affiliates, the cost of such services in amounts not to exceed those that would typically be payable to administrators engaged to perform

such services as reasonably determined by the general partner or the managing general partner or the board of directors, as applicable, in good faith), organizational expenses, the management fees, expenses relating to the offer and sale of shares or interests, as applicable, financing fees, prime brokerage fees, filing fees, entity-level taxes, registration fees and similar fees, audit and tax return preparation fees, fees in respect of consulting, custodial, accounting, investment banking, appraisal and financial advisory services relating to investments or prospective investments (and to the extent consulting, accounting, investment banking, appraisal and financial advisory services are provided by employees of the management company, the general partner, the managing general partner, the sub-adviser or any of their respective affiliates, the cost of such services in amounts not to exceed those that would typically be payable to outside professionals or consultants engaged to perform such services as reasonably determined by the general partner or the managing general partner or the board of directors, as applicable, in good faith), due diligence expenses and fees relating to investments or prospective investments, travel expenses relating to investments or prospective investments conduct of proxy contests and tender offers, litigation expenses and legal expenses (including the cost of in-house counsel of the management company, the managing general partner, the general partner, the sub-adviser and their respective affiliates in amounts not to exceed those that would be payable to outside counsel engaged to perform such services as reasonably determined by the general partner or the managing general partner or the board of directors, as applicable, in good faith) incurred in connection with the making or administration of investments (to the extent not borne by companies in which the client has an investment and regardless of whether consummated), costs of pricing services, servicing and special servicing fees, liability insurance covering the general partner, the managing general partner, the management company, the sub-adviser for our credit-focused Funds, certain other service providers and their respective affiliates, members, directors, officers, employees and agents, extraordinary expenses and other similar expenses related to each Fund as the general partner or the managing general partner or the board of directors, as applicable, determines in its sole discretion.

Any expenses common to more than one client generally will be paid *pro rata* by such clients based on their respective amounts of capital under management.

Item 12.A further describes the factors that the Adviser considers in selecting or recommending broker-dealers for Fund transactions and determining the reasonableness of their compensation (e.g., commissions).

C. Other Compensation

Under the services agreement described in Item 4.B above that terminate on June 30, 2011, Wendy's/Arby's pays the Adviser a flat (quarterly or one-time) fee. In addition, with respect to certain of the Funds, 100% of all broken deal fees and directors fees as set forth under Item 10.C below and 50% of all transaction and advisory fees (or in the case of certain of the Funds, 100% of all such fees) received by the Adviser or its affiliates in connection with a Fund's share of an actual

or prospective investment will be applied to reduce the management fees (as reasonably determined by the Adviser based on the proportion of the actual or prospective investment therein made or to be made by each Fund).

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

D. Prepayment of Fees

Fees and compensation paid to the Adviser or its affiliates by the Funds are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis, in advance, and Performance Compensation is generally deducted on an annual (or multi-year) basis as set forth under Item 5.A above.

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

As described above in Item 5.A, the Adviser and its affiliates accept Performance Compensation from all Funds except Funds whose only investors are affiliates of the Adviser. In addition, even among Funds that all pay Performance Compensation, some investors will bear higher rates than others.

When the Adviser is managing Funds at the same time that have different fee structures, it may face a potential conflict of interest. For example, the Adviser may have an incentive to favor Funds that pay Performance Compensation over the Fund that does not, or favor Funds with higher Performance Compensation rates over those with lower rates. However, the Adviser may also have an incentive to favor the Fund that does not pay Performance Compensation because its investors are primarily affiliates of the Adviser.

The Adviser is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above. Please see Item 11 and Item 12.E. below.

Item 7 – Types of Clients

The Adviser generally provides investment advice to Funds as described above. The Adviser may in the future provide investment advice to separately managed accounts for institutional and other investors.

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

The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

A. Analysis, Sources of Information and Valuation

The Adviser employs fundamental analysis, including equity valuation analysis and credit analysis. The Adviser's sources of information also include investment banking contacts, corporate contacts and original analysis and research (financial, legal and other). The Adviser typically prices securities using readily available market quotations it receives from independent, third-party sources. In the event such market quotations are unavailable, or the Adviser determines in good faith that such quotations may be unreliable, or when an active market for a security does not exist (such as during periods of extreme market uncertainty), the Adviser may price the securities with the assistance of an independent auditor or other third party in accordance with the Adviser's procedures. These prices will be estimates of fair value as of the valuation date, and the Adviser makes no representation or warranty that a security can be sold at the estimated price.

B. Investment Strategies

Please see Item 4.B above for a description of the Adviser's investment strategies and types of investments. No assurance can be given that the Funds' respective investment objectives will be achieved or that investors will receive a return of their capital. Investing in securities involves risk of loss that clients should be prepared to bear. Please see Item 8.C below for further information regarding the risk of loss.

C. Risk of Loss

The following risk factors may not be applicable to all of the Funds. Investments in a Fund are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in such Fund. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable Fund's offering documents. These risk factors include only those risks the Adviser believes to be material, significant or unusual and relate to particular significant investment

strategies or methods of analysis employed by the Adviser and do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Adviser.

1. Material, Significant or Unusual Risks Relating to Investment Strategies

Investment and Trading Risks in General. An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. The Fund invests in and trades securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including the risks of short sales, the risks of leverage, the potential illiquidity of derivative instruments, the risk of loss from counterparty defaults and the risk of borrowing to meet withdrawal requests. The investment program of the Fund may utilize such investment techniques as margin transactions, option transactions, short sales, substantial leverage, securities lending, uncovered options transactions, forward transactions, futures and options on futures transactions, foreign currency transactions and highly concentrated portfolios, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Fund may be subject. All investments made by the Fund risk the loss of capital. No guarantee or representation is made that the Fund's investment program will be successful, that the Fund will achieve its targeted returns or that there will be any return of capital invested, and investment results may vary substantially over time.

The Funds' Investment Strategy. The success of a Fund's investment strategy may require, among other things, that: (i) the Adviser properly identify companies whose securities prices can be improved through the Adviser's active influence on, and involvement in, the operations of such companies or through other corporate and/or strategic actions; (ii) the Fund acquire sufficient securities or other instruments of or relating to such companies at a sufficiently attractive price; (iii) the Fund avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) management of such companies and other security holders respond positively to the Managing Adviser's proposals; and (v) the market price of such companies' securities increases in response to any actions taken by such companies. There can be no assurance that any of the foregoing will succeed.

Successful execution of an investment strategy with respect to a particular company may depend on the cooperation of other security holders and others with an interest in such company. Some security holders may have interests that diverge significantly from those of the Fund and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Adviser believes are fundamentally under-valued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates, even if the Fund's strategy is successfully implemented. Even if the prices for a company's securities have increased, there is no assurance that the Fund will be able to realize any increase in the value of its investment.

Concentration of Holdings. At any given time, a Fund's assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In that event, the Fund's portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or economic market, than a less concentrated portfolio would be. As a result, the Fund's aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. The Adviser is not obligated to hedge its positions.

Highly Volatile Markets. The prices of a Fund's investments, including, without limitation, common equity and related equity derivative instruments, high yield securities, convertible bonds, and other derivatives, including futures and option prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Fund's assets may be invested 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. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Fund is also subject to the risk of the failure of any exchanges on which its positions trade or of its clearinghouses.

Non-U.S. Investments. A Fund may invest a portion of its capital outside the United States in non-dollar denominated securities and instruments, including in securities and instruments issued by non-U.S. companies and the governments of non-U.S. countries and in non-U.S. currency. These investments involve special risks not usually associated with investing in securities of U.S. companies or the U.S. federal, state or local government. Because investments in securities and instruments issued by non-U.S. issuers may involve non-U.S. dollar currencies and because each Fund may temporarily hold funds in bank deposits in such currencies during the completion of its investment program, the Fund may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the United States. Some non-U.S. securities markets have a higher potential for price volatility and relative illiquidity compared to the U.S. securities and capital markets. With respect to certain countries there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability,

limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, dividends, capital gain, other income or sales proceeds, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect each Fund's investments in those countries.

