

Item 1 Cover Page

MatlinPatterson Global Advisers LLC

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MatlinPatterson Global Advisers LLC is an investment adviser that is registered with the U.S. Securities and Exchange Commission. Registration with the U.S. Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of MatlinPatterson Global Advisers LLC and its advisory affiliates. If you have any questions about the contents of this brochure, please contact us at (212) 651-9500. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority.

Additional information about MatlinPatterson Global Advisers LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This is an annual update of our Form ADV Part 2A brochure. There have been no material changes since our last filing.

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Item 4 Advisory Business

- A. Founded in 2002, MatlinPatterson Global Advisers LLC (also referred to as “we”, or the “firm”) is a New York-based investment management firm that invests globally in financially and operationally distressed companies and assets, with an objective of obtaining control for our private equity fund clients. Our hedge fund clients generally focus on more liquid, non-control, event-driven distressed and special situation opportunities. Mr. David J. Matlin is the indirect principal owner of the firm.

We are affiliated with several investment management firms listed in Item 10.C. of this brochure that provide investment advisory services to hedge funds and separately managed accounts pursuing a variety of credit, mortgage-backed and asset-backed strategies and provide collateral asset management services to collateral loan obligation vehicles.

The firm specializes in offering investment management services to closed-end private investment funds focusing primarily on distressed control investments and to open-end private investment funds focusing primarily on liquid, non-control, event-driven distressed and special situation trading strategies. The firm also provides investment advisory services to separately managed accounts. As part of its control strategy for private equity fund clients, the firm seeks investments in and acquisitions of severely discounted securities, obligations, assets and businesses, over which it can exercise corporate control or substantial influence through leading complex restructurings, initiating operational improvements, enhancing the inherent value of the acquired businesses, and impacting the manner and timing of exits. The firm seeks to generate superior risk-adjusted returns, operating globally in the control segment of the distressed investing sector, where it believes there are few competing sources of capital that have the breadth and depth of the firm’s experience and resources. The firm blends trading and private equity skills to invest in a wide spectrum of distressed companies and assets. The trading strategies we pursue for our hedge fund and managed account clients fall mainly within the following areas: corporate reorganization and financial restructurings; post-reorganization and event-driven equities; stressed credit; liquidations; litigation; curve and capital structure arbitrage; and special situations. Our hedge fund clients do not co-invest with the private equity fund clients we currently manage, but they may co-invest with private equity funds we sponsor and manage in the future.

- B. Our firm tailors advisory services to the specified broad investment mandates of our clients. We adhere to the investment strategy set forth in the private placement memoranda and operating agreements of the funds and, with respect to the managed account clients, the applicable investment management agreement with our firm, including any concentration limits and other applicable guidelines arranged on a case-by-case basis with respect to each fund or managed account.
- C. We do not participate in wrap fee programs.

- D. As of December 31, 2016, the firm managed approximately \$4,386,142,920, which includes the clients' gross asset value and their unfunded capital commitments. We manage clients' assets only on a discretionary basis.

Item 5 Fees and Compensation

- A. Our firm, or an affiliate of our firm, typically receives compensation from each of our fund clients based on both the percentage of assets or commitments managed and on performance achieved for interests in each client's account. Detailed information concerning our compensation and fees appears in the private placement memorandum and governing documents of each client fund. Our fees are generally not negotiable; however, we (including our general partner affiliates) have the discretion to agree to different compensation with investors in the funds or waive compensation, including for investors that are our affiliates or employees. Our managed account clients are subject to performance-based compensation only.
- B. Our private equity funds pay management fees quarterly in advance. Any performance-based compensation for our private equity funds is, subject to provisions of the funds' governing documents, deducted upon the realization or other disposition of assets held by these funds.