Leverage and Financing Risk. A Fund that is permitted to use leverage may leverage its capital because the Adviser believes that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Fund may pledge its securities in order to borrow additional funds for investment purposes. The Fund may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings that the Fund may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing the Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Fund would be magnified to the extent the Fund is leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund that would be greater than if the Fund was not leveraged.

In general, the potential use of short-term margin borrowings would result in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Fund would either be required to deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

The Fund may enter into repurchase and reverse repurchase agreements. When the Fund enters into a repurchase agreement, it "sells" securities issued by the U.S. or a non-U.S. government, or agencies thereof, to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Fund "buys" securities issued by the U.S. or a non-U.S. government, or agencies thereof, from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Fund involves certain risks. For example, if the seller of securities to the Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws,

the Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Fund may suffer a loss to the extent it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller.

The financing used by the Fund to leverage its portfolio will be extended by securities brokers and dealers in the marketplace in which the Fund invests. While the Fund will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. The Fund is therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Fund. Because the Fund currently has no alternative credit facility that could be used to finance its portfolio in the absence of financing from broker-dealers, it could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of the Fund's portfolio at distressed prices could result in significant losses to the Fund.

Portfolio Company Leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. A Fund's portfolio companies may make use of varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Fund may suffer a partial or total loss of capital invested in the portfolio company.

Short Selling. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short by a Fund to hedge a long position, or to enable the Fund to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing the

Fund losses on both components of the transaction. In addition, when a Fund effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

Counterparty Risk. A Fund has established relationships and may establish additional relationships in the future to obtain financing, derivative intermediation and prime brokerage services that permit the Fund to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Fund will be able to maintain or establish such relationships. An inability to maintain or establish such relationships would limit the Fund's trading activities and could create losses, preclude the Fund from engaging in certain transactions or obtaining financing, derivative intermediation and prime brokerage services and prevent the Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Fund establishes additional relationships could have a significant impact on the Fund's business due to the Fund's reliance on such counterparties.

Some of the markets in which a Fund may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. The lack of evaluation and oversight of over-the-counter markets exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of its counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the Funds have no internal credit function that evaluates the creditworthiness of counterparties. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

Currency. A portion of a Fund's assets may be invested by the Adviser in debt and equity securities denominated in various currencies and in other financial instruments, the price of which is determined with reference to such currencies. The Fund will, however, value its investments and other assets in U.S. dollars. To the extent unhedged, the value of the Fund's net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes its investments will reduce, all other economic factors

being constant, the effect of increases and magnify the effect of decreases in the prices of the Fund's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Fund's non-U.S. dollar securities. Currency forward contracts and over-the-counter options may be utilized to hedge against any potential currency fluctuations, but the Fund is not required to hedge and there can be no assurance that such hedging transactions, even if undertaken, will be effective.

Hedging Transactions. A Fund may utilize financial instruments, both for investment purposes and for risk management purposes, in order to (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Fund's unrealized gains in the value of the Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of the Fund's liabilities or assets; (vi) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate.

The success of any hedging activities by a Fund will depend, in part, upon the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Fund's hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Fund from achieving the intended hedge or expose the Fund to risk of loss. The Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Fund's portfolio holdings.

Investments in Under-Valued Securities. Part of a Fund's investment strategy is to invest in securities that the Adviser believes are under-valued. The identification of investment opportunities in under-valued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in under-valued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Fund's investments may not adequately compensate for the business and financial risks assumed.

For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which a Fund invests may decline substantially. In particular, purchasing assets at what may appear to be "under valued" levels is no guarantee that these assets will not be trading at even more "under valued" levels at a time of valuation or at the time of sale.

Loans of Portfolio Securities. A Fund may lend its portfolio securities. The lending of securities is an attempt to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the loaned securities. To the extent that the value of the securities the Fund lent is not fully recovered, the Fund could experience a loss.

Trading in Securities and Other Investments That May be Illiquid. Certain investment positions in which a Fund may have an interest, including investment positions through which the Fund controls or seeks to control a company, may be illiquid. The Funds may own restricted or non-publicly traded securities and /or securities listed on foreign exchanges. These investments could prevent a Fund from liquidating unfavorable positions promptly and subject the Fund to substantial losses. Such investments could also impair the Fund's ability to distribute withdrawal proceeds to a withdrawing Limited Partner in a timely manner.

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. It is expected that a Fund will monitor on an ongoing basis the creditworthiness of firms with which it will enter into repurchase agreements, interest rate swaps, caps, floors, collars and other over-the-counter derivatives. If there is a default by the counterparty under such a transaction, the Fund will have contractual remedies pursuant to the relevant trading agreement. However, exercising such contractual rights may involve losses and/or costs that could result in the net asset value of the Fund being less than if the Fund had not entered into the transaction. If pursuant to any of the derivative transactions that the Fund enters into, the Fund is required to post cash as collateral and the trading counterparty becomes a debtor under the United States Bankruptcy Code, the Securities Investor Protection Act, or any similar liquidation or reorganization proceeding in the U.S. or abroad ("Liquidation Proceeding"), there is a risk that the Fund could lose some or all of the collateral and may be treated as an unsecured creditor with respect to such collateral. Furthermore, there is a risk that any of such counterparties could become insolvent and/or subject to a Liquidation Proceeding. If one or more of the Fund's counterparties were to become insolvent or the subject of a Liquidation Proceeding, there exists the risk that the recovery of the Fund's securities and other assets from such counterparty may be delayed and of a value less than the value of the securities or other assets originally entrusted to such counterparty.

In addition, a Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties are 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 the Fund's assets are 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 the Fund and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Fund, which could be material.

Regulatory Restrictions. The investment strategies pursued by a Fund may be affected by U.S. state, U.S. federal or non-U.S. laws governing the beneficial ownership of securities in a public company, which may inhibit the Fund's ability to freely acquire and dispose of certain securities. Should a Fund be affected by such rules and regulations, it may not be able to transact in ways that would realize value for the Fund. In addition, any changes to government regulations could make some or all forms of corporate governance strategies unlawful or impractical. Accordingly, such changes, if any, could have an adverse effect on the ability of a Fund to achieve its investment objective.

Litigation Risk. Some of the tactics that the Adviser may use involve litigation. A Fund could be a party to lawsuits either initiated by it, or by a company in which the Fund invests, other shareholders, or state, federal and foreign governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Fund.

Directorships on Boards of Portfolio Companies. The Principals and other members and employees of the Adviser and their affiliates or designees may serve as directors of, or in a similar capacity with, companies in which the Funds invest. In the event that material non-public information is obtained with respect to such companies or the Funds become subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the Funds 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 Fund.

Minority Investments; Investments with Third Parties. The Funds will primarily invest in minority positions of companies and in companies for which the Funds have no legal right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Funds will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds. Consequently, the Adviser may not always be in a position to effectively protect the Funds' interests.

The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

2. Risks Associated with Particular Types of Securities

Investments in Less Established Companies. While not its primary strategy, a Fund may invest a portion of its assets in the securities of less established companies, or early stage companies. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for the securities held by the Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss.

Stock Index Options. A Fund may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Fund of options on stock indices will be subject to the Adviser's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Call Options. A Fund may engage in the use of call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

Put Options. A Fund may engage in the use of put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Swap Agreements. The Adviser may enter into swap agreements on behalf of a Fund. Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Fund's exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of swap agreement if the Adviser determines that other forms are consistent with the Fund's investment objective and policies.