Our management company affiliate generally deducts the management fees from the hedge funds that the firm manages monthly in advance. Performance-based compensation with respect to the hedge fund clients is determined annually, based on realized and unrealized gains and losses, at the end of each fiscal year or an earlier withdrawal date with respect to any capital withdrawn prior to the end of a fiscal year, subject to recoupment of losses for the prior periods

Our client funds bear organizational and offering expenses, subject to limitation in certain instances with respect to our private equity fund clients. To the extent a fund pays placement agent fees, our management fees for that fund are offset by the same amount; none of our closed-end funds are currently subject to placement agent fees. Generally, the clients bear costs and expenses directly related to their portfolio investments or prospective investments (whether or not consummated), such as brokerage commissions, interest on debit balances or borrowings, exchange, clearing and settlement charges, bank fees, custodial fees, due diligence expenses, travel and entertainment expenses in connection with investment activity, appraisal fees, investment banking fees and expenses, fees and profit-sharing payments due to unaffiliated advisors, sub-advisors, consultants, lawyers, accountants and other professionals, specific expenses incurred in obtaining or maintaining systems, research and other information and information service subscriptions, hardware and software utilized with respect to the funds' investment program, valuations, accounting and/or reporting, any legal, structuring and indemnification expenses incurred, and any withholding, transfer or other taxes imposed on the funds. In addition, each fund bears all out-of-pocket costs of its administration, including accounting, audit, administration,

legal, consulting, financing, registration, regulatory, filing and licensing expenses (including, without limitation, filings required by the Alternative Investment Fund Managers Directive 011/61/EU, and regardless of whether the filer is the fund or its management company (*e.g.*, Form PF)), fees incurred in compliance with the rules of any self-regulatory organization or any federal, state or local or other applicable laws, directors' fees if applicable, costs of any litigation or investigation involving fund activities, indemnification expenses, costs associated with reporting and providing information to existing and prospective investors, costs of holding any investor meetings or advisory committee meetings, and the costs associated with maintaining insurance for the fund, the firm and the general partner affiliate. Administrative costs include a fund's allocable share of the fees and expenses of any third party providers of "back office" and "middle office" services relating to trade settlement, and accounting and related operations for the fund, as well as any regulatory filings.

The investment management agreement relating to each managed account client contains specific information on the managed account's expenses and any applicable limitations.

When the firm incurs expenses on behalf of multiple clients, we allocate the expenses among the applicable clients in a fair and equitable manner and consistent with the clients' governing documents. We typically allocate expenses directly related to a specific investment among the clients based on the relative value of the positions being acquired, held or sold, and shared expenses not directly related to a specific investment based on the relative net asset value of client funds or the balances of separately managed accounts, subject to the relevant clients' governing documents. However, we can apply other expense allocation formulas and methods that we determine to be fair and equitable.

Please refer to a fund's offering documents for further information regarding the fund's fees and expenses. Also, Item 12 details our broker selection and compensation policies.

- C. The hedge funds pay management fees monthly in advance. Since investors in our private equity funds may not withdraw their capital prior to termination of the fund, and investors in the hedge funds cannot make intra-month withdrawals or subscriptions, fund investors do not bear management fees in excess of what they owe for the entire period. We prorate management fees to the extent an investment management agreement is not in effect for the duration of the entire management fee period.
- D. Neither the firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities in any funds or the separate account managed by our firm.

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

All of our clients are subject to performance-based compensation payable to the firm or one of our affiliated entities. The firm has adopted and applies investment allocation policies designed to achieve equitable allocation among our clients over time. Specifically, the policy prevents us from taking compensation into account when allocating limited investment opportunities.

Item 7 Types of Clients

Most of our advisory clients are private investment funds that are exempt from registration under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended. Investors in the funds must satisfy the applicable eligibility and suitability requirements in order for the funds to maintain their exempt status. We generally require investors in the funds to be “accredited investors” and “qualified purchasers” (as defined in applicable federal securities laws and regulations). Our client funds have a diverse group of global investors, including public and private pension funds, endowments, foundations, financial institutions, insurance companies, fund of funds and high-net-worth individuals. We also provide advisory services with respect to managed accounts for a company that is a minority owner of certain affiliates of the firm.