Swap agreements will tend to shift a Fund's investment exposure from one type of investment to another. For example, if the Fund agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the Fund's exposure to

U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Fund. If a swap agreement calls for payments by the Fund, it must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses by the Fund.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. The Fund may buy or sell total return swaps ("TRSs"), also known as "total rate of return swaps." A TRS is a financial contract in which one party receives interest payments on a reference asset plus any capital gains and losses over the payment period, while the other receives a specified fixed or floating cash flow unrelated to the credit worthiness of the reference asset, especially where the payments are based on the same notional amount. The reference asset may be any asset, index, or basket of assets. The TRS allows one party to derive the economic benefit of owning an asset without putting that asset on its balance sheet, and allows the other (which does retain that asset on its balance sheet) to buy protection against loss in its value.

The TRS counterparties may bear certain risks associated with the transaction, which include, for example, the possibility that the TRS beneficiary may default while the reference asset has declined in value. In addition, the reference asset obligor may default, followed by default of the TRS receiver before payment of the depreciation has been made to the payer or provider.

Derivative Securities and Instruments 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 Fund's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Additional risks associated with derivatives trading include:

- Tracking. 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 Fund from achieving the intended hedging effect or expose the Fund to risk of loss. If a Fund invests in derivatives at inopportune times or incorrectly judges market conditions, the investments may lower the return of the Fund or result in a loss. A 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 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 Fund may conduct its transactions in derivatives may prevent profitable liquidation of positions, subjecting the 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 will magnify the gains and losses experienced by a Fund and could cause a Fund's net asset value to be subject to wider fluctuations than would be the case if the Fund did not use the leverage feature of derivatives.
- Over-the-Counter Trading. Derivatives that may be purchased or sold by a 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 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 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 Fund and legally permissible. Special risks may apply to instruments that are invested in by a Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by a Fund.

Liquidity of Futures Contracts. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Adviser from promptly liquidating unfavorable positions and subject a Fund to substantial losses.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded on by a Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Fund. Market illiquidity or disruption could result in major losses to a Fund.

Commodity Futures Contracts. Trading in commodity interests may involve substantial risks. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and a Fund may be required to maintain a position until exercise or expiration, which could result in losses. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions.

The following additional risk factors should be carefully considered with respect to the Adviser's credit-focused Funds.

3. Additional Risks Associated with Particular Types of Credit-Related Securities and Related Material, Significant or Unusual Risks Relating to Investment Strategies for the Credit-Focused Funds

Investment and Trading Risks in General. In addition to the investment techniques listed under the same subheading in Item 8.C.1 above, a Fund may utilize strategies involving credit deterioration or default risks as well as investments in non-marketable securities, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Fund may be subject.

Illiquid Investments. A Fund may invest in securities, bank debt and other claims, and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. An investment in the Fund is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Investments in Under-Valued Securities. From time to time, a Fund may invest in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Investments in Distressed Assets. A Fund may invest a portion of its assets in distressed assets and portfolios of distressed assets, including non-investment grade obligations of U.S. and non-U.S. companies (including companies in significant financial or business difficulties). Although such investments may result in significant returns to the Fund, they involve a substantial degree of risk. Any one or all of the issuers of such securities and instruments may be unsuccessful or not show any return for a considerable period of time. An economic downturn or a period of

rising interest rates, for example, could cause a decline in the prices of such securities and instruments. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high.

There is no assurance that the Adviser will correctly evaluate the value of the collateral (if any) in the loans and securities purchased by a Fund or the prospects for a successful reorganization, turnaround, restructuring or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, a Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Fund's investments may not compensate the shareholders adequately for the risks assumed.

Investments in securities and in financial instruments and other obligations issued by distressed companies require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser and its representatives. To the extent that the Adviser and its representatives become involved in such proceedings, the Fund may have a more active participation in the affairs of the company it would otherwise have. In addition, involvement by the Adviser and its representatives in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Fund's ability to liquidate its position in the issuer under applicable insolvency or securities laws.

Borrower Fraud. Of paramount concern in investing in securities backed by loans and other debt instruments is the possibility of fraud, material misrepresentation or omission on the part of the borrower or the lack of adequate documentation or any documentation regarding such loans and debt obligations. Such occurrences may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Fund to perfect or effectuate a lien on the collateral securing the loan. The Funds will rely upon the accuracy and completeness of representations made by borrowers and lenders to the extent reasonable, but cannot guarantee such accuracy or completeness or the adequacy or existence of required documentation. Under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Non-Performing Nature of Debt. It is anticipated that certain debt instruments purchased by the Adviser for a Fund will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

Lower Credit Quality Loans. There are no restrictions on the credit quality of the loans to be held in a Fund's portfolio. Loans purchased by a Fund may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans

which a Fund may invest in have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than higher quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

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 Fund. Furthermore, there are instances where creditors and equityholders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

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

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 the Funds' influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

Furthermore, there are instances where creditors and equityholders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where a Fund, by virtue of such action, is found to exercise "domination and control" of a debtor, the Fund may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equityholders were harmed by the Fund.

The Funds may invest in companies based in Organization for Economic Co-operation and Development ("OECD") and other non-U.S. countries. Investment in the debt of

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

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

The Funds 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.

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. The Adviser anticipates that during the term of the Funds, the Adviser, its affiliates, the Funds and perhaps certain of their larger investors may be named as defendants in civil proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Funds and would reduce net assets or could require investors to return to the Fund distributed capital and earnings.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called

"equitable subordination"). The Funds do not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Funds may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

General Credit Risks Associated with Investments in Loans. While loans originated or purchased by a Fund or its affiliates are often intended to be secured by collateral, the Fund may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Funds cannot guarantee the adequacy of the protection of the Funds' interests. Furthermore, the Funds cannot assure that claims may not be asserted that might interfere with enforcement of the Funds' rights. In the event of a foreclosure, the Funds or an affiliate of 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 to the Funds. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Ability to Originate and Purchase Loans on Advantageous Terms; Competition and Supply. Our Funds may make and purchase loans. A Fund's success in this area will depend, in part, on the ability of the Fund to originate or purchase loans on advantageous terms. In making and purchasing loans, the Fund competes with a broad spectrum of lenders and investors, many of which have substantially greater financial resources and are more well known than the Fund, and some of which may be willing to lend money on better terms (from a borrower's standpoint) than the Fund. Increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to limited partners.

Contingent Liabilities. From time to time a Fund may incur contingent liabilities in connection with an investment. For example, a Fund may purchase a revolving credit facility from a lender that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Fund would be obligated to fund the amounts due. A 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 Fund.

Loan Origination. If a Fund that engages in loan origination is unable to sell, assign or successfully close transactions for participations in the loans that it originates, the Fund will be forced to hold its excess interest in such loans for an indeterminate period of time. This could result in the Fund's investments being over-concentrated in certain borrowers.

Investment in Restructurings. A Fund may make investments in restructurings which involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome and may cause a portfolio company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Fund and distributions by the Fund to the limited partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment or a similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances voidable preferences lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

High Yield Debt. A Fund may invest a portion of its assets in debt, including, without limitation, "higher yielding" (and, therefore, generally higher risk) debt securities, when the Adviser believes that such debt securities offer opportunities for capital appreciation. In most cases, such debt will be rated below "investment grade" or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market for high-yield securities has experienced periods of volatility and reduced liquidity. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a general economic recession or a major decline in the demand for products and services, in which the obligor operates, could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities.

Mezzanine Loans. The investment portfolio of a Fund may include mezzanine loans. A mezzanine loan is a privately negotiated, high yield and often unsecured subordinated debt obligation of an issuer that is unrated or rated below investment grade, the payments on which obligation often contain a form of equity participation in the issuer. Mezzanine loans typically have greater credit and liquidity risk than loans and are typically less liquid than high-yield bonds. A mezzanine loan may not have any public rating from a rating agency, nor will it have been registered with any securities regulator.