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

- A. The firm focuses on a distressed-for-control investment strategy for our private equity fund clients. The firm employs two primary approaches to gaining control of companies: (i) accumulating discounted securities and other obligations of distressed companies as an initial step towards acquiring a controlling or influential ownership interest, generally through the conversion of debt to equity, and (ii) directly acquiring significant ownership stakes in businesses or injecting capital into businesses that are in bankruptcy or in financial distress as a means of acquiring control. With respect to our hedge funds, we focus primarily on global non-control investments in reorganizations, restructurings, event-driven strategies, post-reorganization equities, litigations, liquidations, capital structure arbitrage, stressed credit and other special situations with a focus on “deep value” investments in securities the firm believes to be significantly underpriced based on its assessment of intrinsic value. Distressed investing in which the firm engages involves a level of complexity which serves as a barrier to most other investors because we invest in companies experiencing overleverage, declining profitability, one-time losses which destroy enterprise value, lack of access to capital markets, damage to business reputation or bankruptcy. With respect to our managed account clients, we employ a similar investment strategy to that of our hedge funds, except that the investment mandate of the managed accounts is focused on certain municipal and related issuers. Any projections we develop are subject to factors beyond our control, and there can be no assurances that our investment strategy will be successful.

Detailed information relating to methods of analysis and investment strategies pursued by the firm is set forth in the offering documents for the relevant funds.

- B. See Items 8.A. and 8.C.
- C. The firm's dedication to risk management aims to identify and appropriately address the sorts of risk inherent in the types of transactions in which we participate. However, despite our risk management process, investing in any securities and other instruments involves a risk of loss that any of our clients and any of the investors in our clients must be prepared to bear.

Examples of potential areas of risk associated with the types of investment strategies in which we engage include, without limitation:

General Investment Risk. All investments risk the complete loss of capital. There is no assurance that the clients' investment program will be successful or that investments purchased by the clients will increase in value. In addition, there will be competition for investment opportunities by investment vehicles and others with investment objectives and strategies similar to those of our clients. There can be no assurance that we will be able to locate and complete investments which satisfy the clients' objectives. Returns generated from the clients' investments may not adequately compensate investors for the business and financial risks assumed.

Lack of Liquidity of Investments. The investments made by our clients, especially private equity funds, can be very illiquid or become very illiquid. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by a fund and other factors. This could make it difficult to realize the value the firm ascribes to an investment if we are forced to dispose of it in an inactive market. It is also important to note that the nature of a client's investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

Distressed Investments. Our strategies often call for us to invest in debt of companies experiencing financial distress or stress, and our credit investments may be unsecured or subordinated. Distressed debt securities are subject to the significant risk of an issuer's inability to meet principal and interest payments on the obligations and also may be subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. A client may invest in the securities of companies involved in bankruptcy proceedings, reorganizations or financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject a client to litigation risks or prevent a fund from disposing of securities. In a bankruptcy or other proceeding, our clients as creditors may be unable to enforce their rights in any collateral or may have their security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors.

Interest Rate Fluctuations. The prices of portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions not initially anticipated. For example, as interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. In addition, interest rate increases generally will increase the interest carrying costs to our clients of borrowed securities and leveraged investments.

Access to Information; Projections. Our strategies and the success of our clients depend upon our ability to gather all relevant information about each investment and to assess it accurately, not only at the time of investment but through our holding period until the firm disposes of the investment. Our expectations regarding the favorable outcome of any investment can be adversely affected by numerous factors beyond our control, including our receipt of incomplete or inaccurate data, our failure to assess it accurately, and unpredictable changes in circumstances, including unforeseeable macroeconomic circumstances unrelated to our analysis of the specific investment.

Control Positions; Non-Public Information. As a result of its control-focused, private equity approach to distressed investing, the firm anticipates that it will often accumulate large positions and seek to place its representatives on the boards of portfolio companies in which the funds have invested, and it may also participate in or lead official or unofficial committees of creditors. Serving in these positions is expected to give the firm access to material non-public information from time to time which may result in the imposition of legal restrictions on the clients' ability to purchase or sell portfolio investments for the clients. The size of the firm's investment position may also make it more difficult to dispose of its holdings without impacting the price of its securities or otherwise limit the manner in which the firm may seek to effect a disposition. The firm's active participation on boards and creditors' committees may also expose it to claims by other stakeholders advocating opposing positions. The clients are required to indemnify the firm and its affiliates for claims arising in these circumstances.