Mezzanine finance generally comprises an unsecured loan that is subordinated in terms of priority of repayment and security behind the senior debt and therefore has a higher risk profile than senior debt. Because of the greater risk, mezzanine lenders may be granted share options or warrants to acquire equity securities in the borrower that can be exercised in certain

circumstances, principally being immediately prior to the sale of the borrower or an initial public offering of its equity securities.

Many of the mezzanine loans purchased by a Fund will have no, or only a limited, trading market. In general, there is a very limited secondary market for mezzanine loans. In addition, secondary market liquidity has been particularly constrained during the recent period of volatility in the credit markets. Illiquidity in the market for mezzanine loans may restrict the Fund's ability to dispose of investments in a timely fashion and for a fair price.

Mezzanine loans may become non-performing for a variety of reasons. Such non-performing mezzanine loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial writedown of the principal of the loan and/or the deferral of payments. In addition, a Fund may incur additional expenses to the extent it is required to seek recovery upon a default on a mezzanine loan or participate in the restructuring of such obligation. Although the Adviser may exercise voting rights with respect to an individual mezzanine loan on behalf of a Fund, there can be no certainty that the Adviser will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such mezzanine loan to determine the outcome of such vote.

Investments in mezzanine loans where the underlying assets are non-income producing properties, including properties under development and undeveloped land, tend to have a higher risk of nonpayment than fully-developed real estate assets as a result of the potential failure of any anticipated development project. In the event of any such failure, the loan may go into default, which could result in losses and adversely impact a Fund's investment returns.

Issuers of mezzanine loans are likely to be highly leveraged and typically do not have available to them more traditional methods of financing. The risk associated with acquiring the securities of such issuers generally is greater than is the case with investment grade securities of corporate issuers. The prices of mezzanine loans are likely to be more sensitive to adverse economic changes or individual corporate developments than investment grade securities of corporate issuers. For example, during an economic downturn or a sustained period of rising interest rates, issuers of mezzanine loans may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of mezzanine loans because such securities often are unsecured and subordinated to other creditors of the issuer of such securities. In addition, due to the subordinated nature of the mezzanine loans, a Fund's rights under, and its recovery on, the mezzanine loan may be severely limited if the issuer of the mezzanine loan becomes the subject of bankruptcy or insolvency proceedings. Furthermore, a

Fund may incur additional expenses to the extent it is required to bring litigation in order to seek recovery upon a default on a mezzanine loan or participate in the restructuring of such obligation.

Bank Loans. A Fund's investment program may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) contingent liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the Adviser compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Fund.

Bankruptcy Claims. A Fund may invest in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by Federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

Synthetic Assets: Credit Default Swaps. A Fund may enter into credit default swaps or acquire or sell credit-linked notes secured by credit default swaps for, among other reasons, the purpose of implementing the Adviser's view that a particular credit, or group of credits, will experience credit improvement or credit deterioration, or to pursue other investment strategies. In the case of expected credit improvement, the Fund may "write" or "sell" credit default protection in which it receives spread income. The Fund may also "purchase" credit default protection even in the case in which it does not own the referenced obligation if, in the judgment of the Adviser, there is a high likelihood of credit deterioration. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the underlying reference obligation, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Specifically, a Fund may acquire exposure to the risk of CMBS, CDOs, debt securities and loans synthetically through products such as credit default swaps (including, LCDS, CDS, CDX, LCDX and CMBX contracts), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a "Synthetic Asset"). A Synthetic Asset could take many forms, including a credit derivative transaction that references a CMBS, CDO security, debt security loan, or a credit derivative transaction that references a portfolio or index of

reference obligations consisting of CMBS, CDO securities, debt securities, bonds or other financial instruments (each, a "Reference Obligation").

Selling credit default protection creates a synthetic "long" position which may replicate credit exposure to the Reference Obligation. However, there can be no assurance that the price relationship between the Reference Obligation and the Synthetic Asset will remain constant (as, among other reasons, the pricing of each may be based upon different factors), and events unrelated to the Reference Obligation (such as those affecting availability of borrowed money and liquidity) can cause the price relationship to change. This risk is often referred to as "basis risk," and it may cause a Fund to realize a greater loss on a Synthetic Asset than might otherwise be the case with a direct investment in a Reference Obligation.

As a "seller" of credit default protection, a Fund will generally receive a fixed rate of income throughout the term of the contract, which generally is between six months and ten years (depending on the maturity of the underlying Reference Obligation), provided that there is no credit event. If a credit event occurs, the Fund (as the seller of protection) will be required to pay the notional value of the Reference Obligation and, depending on the terms of the contract, either may receive in return a security representing the Reference Obligation, which will have a heavily discounted value or perhaps little or even no value, or may receive nothing in return other than the right to receive reimbursements of recoveries from the counterparty to the extent that the Reference Obligation subsequently performs.

Exposure to Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. A Fund will have a contractual relationship only with the Synthetic Asset counterparty, and not with the issuer(s) (the "Reference Entity") of the Reference Obligations unless a termination (in whole or in part) of the contract prior to such contract's scheduled maturity date (in the event of a credit event) occurs with respect to any such Reference Obligation, physical settlement applies and the Synthetic Asset counterparty delivers the Reference Obligation to the Fund. Other than in the event of such delivery, the Fund generally will have no right directly to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and the Fund will not have any rights of set-off against the Reference Entity. In addition, the Fund generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. The Fund also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation.

If a Fund is a "purchaser" of credit default protection and no credit event occurs, the Fund will lose its investment and recover nothing. However, if a credit event occurs, the Fund (as purchaser) may receive the notional value of the Reference Obligation from the Synthetic Asset counterparty even if the Reference Obligation has little or no value.

In the event of the bankruptcy or insolvency of the Synthetic Asset counterparty, a Fund will be treated as a general unsecured creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, the Fund will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity. As a result, concentrations of Synthetic Assets entered into with any one Synthetic Asset counterparty will subject the Fund to an additional degree of risk with respect to defaults by such Synthetic Asset counterparty as well as by the respective Reference Entities. Where a Fund is the purchaser of credit default protection, the Fund is exposed to the risk that the Synthetic Asset counterparty may fail to satisfy its payment obligation to the Fund following a credit event. The failure of a Synthetic Asset counterparty to perform may cause the Fund's hedging strategies, to the extent that they involve the purchase of credit default protection, to be less effective or ineffective.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held

by a Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Fund's ability to achieve their investment objective.

Structured Finance Securities. A Fund's portfolio may include investments in structured finance securities ("Structured Finance Securities"). Structured Finance Securities are, generally, debt securities that entitle the holders thereof to receive payments of interest and principal that depend primarily on the cash flow from or sale proceeds of a specified pool of assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. The evaluation of potential investments in Structured Finance Securities requires more detailed due diligence of large numbers of underlying assets and highly complex investment analysis on the part of the Adviser, including the use of complex models that depend on the accuracy of many underlying assumptions. There is no guarantee that such analytical models or the underlying assumptions used in such analytical model are accurate, relevant or complete. In addition, certain Structured Finance Securities such as CDO-squared and related structures are particularly complex and performing due diligence on their underlying assets (*e.g.*, CDOs) may be difficult or impossible. Furthermore, analytical models may not exist that would enable the Adviser to adequately evaluate such Structured Finance Securities.