Short Sales. Certain clients' strategies call for short sales not only for hedging purposes but also occasionally to exploit situations in which the firm believes an investment has been overvalued by market participants. If the firm's assessment of these situations is incorrect, there is risk that the clients could incur a potentially unlimited amount of loss from the short sale.

Leverage. The firm generally has the discretion to use borrowing and other forms of leverage in its strategies for our hedge funds and to a limited extent for our private equity funds. Leverage may be incurred at the fund level or at the portfolio company level. While the use of leverage can amplify the profit on

successful investments, it can also amplify the losses incurred on unsuccessful investments.

Valuation. Investors in hedge funds managed by us purchase and redeem interests based on a determination of the fair value of the assets and liabilities of these funds. In addition, management fees and incentive compensation are determined by reference to these valuations. In the case of any investment for which a quotation from an independent source is not available or is determined by the firm to be unreliable or inadequate, the firm is authorized, to the extent permitted by applicable law, to value the positions at their fair value in such manner as the firm determines in good faith. Investors in our hedge fund clients could be adversely affected in connection with subscriptions or redemptions to the extent the values so determined are incorrect. There exists a potential conflict of interest with respect to the determination of fair value for hedge fund clients because the firm is entitled to compensation based on assets under management, as well as on unrealized gains and losses.

Competition. The success of investments typically depends on our ability to identify or exploit opportunities more efficiently than other market participants. The ability to do so may be adversely affected as a result of the highly competitive nature of the asset management industry.

Derivative Instruments. The firm can use various derivative instruments which may be volatile and speculative, and which may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses.

Fund Structure: Limited Liquidity and Transparency. An investor's investment in any fund client is subject to the structure and terms of the relevant fund client. These can include, with respect to our hedge fund clients, rights to liquidity and transparency that are more restrictive than would be the case for a managed account held by a custodian in the investor's name or for the personal account of the investor in its own name.

Limited Liability and Indemnification. Each client's operating agreements limit the instances in which the firm may be held liable and generally provide that, in the absence of bad faith, willful misconduct or gross negligence or certain other instances specified in the operating agreement of our private equity fund clients, none of the firm or our affiliates will be liable unless otherwise required by law. In addition, the firm and its affiliates are entitled to full indemnification by each client with respect to their services in the absence of a breach of the standard of care which can result in significant financial burdens borne by the investors.

Conflicts of Interest. As described elsewhere in this brochure, the firm is subject to various conflicts of interest as a result of our management of multiple clients, the nature of our compensation arrangements, and the use of our fund structure. The existence of these conflicts of interest may influence the independence of the

firm's judgment. This brochure contains information about how the firm manages these conflicts.

Dependence on Managing Principals and Portfolio Managers. The success of the firm is dependent on the investment expertise of the managing principals and portfolio managers and the loss of any their services could have a material negative impact on our clients' performance. Additionally, no managing principal or portfolio manager is required to devote all of his or her time to the affairs of any one client and may invest in other business ventures of any nature and trade for his or her own account subject to compliance with the firm's policies and procedures on personal trading. The documents governing our private equity funds include "key person" provisions that require certain investment professionals to devote substantially all of their business time to these funds during their investment periods, and our hedge funds include a special notification and redemption provision in the event certain "key persons" are no longer associated with the firm.

Cybersecurity. The computer systems, networks and devices used by us and service providers to us and a client to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. A client and its investors could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; interference with our ability to calculate the value of an investment in a client; impediments to trading; the inability us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; counterparties with which a client engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

The private placement memorandum for each of our client funds contains a discussion of various risk considerations that is more extensive in scope and depth than the summary above.

Item 9 Disciplinary Information

In the past ten years, there have been no legal or disciplinary events involving the firm, our affiliated management companies or any of our respective management persons that are material to a current investor's or prospective investor's evaluation of our advisory business.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the firm nor any of our management persons is currently registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The firm and its affiliated hedge funds' general partner each claimed an exemption from registration as a commodity pool operator with respect to the relevant pools with commodity interests in reliance on Regulation 4.13(a)(3).
- B. In addition to serving as a discretionary investment manager to each of our clients, we (or our affiliates) manage each of the funds either as the general partner (in the case of partnerships) or by designating principals of our firm to serve on the board of directors along with a majority of independent directors that are initially appointed by our firm (in the case of corporations). As a result, the funds do not have independent management. The firm manages the following funds (including any specialized investment vehicles formed by any of them) for each of which affiliates of the firm serve as general partners: MatlinPatterson Global Partners II LLC is the general partner for MatlinPatterson Global Opportunities Partners II L.P. and MatlinPatterson Global Opportunities Partners (Cayman) II L.P.; MatlinPatterson Global Partners III LLC is the general partner for MatlinPatterson Global Opportunities Partners III L.P. and MatlinPatterson Global Opportunities Partners (Cayman) III L.P.; MatlinPatterson Global Opportunities Fund GP LLC is the general partner for MatlinPatterson Global Opportunities Fund L.P. and MatlinPatterson Global Opportunities Master Fund L.P.; and MatlinPatterson Puerto Rico Recovery Fund GP LLC is the general partner for MatlinPatterson Puerto Rico Recovery Fund L.P. and MatlinPatterson Puerto Rico Recovery Master Fund L.P. Our affiliates MP (Thrift) Global Partners III LLC and MP (Thrift) Global Advisers III LLC act as general partner and discretionary investment manager respectively to the parallel regulatory vehicles of the foregoing funds: MPGOP III Thrift AV-I L.P. and MPGOP (Cayman) III Thrift AV-I L.P. In addition, MP Preferred Partners GP LLC, an affiliate of the firm, acts as general partner and manages MP II Preferred Partners L.P.

We are affiliated, through common ownership, with other management companies that are registered with the Securities and Exchange Commission as investment advisers or relying advisers with respect to an affiliate's registration:

- MP Securitized Credit Partners L.P.
- MP (Thrift) Global Advisers III LLC
- MP Preferred Partners GP LLC

We are also affiliated with MPAM Credit Trading Partners LP, a New York based adviser that is currently liquidating the last remaining positions of its sole fund client and will wind down its operations upon such liquidation.

Since we have more than one client, our personnel cannot devote their exclusive attention to any single client.

The firm and its employees engage in a variety of activities, including investment management and financial advisory activities that are independent from, and from time to time conflict with, those of any specific clients whose accounts we manage. We currently serve as investment manager to multiple clients and may in the future serve as investment manager to new funds or other investment products or accounts that may invest in assets or employ strategies that overlap with the strategies of our existing clients. Each of our affiliated investment managers separately makes its own investment decisions and places its trades separately with respect to the client accounts it manages. While our affiliated investment managers focus primarily on non-distressed investments and our firm focuses on distressed investments, our clients may, on occasion, invest in the same issuers as the clients of our affiliated investment managers. Our clients may, therefore, compete with other clients managed by us, or to a limited extent, the clients of our advisory affiliates for investment opportunities.

In accordance with the firm's allocation policy, the firm will allocate investment opportunities among its clients on a basis that it reasonably determines in good faith to be fair and reasonable taking into account liquidity and valuation needs; the primary and permitted investment mandate of each client; the applicable contractual obligations and investment limitations and guidelines of each client; portfolio diversification and concentration concerns; the specific nature, time horizon and type of the investment or sale opportunity; the position and portfolio risk characteristics of the investment opportunity; leverage constraints; size of opportunity; other anticipated needs or uses of capital of each client; the duration of the investment period of each client (if applicable); relative amounts of capital available for investment by each client; actual and anticipated subscription and redemption activity or capital availability; a determination that the investment or sale opportunity is inappropriate with respect to one or more clients; investment focus of the client; the remaining term of each client (if applicable); potential conflicts of interest, including whether either client has an existing investment in the relevant investment opportunity, legal, regulatory, tax and other considerations; and any other considerations reasonably deemed relevant or appropriate by the firm. Situations where an investment is shared or allocated away from a client can arise as a result of the fact that the firm and its affiliates have the ability to form, sponsor and/or manage other investment vehicles or accounts. These investment vehicles or accounts may be ancillary or accretive to, or otherwise supplement, the firm's private equity vehicle investment program, including, without limitation, the establishment of securitized vehicles or trading vehicles. In the event that clients hold different securities or instruments (including with respect to their relative seniority, and whether the securities or