Investing in Structured Finance Securities entails various risks: credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks, geographical concentration risks, basis risks and legal risks. Structured Finance Securities are subject to the significant credit risks inherent in the underlying collateral and to the risk that the servicer fails to perform. Accordingly, such securities generally include one or more credit enhancements, which are designed to raise the overall credit quality of the security above that of the underlying collateral. However, insurance providers and other sources of credit enhancement may fail to perform their obligations, and there can be no assurance that the credit enhancement, if any, applicable to a Structured Finance Security will adequately cover any shortfalls in cash available to make payments on such Structured Finance Security as a result of delinquencies or defaults. Certain insurance providers and monoline insurers have experienced financial distress and declines in credit ratings and certain major monoline insurers have suspended the issuance of financial guarantees and credit default swaps with respect to Structured Finance Securities. Such events may make it difficult to obtain insurance on Structured Finance Securities or related credit enhancements and may also reduce or eliminate the value of insurance and credit enhancements relating to previously issued Structured Finance Securities purchased by the Fund. Structured Finance Securities are subject to risks associated with their structure and execution, including the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such Structured Finance Securities, whether the collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of

the structured finance instrument) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such Structured Finance Securities. In addition, concentrations of Structured Finance Securities of a particular type, as well as concentrations of Structured Finance Securities issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the Structured Finance Securities to additional risk.

Certain Structured Finance Securities held by a Fund may be subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, many of the related transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal of more senior classes, the average life of such securities may lengthen. Subordinate Structured Finance Securities generally do not have the right to call a default or vote on remedies following a default unless more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Structured Finance Securities will generally not result in a default being declared on the transaction nor in an acceleration or restructuring of the obligations thereunder. Furthermore, because subordinate Structured Finance Securities may represent a relatively small percentage of the size of an asset pool being securitized, the impact of a relatively small loss on the overall asset pool may be substantial on the holders of such subordinate security.

Structured Finance Securities are also subject to the risks of the assets securitized. In particular, Structured Finance Securities are subject to risks related to the quality of the control systems and procedures used by the parties originating and servicing the securitized assets. Deficiencies revealed in these systems during the recent international credit crisis have resulted in higher-than-expected borrower delinquencies or other factors affecting the value of the underlying assets which has resulted in substantial losses by holders of Structured Finance Securities.

CMBS. A Fund's portfolio may invest in commercial mortgage-backed securities ("CMBS"). CMBS are, generally, securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self storage properties. CMBS are subject to particular risks, including lack of standardized terms, shorter maturities than residential mortgage loans and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. Because commercial mortgage loans are often structured so that all or a substantial portion of the

loan principal is not amortized over the life of the loan but is instead payable at maturity, repayment of commercial mortgage loans depends significantly upon the availability of real estate financing at the time of maturity from the existing or an alternative lender and/or upon the current value and ability to sell the related real estate. Therefore, the lack of real estate financing may lead to default under a commercial mortgage loan and may adversely affect the related CMBS.

In addition, commercial property values and net operating income are subject to volatility, which may result in net operating income becoming insufficient to cover debt service on the related mortgage loan. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate. Furthermore, the net operating income from and value of any commercial property is subject to various risks, including changes in general or local economic conditions and/or specific industry segments; the solvency of the related tenants; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; terrorist threats and attacks and social unrest and civil disturbances.

Property-specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use, will impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS. Additional risks may be presented by the type and use of a particular commercial property. Special risks are presented by nursing homes, hospitality properties and certain other property types.

At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Certain of the commercial mortgage loans underlying a CMBS may bear interest at adjustable rates based on London interbank offered rate for one-month dollar deposits or other established interest indices. Accordingly, debt service for any such commercial mortgage loan will increase as interest rates rise. In contrast, rental and other income on the related mortgaged properties is not expected to rise significantly as interest rates rise. Accordingly, debt service coverage ratios of the underlying floating rate commercial mortgage loans generally will be adversely affected by rising interest rates, and a borrower's ability to make all payments due on such floating rate commercial mortgage loans may be adversely affected.

Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from the assets underlying such CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

The exercise of remedies and successful realization of liquidation proceeds relating to CMBS may be highly dependent on the performance of the servicer or special servicer. There may be a limited number of special servicers available, particularly those that do not have conflicts of interest.

RMBS. A Fund may invest in residential mortgage-backed securities ("RMBS"). RMBS are securities whose payments depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) primarily on the cash flow from residential mortgage loans made to borrowers that are secured (on a first priority basis or second priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (one-to four-family properties) the proceeds of which are used to purchase or build such real estate (or to refinance indebtedness previously so used). RMBS are subject to various risks as described below, which are more fully described in the applicable Fund's offering documents.

Credit-related risk on RMBS arises from losses due to delinquencies and defaults by the borrowers in payments on the underlying mortgage loans and breaches by originators and servicers of their obligations under the underlying documentation pursuant to which RMBS are issued. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of delinquencies and defaults on residential mortgage loans and the aggregate amount of the resulting losses will be affected by a number of factors, including general economic conditions, particularly those in the area where the related mortgaged property is located, the terms of the mortgage loan, the level of the borrower's equity in the mortgaged property and the individual financial circumstances of the borrower.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans that are highly concentrated in specific geographical regions. As a result, the performance of such residential mortgage loans may be more susceptible to a downturn in the economy, including in

particular industries that are highly represented in such states or regions, natural calamities and other adverse conditions affecting such areas. Since 2007, delinquencies and defaults on residential mortgage loans have increased significantly and may continue to increase, particularly in the case of sub-prime and adjustable-rate mortgage loans underlying RMBS.

Some or all of the underlying residential mortgage loans in an issue of RMBS may have a balloon payment due on the applicable maturity date. Balloon residential mortgage loans involve a greater risk to a lender than fully amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, interest rates, tax laws and general economic conditions and the financial condition of the borrower. If borrowers are unable to make such balloon payments, the related issue of RMBS will likely experience losses. Since 2007, a number of the originators and servicers of residential mortgage loans, including some of the largest originators and servicers in the residential mortgage loan market, have experienced serious financial difficulties and, in some cases, have entered U.S. federal insolvency proceedings. Such difficulties may affect the performance of RMBS that are backed by mortgage loans originated or serviced by those entities. Furthermore, the inability of an originator to repurchase such mortgage loans in the event of loan representation breaches or the servicer to repurchase such mortgage loans upon a breach of its servicing obligations also may affect the performance of RMBS that are backed by those mortgage loans.

There can be no assurance that originators and servicers of mortgage loans will not continue to experience serious financial difficulties or experience such difficulties in the future, including becoming subject to bankruptcy or insolvency proceedings, or that underwriting procedures and policies and protections against fraud will be sufficient in the future to prevent such financial difficulties or significant levels of default or delinquency on mortgage loans. Because the recent financial difficulties experienced by such originators and servicers is unprecedented and unpredictable, the past performance of the residential mortgage loans originated and serviced by them (and the corresponding performance of the related RMBS) is not a reliable indicator of the future performance of such residential mortgage loans (or the related RMBS).

RMBS are susceptible to prepayment risks. Except in the case of certain types of RMBS, the mortgage loans underlying RMBS generally do not contain prepayment penalties and a reduction in market interest rates will increase the likelihood of prepayments on the related RMBS, which could reduce the yield to maturity for most holders of the related issue of RMBS.

Extension risk is the converse of prepayment risk. Extension, or slower prepayments of the underlying mortgage loans, would extend the time it would take to receive cash flows and would generally compress the yield on RMBS. Rising interest rates can cause a Fund's

average maturity to lengthen due to a drop in mortgage prepayments. This will increase both the Fund's sensitivity to rising interest rates and its potential for price declines.

The prices of RMBS may decline substantially, for reasons that may not be attributable to any of the other risks described herein or more fully in a Fund's offering documents. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels on a subsequent date or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk.

RMBS are also subject to structural risks. For example, the rate of interest payable on certain RMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an "available funds cap." As a result of this cap, the return to the holder of such RMBS is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater negative impact on the yield to the holder of such RMBS.

Because RMBS generally are ownership or participation interests in pools of mortgage loans secured by a pool of residential properties underlying the mortgage loan pool, RMBS are entitled to payments provided for in the underlying agreement only when and if funds are generated by the underlying mortgage loan pool. The likelihood of the return of interest and principal may be assessed as a credit matter. However, the holders of RMBS do not have the legal status of secured creditors, and cannot accelerate a claim for payment on their securities, or force a sale of the mortgage loan pool in the event that insufficient funds exist to pay such amounts on any date designated for such payment.

RMBS may be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. In addition, in the case of certain RMBS, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss, writedowns, the nonfulfillment of repurchase obligations, overadvancing on a pool of loans and the costs of transferring servicing than senior classes of such securities.

Legal risks may arise as a result of the procedures followed in connection with the origination of the mortgage loans or the servicing thereof which may be subject to various U.S. federal, state and other laws (including, without limitation, predatory lending laws) and public policies and principles of equity regulating interest rates and other charges. In addition, structural and legal risks of RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively

consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of RMBS.

Many of the risks facing a Fund's potential investment in such securities are unusually difficult to predict. Further compounding this difficulty is the potential for new legislation or other government regulation that, if promulgated, may result in a reduction of available transactional opportunities for a Fund, or an increase in the cost associated with such transactions. Any such legislation or regulation may adversely affect the market value of RMBS. In addition, credit rating agencies may fail to make timely changes to credit ratings to reflect credit events occurring since a particular rating was given, so that outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate a security which could cause substantial loss as the ratings are downgraded. As a result of the foregoing, a Fund's investments in RMBS may experience significant credit rating volatility.

ABS. Asset backed securities ("ABS") generally refer to securities backed by assets other than mortgages, mortgage-backed securities or other mortgage-related assets. A Fund may be exposed to the risk of ABS both indirectly through potential investments in CDO securities that are backed by ABS and directly through potential investments in ABS. The investment characteristics of ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying assets generally may be prepaid at any time. ABS may be backed by a variety of different types of pools of assets, including, credit card receivables, automobile, boat and recreational vehicle installment sales contracts, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans and other types of accounts receivable commonly support ABS. ABS also utilize different types of credit enhancement techniques, such as subordination or overcollateralization, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the assets underlying the ABS and the creditworthiness of the servicing agent for the loan pool and the originator of the loans. ABS also present certain risks that are not presented by CMBS and RMBS. Loans and receivables underlying certain types of ABS may not be fully secured by collateral. For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of U.S. federal and state consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Even if the receivables underlying an ABS are secured by collateral, there is a risk that the holders of the ABS may not receive the benefit of the liquidated collateral. For example, most issuers of automobile receivables permit the servicers to retain possession of the notes and titles for the vehicles. If the servicer were to sell these instruments to another party, there is a risk that the purchaser would acquire an interest superior to that of the ABS securitization trust to which the related automobile receivables were transferred. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under applicable laws, the trustee for the ABS

securitization trust to which the automobile receivables were transferred may not have a perfected first priority security interest in all of the obligations backing such ABS. Therefore, there is a risk that recoveries on repossessed collateral may not, in some cases, be available to support payments on such ABS. Therefore, the risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtors, and investors in ABS are less likely to benefit from recoveries on any collateral if a debtor defaults on a loan.

In general, "premium" ABS (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" ABS (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Because many ABS will be discount securities when interest rates are high, and will be premium securities when interest rates are low, these ABS may be adversely affected by changes in prepayments in any interest rate environment. The adverse effects of prepayments may impact the Fund's portfolio by either causing Fund investments to experience outright losses or to experience losses resulting from the underperformance of particular investments relative to hedge positions taken by the Fund on such investments.

Structural and legal risks of ABS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or its affiliates), a court having jurisdiction over the proceeding could determine that, because of the degree to which cash flows on the assets of the issuing vehicle may have been commingled with cash flows on the originator's other assets (or similar reasons), (i) the assets of the issuing vehicle could be treated as never having been truly sold by the originator to the issuing vehicle and could be substantively consolidated with those of the originator, or (ii) the transfer of such assets to the issuer could be voided as a fraudulent transfer. The time and expense related to a challenge of such a determination also could result in losses and/or delayed cash flows.

Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Broker-Dealer Registration Status. Neither Trian nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status. Neither Trian nor any of its management persons is registered, or has 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.
- C. Material Relationships or Arrangements with Industry Participants. Trian is a related person to the following private investment vehicles and to their respective general partners, if applicable:

Investment Vehicles	General Partners
Trian Partners, L.P. Trian Partners Master Fund, L.P. Trian SPV (SUB) V, L.P. Trian SPV V, L.P. – <i>feeder fund to Trian SPV (SUB) V, L.P.</i>	Trian Partners GP, L.P.
Trian Partners Strategic Investment Fund, L.P.	Trian Partners Strategic Investment Fund GP, L.P.
Trian Partners Strategic Investment Fund-A, L.P.	Trian Partners Strategic Investment Fund-A GP, L.P.
Trian Partners Master Fund (ERISA), L.P.	Trian Partners (ERISA) GP, L.P.
Trian Credit Partners, L.P. Trian Credit Partners Master Fund, L.P.	Trian Credit Partners GP, L.P.
Trian Partners Parallel Fund I, L.P.	Trian Partners Parallel Fund I General Partner, LLC
Trian Partners II, L.P. – <i>feeder fund to Trian Partners, L.P.</i>	Trian Partners II GP, L.P.
Trian Credit Partners II, L.P. – <i>feeder fund to Trian Credit Partners, L.P.</i>	Trian Credit Partners II GP, L.P.
Trian Partners, Ltd. – <i>feeder fund to Trian Partners Master Fund, L.P.</i>	N/A
Trian Partners II, Ltd. – <i>feeder fund to Trian Partners, Ltd.</i>	N/A
Trian Partners (ERISA), Ltd. – <i>feeder fund to Trian Partners Master Fund (ERISA), L.P.</i>	N/A
Trian Credit Partners, Ltd. – <i>feeder fund to Trian Credit Partners Master Fund, L.P.</i>	N/A
Trian SPV V, Ltd. – <i>feeder fund to Trian SPV V, L.P.</i>	N/A

The entities listed above include master funds and feeder funds that invest solely in such master funds. Where permitted by applicable laws and the governing instruments of the respective Funds, Trian may purchase securities or other assets on behalf of the Funds in which more than one Fund holds the same securities or other assets, subject to Trian's Code of Ethics and other applicable policies and procedures. For more information regarding trade aggregation and allocation, see Item 12.E below.

As noted in Item 4, pursuant to a written sub-advisory agreement with Trimaran and subject to the terms thereof, the Adviser formed an Investment Committee, consisting of representatives from both entities, which has discretionary trading authority with respect to the assets under management of the Credit Funds. The Investment Committee has delegated discretionary trading authority directly to Trimaran with respect to a portion of the assets under management of the Credit Funds. Trimaran is registered with the SEC and has its principal place of business in New York City. The Adviser and Trimaran are independently operated, owned and controlled.

From time to time, certain of the Adviser's related persons receive fees in connection with serving on the board of directors of one or more of the Funds' portfolio companies. Other than with respect to Wendy's/Arby's Group, Inc., where the Principals' investment and board service pre-dated the formation of the Adviser, 100% of such fees are offset against any management fees due to the Adviser.

- D. Material Conflicts of Interest Relating to Other Investment Advisers. Trian does not recommend or select other investment advisers for its clients.

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

A. Code of Ethics

The Adviser has adopted a code of ethics (the “Code of Ethics”) that establishes the standard of business conduct that its supervised persons must follow. The Code of Ethics requires supervised persons to avoid (i) placing personal interests ahead of the Funds’ interests; (ii) creating actual and potential conflicts of interest between personal activities and Fund activities; and (iii) taking advantage of their position to misappropriate investment opportunities from the Funds.

The Code of Ethics also includes provisions relating to the confidentiality of the Adviser and client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. In particular, the Code of Ethics requires our “access persons” to submit to the Chief Compliance Officer, or his designee, upon request, reports disclosing all personal securities holdings and/or transactions. The Adviser’s supervised persons are required to acknowledge that they have received, reviewed and understand the Code of Ethics and each subsequent amendment, and that they will comply with the Code of Ethics.