instruments are purchased contemporaneously or otherwise), the firm and its affiliates will be presented with decisions when the interests of the two or more funds or client accounts are in conflict. To the extent permitted by the clients' governing documents, our clients may co-invest in opportunities the firm in good faith deems suitable for multiple clients at the time of purchase, provided that our hedge funds generally will not co-invest with our private equity funds and may be required to exit any position in which a private equity fund seeks control. In addition, our hedge fund clients and clients of our advisory affiliates may co-invest in certain transactions. Allocations of trades among client accounts must be in accordance with all applicable laws, rules and regulations and in compliance with the terms of the clients' governing documents. We do not take into account compensation payable by various clients or the amount of investment held by the firm's affiliates in certain client accounts in allocating investment opportunities, other than as may be required by applicable law. Additional information about our allocation policies and disclosure on any investment priorities appears in the offering documents for our client funds.

Notwithstanding the foregoing, the firm can make investment decisions for some clients that may be different from those the firm or our affiliated investment managers make on behalf of the other clients (including the timing and nature of the action taken), even where the investment objectives of the clients are the same or similar. For example, affiliates of the firm may at certain times be simultaneously seeking to purchase or sell the same or similar investments for various clients. Likewise, subject to limitations specified in Item 12.B., an affiliated investment manager can make an investment for a client in an issuer or obligor in which another client or an affiliate's client is already invested or has co-invested. Conflicts can result in the event our advisory clients or our affiliates' clients own securities or other instruments of the same issuer having a different seniority, or where some of these clients have a pre-existing relationship with an issuer.

In addition, our hedge fund clients commingle all or a portion of their assets in collective investment vehicles or accounts, such as master-feeder structures, in order to facilitate co-investment. Ownership interests in the master accounts are typically recorded by means of private book entry in records maintained by the firm.

We may cause our client accounts to buy positions from or to sell positions to other client accounts, including the clients of our advisory affiliates, in re-balancing transactions resulting from subscriptions or redemptions or in other circumstances where the transactions are considered appropriate for both parties, including where our private equity funds seek to obtain control from a "toe-hold" position. All such transactions will be effected at prevailing market prices, in accordance with all applicable laws and subject to requirements in the participating clients' operating documents. With respect to our hedge fund clients, the firm can appoint an advisory committee (to be composed of investor representatives unaffiliated with the firm) or one or more third parties unaffiliated

with the firm to review and approve on behalf of the hedge fund clients, to the extent approval is required by applicable law, principal transactions, certain other related party transactions and any other matter as to which approval may be required under the Investment Advisers Act of 1940, as amended, or any other matters, at the request of the firm.

The potential to earn performance-based compensation could give the firm an incentive to invest client assets in an aggressive or speculative manner. We seek to minimize this conflict by taking a disciplined approach to portfolio risk management and by maintaining a significant investment in each of the funds we manage.

Since performance compensation is based in part on unrealized gains and losses, we may theoretically have an incentive to inflate the value of client assets through fair valuation determinations. We adopted detailed valuation methodologies to ensure consistent valuations with respect to our client accounts. In addition, independent administrators value assets and interests in our hedge fund clients.

Our employees sit on the board of directors of our portfolio companies. These employees may have a conflict of interest with respect to decisions made by the board as the interests of our clients and the companies differ. Our employees also serve as committee representatives in bankruptcy proceedings. As a result of board or committee participation or another relationship, we may receive material non-public information about a company on behalf of one client, which restricts us from trading in the securities of the company not only for that client but for all other clients and for clients of our advisory affiliates since there is generally no information barrier between various management company entities, other than between the firm and MP Senior Credit Partners L.P. Alternatively, the firm from time to time may decline to receive material non-public information in order to avoid trading restrictions for our clients, even though access to such information might have been advantageous to our clients.