Clients may request a copy of the Code of Ethics by contacting the Adviser at the address or telephone number listed on the first page of this Brochure.

B. Participation or Interest in Client Transactions

The Code of Ethics as well as other of Trian's policies and procedures relating to, among other things, portfolio management and trading practices, personal securities transactions and insider trading are designed to assure that the personal securities transactions, activities and interests of Trian’s supervised persons will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing supervised persons to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit supervised persons to hold the same securities as clients, there is a possibility that supervised persons might benefit from market activity by a client in a security held by a supervised person.

From time to time, supervised persons and Principals of the Adviser or any related person(s) may invest or otherwise have an interest in securities owned by or being considered for investment by the Funds. Additionally, such persons may invest or otherwise have an interest, either directly or indirectly, in private funds managed by third parties, which in turn, may invest in securities held in other client accounts. Personal trading is monitored under the Code of Ethics in order to

reasonably prevent conflicts of interest between Trian and its clients. For more information regarding Trian's policies and procedures regarding Personal Trading see Item 11.C below.

Certain affiliated Funds or accounts may trade in the same securities with other unaffiliated Trian Funds on an aggregated basis when consistent with Trian's obligation of best execution. In such circumstances, the affiliated and unaffiliated accounts will share commission costs equally and receive securities at a total average price. Trian will retain records of the trade activity (specifying each participating account) and its allocation. See also Item 12.E below for more information on Trian's trade aggregation and allocation policies.

It is Trian's policy that it will not effect any principal or agency cross securities transactions for the Funds. While Trian will also not typically transfer a security from one Fund to another ("cross trade"), it may do so if it were to determine that such a transaction is in the best interests of two or more of the Funds for tax purposes, liquidity purposes, or to reduce transaction costs that may arise in an open market transaction.

The Adviser has adopted procedures with respect to cross trades, which include the following provisions:

- The transaction will be a purchase or a sale, for no consideration other than cash payment against prompt delivery of a security for which market quotations are readily available.
- The transaction will be consistent with the objectives, policies and restrictions of each party to the transaction.
- Except for customary transfer fees, no brokerage commission, fee or other remuneration will be paid in connection with the transaction.
- The transaction will be effected at the then-current market price of the security.

The Adviser does not permit cross trades with respect to ERISA Fund clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another unaffiliated Fund managed by the adviser. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

To the extent that a cross trade may be viewed as a principal transaction due to the ownership interest in a client by the Adviser or its personnel, the Adviser will comply with the requirements of

Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

C. Personal Trading

1. Investing in Securities that the Adviser or a Related Person Recommends to Clients

The Code of Ethics places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. In accordance with Adviser's Code of Ethics, the Adviser maintains a "Restricted List" of companies about which a determination has been made that it is prudent to restrict trading activity by the Adviser's supervised persons. The list, which is circulated to the Adviser's and sub-adviser's supervised persons on a weekly basis (or earlier, if a new company is to be added to the list), includes those companies that the Adviser and/or sub-adviser (with respect to the credit-focused Funds) is actively considering building a position in, those companies that the Funds already have a position in and those companies about which the Adviser may have obtained material, non-public information. Generally, a supervised person may not trade securities of an issuer included on the Restricted List, however, exceptions may be granted by the Chief Compliance Officer or the General Counsel. Pre-approval is not required for trades that do not involve issuers on the Restricted List other than initial public offerings (IPOs) and Limited Offerings (e.g., private placements).

The Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

2. Procedures to Prevent and Detect Misuse of Material, Non-Public Information

The Adviser has established policies and procedures intended to prevent the use of material, non-public information by its supervised persons and to prevent, detect and correct any violations of the prohibition on insider trading. Under applicable law, the Adviser and its related persons are prohibited from disclosing or using such material, nonpublic information for their personal benefit or for the benefit of another person, including the Funds. The Adviser and its related persons may, from time to time, come into possession of material, nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Accordingly, the Adviser's policies provide that if the Adviser or its related persons obtain material, nonpublic information concerning an issuer of securities, they are prohibited from communicating such information to, or using (including trading) such information for the benefit of, the Funds and such issuer is placed on the Restricted List.

In addition, pursuant to the Adviser's procedures to prevent and detect misuse of material, non-public information, whenever an Adviser's employee is meeting or having conversations with third parties in connection with its due diligence regarding an industry or specific public companies in which the Funds are, or are considering, building a position, they are instructed to inform such persons that they do not wish to receive material, non-public information in the course of the meeting or discussion and to contact the Adviser's General Counsel or Chief Compliance Officer immediately if they believe that they may have received material, non-public information. Should the Adviser receive material, non-public information regarding a company, the company is immediately added to the Adviser's Restricted List (if not already on the Restricted List) and the Adviser and its employees are prohibited from trading any securities of that company until, in the case of the Adviser's employees, such issuer is removed from the Restricted List or, in the case of the Adviser, such time as the information that it received no longer constitutes material non-public information.

Item 12 – Brokerage Practices and Trade Error Policy

A. Brokerage Execution

As noted previously, the Adviser has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Adviser and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Adviser may consider, among other things, the following: among others, execution capability, ability to maintain anonymity, commission rates, financial responsibility, comprehensiveness and frequency of available research services, capital introduction resources and responsiveness to the Adviser.

From time to time, brokers may assist the Funds in raising additional funds from investors, and representatives of the Adviser may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Funds would have the opportunity to meet with representatives of the Adviser. Currently, neither the Adviser nor the Funds compensate any broker for organizing such events or for any investments ultimately made by prospective investors attending such events, nor do they anticipate doing so in the future. The Funds may accept subscriptions from investors who also provide services to the Funds, including brokers and their affiliates. Relationships such as these could be viewed as creating a conflict of interest that potentially could affect the Adviser's ability to seek best execution. While the Adviser's relationship with brokers may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, the Adviser will not commit to allocate a particular amount of brokerage to a broker in any such situation. Furthermore, the Adviser conducts periodic best execution reviews in an effort to identify and mitigate compliance risks associated with brokerage relationships, and to determine that the Adviser is obtaining best execution for clients' accounts.

The Adviser does not select brokers solely on the basis of commission rates nor will it always seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction. As a result, the Adviser may not necessarily pay the lowest commission. Transactions may involve specialized services on the part of the brokers involved which may call for higher

commissions than would be the case with other transactions requiring more routine services. The Adviser will determine in good faith whether the amount of the commission is reasonable in relation to the overall quality of execution.

The Adviser has a Brokerage Committee that is responsible for approving brokers and dealers and providing oversight of the Adviser's best execution practices. In addition, in order to ensure best execution, senior members of the Adviser's investment team are responsible for developing, evaluating and changing, when appropriate, the Adviser's order execution practices. Please also refer to the Section 12.E below for additional information on execution and allocation practices.

If the Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

B. Soft Dollar Arrangements

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Because soft dollar products and services are purchased with brokerage commissions (or mark-ups or mark-downs in the case of permitted riskless principal transactions by dealers), an investment adviser has a fiduciary obligation to ensure that the commissions (or mark-ups and mark-downs) are used for the benefit of its clients and that its clients are fully informed of the adviser's use of brokerage commissions (or mark-ups or mark-downs) to purchase soft dollar products. The receipt of soft dollar products from brokers generally must be limited to research and brokerage services, if such practices are to fall within the safe harbor set out in Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Adviser currently does not enter into soft dollar arrangements and neither the Adviser nor its related persons acquired products or services with brokerage commissions (or markups or markdowns) during the last fiscal year of the Adviser. However, if the Adviser does so in the future it will adopt appropriate procedures for entering into soft dollar arrangements with brokers and will disclose such procedures to its clients. To the extent that, in the future, soft dollars are used by the Adviser to pay for research products or services, the Adviser expects that such use will be conducted in such a manner as to fall within the safe harbor provided by Section 28(e).

At least annually, the Adviser considers the amount and nature of research and research services provided by brokers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Brokers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker is not excluded from receiving business because it has not been identified as providing research products or services.

C. Brokerage for Client Referrals

Neither the Adviser nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above in Item 12.A, subject to best execution, the Adviser may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

D. Directed Brokerage

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

E. Aggregation and Allocation of Trades

To the extent that the Adviser's Fund clients share similar investment objectives (each, a "Participating Fund"), they will invest and sell in parallel, *pro rata*, based on their net asset values (determined as of the beginning of each month in which new investments in the Participating Funds are accepted or in which investments in the Participating Funds are redeemed) or based on the respective number of shares held by each Participating Fund, in each case in accordance with the Adviser's trade aggregation and allocation policy and procedures, except as may be otherwise advisable due to legal, tax, regulatory or other constraints or after taking into account other considerations such as the relative amounts of capital available for new investments and the relative exposure to individual positions or as may be required in connection with any "rebalancing" of the Participating Funds (together the "Allocation Procedures").

As such, trades for Participating Funds with similar investment objectives are generally aggregated and then allocated in accordance with the Allocation Procedures. The allocation of securities purchased in block trades among Participating Funds is intended to be accomplished fairly and equitably. Allocations for equity and fixed income trades are generally made by the end of the day

on which the trade was executed, absent extraordinary circumstances. When an aggregated order is executed at more than one price over the course of a day, the executed transactions are typically allocated so that each Participating Fund receives the weighted average execution price per broker and bears its pro rata share of the commissions, fees and charges, to the extent reasonably practicable.

To the extent that inflows and outflows of the Participating Funds' capital have the effect of varying the relative percentage of each Participating Fund that is invested in a particular security, subsequent purchases or sales of that security may be allocated so as to rebalance the holdings of that security among the Participating Funds. Investment decisions are generally not made merely to rebalance the ownership percentages of a security. Decisions as to whether to rebalance the portfolios of the Participating Funds are made prior to each month that new investments are to be accepted by, or investments are to be redeemed from, the Participating Funds. Such decisions are made by the Adviser's Principals, in consultation with the Adviser's employee in charge of trading, the Adviser's Chief Financial Officer and members of the Adviser's Legal Department, as appropriate. To the extent practicable, any transactions made that would have the effect of balancing the Participating Funds' ownership percentages in a security are conducted in market transactions with third parties and not by way of principal transactions.

F. Trade Error Policy

The Adviser may on occasion experience errors with respect to trades made on behalf of the Funds. The identification of trade errors and the proper method for resolving them in any particular circumstance can be complicated. Accordingly, the Adviser has adopted procedures designed to detect trade errors prior to settlement of the transaction and to correct them in an expeditious manner. Fund losses as a result of trade errors will be borne by the respective Fund, not the Adviser, absent bad faith, willful misconduct or gross negligence by the Adviser. In the case of ERISA Fund clients and one other single investor investment vehicle, the Adviser will bear the loss resulting from a trade error stemming from a violation of the standard of care imposed under the Employee Retirement Income Security Act of 1974, as amended, with respect to ERISA Fund clients, or the applicable Fund documents, in the case of the single investor investment vehicle.

Item 13 – Review of Accounts

The Adviser's Chief Investment Officer, together with the Adviser's General Counsel and Chief Compliance Officer, are primarily responsible for periodically reviewing portfolio holdings of the equity-focused Funds and ensuring that the securities (or other financial instruments) held by the Funds are consistent with the respective Funds' investment policies and guidelines and disclosures set forth in the relevant offering documents. The Investment Committee and risk officers of the credit-focused Funds are responsible for periodically reviewing the portfolio holdings of the credit-focused Funds and ensuring that the securities (or other financial instruments) held by the Funds are consistent with the respective Funds' investment policies and guidelines and disclosures set forth in the relevant offering documents. A review of a client account may be triggered by any unusual activity or special circumstances.

The Adviser generally provides annual audited financial statements to its clients within 120 days of the applicable client's fiscal year end.

Investors in the Funds receive monthly statements from the Funds' administrator reflecting the net asset value of their respective investments and, if applicable, capital activity, although the Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Adviser. Investors in the Funds will also typically receive unaudited performance information at least quarterly and annual audited financial statements for any Fund in which they have invested within 120 days of the Fund's fiscal year end. While all investors generally receive similar information, to the extent the Adviser provides (on a confidential basis) an investor additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the applicable Fund and possibly affect such investor's decision to further invest in, or request a redemption from, a Fund. See also Item 15 below for more information regarding custody practices and statements by qualified custodians.

Item 14 – Client Referrals and Other Compensation

With the exception of the Wendy's/Arby's services agreement described in Item 4.B above, the Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. However, the Adviser and the Funds do use the services of broker-dealers and other third parties as placement agents to introduce the Funds to prospective foreign investors. A prospective foreign investor solicited by a placement agent or other third party will be advised of any such arrangement, including payment arrangements to such parties, if any. Any such referral fee compensation will not be payable by or chargeable to any investor in a Fund or prospective investor in a Fund without such investor's consent, and any fees paid to placement agents that are paid by a Fund will offset the Management Fee or Performance Compensation otherwise payable or allocable to the Adviser.

In the future, a Fund or the Adviser may enter into additional arrangements with placement agents or other third parties to solicit investors in the applicable Fund. Unless otherwise expressly disclosed to an investor in a Fund, any fees paid to placement agents that are paid by a Fund will offset the Management Fee or Performance Compensation otherwise payable or allocable to the Adviser.

Item 15 – Custody

The Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Adviser.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called “Pooled Vehicle Annual Audit Exception,” which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

Item 16 – Investment Discretion

The Adviser serves as the management company with discretionary trading authority to each Fund. Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Adviser or an affiliate of the Adviser entered into an investment management agreement, or similar agreement, with each Fund pursuant to which the Adviser was granted discretionary trading authority.

As noted above in Items 4 and 10, pursuant to a written sub-advisory agreement with Trimaran and subject to the terms thereof, the Adviser formed an Investment Committee, consisting of representatives from both entities, which has discretionary trading authority with respect to the assets under management of the Credit Funds. The Investment Committee has delegated discretionary trading authority directly to Trimaran with respect to a portion of the assets under management of the Credit Funds.

Item 17 – Voting Client Securities

The Adviser has authority to vote proxies relating to the securities in which it invests on behalf of the Funds. The Adviser votes (or, if not prohibited under Fund documents, refrains from voting) proxies in a manner that the Adviser, in the exercise of its independent business judgment, concludes is in the best economic interests of the Funds. The Adviser may determine that abstaining from voting or affirmatively deciding not to vote may be in the best economic interests of the Fund(s).

The Adviser reviews on a case-by-case basis each proposal submitted to a shareholder vote to determine its effect on the portfolio securities, based on relevant factors including, but not limited to: (i) the impact on the value of the securities; (ii) the anticipated economic and non-economic costs and benefits associated with the proposal; (iii) the effect on liquidity; (iv) customary industry and business practices; and (v) the effect on the Adviser's ability to implement its operations-centric investment strategy at the issuer on behalf of the Fund(s).

At times, conflicts may arise between the interests of the Funds, on the one hand, and the interests of the Adviser or its affiliates, on the other hand. If the Adviser determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, the Adviser will address the situation in accordance with its supervisory procedures in consultation with its Chief Compliance Officer and/or outside counsel. At the Adviser's discretion, the Adviser may, among other options, delegate the voting decision to an independent third party or notify clients as a further safeguard against potential conflicts of interest or as otherwise required by applicable law.

Clients may obtain a copy of the Adviser's Proxy voting policies and its Proxy voting record upon request. Clients may also obtain information from the Adviser about how the Adviser voted any proxies on behalf of the Funds.

Item 18 – Financial Information

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