- C. Our firm does not recommend or select other investment advisers for our clients.

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

- A. Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended, the firm adopted a Code of Conduct and Ethics (as amended from time to time, the Code) acknowledging its fiduciary obligations towards our clients, including a requirement to act at all times in the clients' best interests. The Code contains a variety of guidelines and requirements including pre-clearance and reporting of personal securities transactions by principals and employees of the firm and our affiliated management companies (collectively known as employees), restricting or prohibiting certain types of transactions (including in any securities on the firm's combined restricted list), prohibiting trading of securities while in possession of material non-public information, monitoring of giving and receiving

gifts and entertainment, pre-clearance and reporting of political contributions, limitations on employees' outside activities, policies relating to the firm's books and records, requirements with respect to marketing materials and other disclosure provided by the firm, proxy voting policy, brokerage policy, privacy policy, anti-money laundering policy, and disaster recovery and business continuity plan. All employees must acknowledge and agree to the terms of the Code, as well as provide records of or access to any personal trading accounts and an annual compliance certification. This paragraph only represents a list of certain provisions in our Code. We provide access to a copy of our Code to any client or prospective client upon request.

- B. Our employees do not recommend to the firm's clients, nor do they buy or sell for the clients, securities or other instruments in which they have a material financial interest in their personal trading accounts. Some of our clients invest through master accounts or other investment subsidiaries for which affiliates of the management companies serve as general partners or directors, but there is no additional compensation payable to the firm or its affiliates in connection with these arrangements.
- C. The firm has a set of procedures in place to ensure that we address any potential conflicts that may arise between our clients and employees' personal trading activities. The Code provides that employees may not invest for their personal accounts in the securities of any company to the extent any client account is invested in the company or is considering an investment in the company. Prior to executing any trade for a personal account, employees must input information about the security to be traded into the firm's tracking system that will match the security with any positions included in the firm's general restricted list comprised of positions in client accounts, positions that are being considered for client accounts or companies on which the firm or an advisory affiliate has material non-public or confidential information. If a security is identified as restricted, an employee may not transact in the security for a personal account. The Code provides that employees must arrange for duplicate statements of or access to all personal account activity to be sent to the firm. In addition, employees must submit quarterly and annual holdings reports to the firm in the absence of an automatic brokerage feed. The firm's chief compliance officer or his designee conducts periodic reviews of personal account submissions by employees. To the extent there is any finding relating to personal trading activity that is inconsistent with the firm's policy, the chief compliance officer or his designee will investigate and, as with any breach of the firm's policies, a violation is subject to disciplinary action, which may include dismissal.
- D. See Item 11.C.

Item 12 Brokerage Practices

- A. In placing portfolio transactions, we seek to obtain the best execution for our clients, taking into account the following factors: the ability to effect prompt and

reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker, including minimum net capital requirements and the level of indebtedness; regulatory and disciplinary history; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research and other services and products (including those described below) considered to be of value; access to underwritten offerings and secondary markets; responsiveness and qualified personnel; institutional references; trading experience; providing access to issuers; facilitating analyst access and road shows; special abilities of a broker that add value to clients; and the competitiveness of commission rates in comparison with other brokers satisfying the firm's other selection criteria. The firm does not have to weigh any of these factors equally.

The firm maintains a list of pre-approved brokers, selected based on the above criteria, and distributed to the firm's trading personnel. The list is subject to periodic review and updated by the firm's chief compliance officer or his designee. To the extent a trader wishes to use a broker that is not on the pre-approved broker list, he or she must seek approval from the firm's chief compliance officer or his designee, subject to very narrow exceptions.

1. Soft Dollars Generally. Our brokerage policy enables us to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to or pay higher commissions to brokerage firms that provide us with investment and research information. Since commission rates in the United States as well as in certain other jurisdictions are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. Research products and services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. When the firm utilizes "soft dollars", it does so solely to pay for products or services that qualify for the safe harbor within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended.
2. The Use of Soft Dollars Can Create a Conflict of Interest. Using client transactions to obtain research and other benefits creates incentives that may result in conflicts of interest between advisers and their clients. The availability of these benefits may influence the firm to select one broker rather than another to perform services for clients, based on the firm's interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other

broker-dealers. However, we will make a good faith determination that the amount of commission is reasonable in relation to the overall services provided, viewed in terms of either the specific transaction or our overall responsibility to our clients.

The use of soft dollars to obtain research services and to pay for other costs and investment expenses that our firm might otherwise incur (such as third-party research and investment information, investment execution services, research and financial newsletters) creates a conflict of interest between our firm and our clients because our clients pay for products and services that are not exclusively for their benefit and that may be primarily or exclusively for the benefit of our firm or other clients. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

3. We May Consider Referrals in the Selection of Brokers and Dealers. Subject to seeking best execution, we may consider referrals of potential investors to our clients as a factor in the selection of brokers. We may execute trades with brokers and dealers or utilize prime brokers with whom the firm or the funds' portfolio companies have other business relationships, including credit relationships, capital introduction, investments by affiliates of the broker-dealers in our clients or investment banking or advisory relationships with our portfolio companies; however, we do not intend for these other relationships to influence the choice of brokers and dealers who execute trades for our clients or our choice of prime brokers.
4. Our Clients Do Not Direct Brokerage. Our firm does not recommend, request or require that a client, nor do we generally permit a client to, direct us to execute transactions through a specified broker-dealer.

- B. If the firm has determined to invest at the same time for more than one of our clients, it can, but is not required to, place combined orders for those clients simultaneously and if all of the orders are not filled at the same price, it can average the prices paid. Although combined orders tend to lower execution costs, in certain circumstances, combining orders will result in higher prices paid by certain client accounts than if the orders had been entered separately. If an aggregated order cannot be fully executed under prevailing market conditions, the firm may allocate the investments among the client accounts in its discretion. This aggregation is on a manager-by-manager basis because each of our affiliated investment managers separately conducts its own trading. Non-aggregation of orders may result in increased transaction costs.

Our historic allocation policy which is still in effect for our current closed-end funds prohibits co-investment by our hedge funds and these closed-end funds in securities of the same issuer and affords them priority over hedge funds with

respect to control opportunities in companies, including toe-hold positions that are established in pursuit of a control position. As a result, our hedge funds may be precluded from participating in an investment opportunity in which the relevant closed-end fund made a “toe-hold” investment even if the firm subsequently determines that control cannot be obtained by, or is not advisable for, the closed-end fund, or the firm otherwise determines not to pursue the opportunity, unless and until the investment is sold by the closed-end fund. This policy is disclosed in all relevant funds’ offering documents.

Item 13 Review of Accounts

- A. Monitoring of Accounts. The firm’s investment professionals, including the senior portfolio managers, review investments on an ongoing basis. Where appropriate, these reviews include an assessment of daily profit and loss reports with respect to the clients’ investment positions, participating in board meetings and management calls, actively participating in the restructuring process with respect to portfolio companies of the clients advised by the firm, reviewing annual and interim financial statements, and making ad hoc on-site visits.
- B. Review Triggers. The firm regularly supervises and monitors the activities of our clients, as referenced above in Item 13.A.
- C. Reports. We provide investors in our client funds with unaudited quarterly reports on the operations of the relevant fund, including financial statements in the form required by the relevant client’s governing documents and an overview of the fund’s investments. Additionally, we provide audited annual reports for each of our funds containing financial statements examined by our independent auditors as well as such tax information as is necessary for each investor in our domestic funds to complete its U.S. federal and state income tax or information returns, along with any other tax information required by law. Each managed account client receives such reports as specified in the investment management agreement.

Item 14 Client Referrals and Other Compensation

- A. Our firm does not receive any economic benefit from non-clients for providing advisory services to our clients.
- B. Neither the firm nor its related persons compensate any person for client referrals. To the extent the firm does so, any such arrangements shall comply with the requirements of Rule 206(4)-3. However, we have entered into solicitation arrangements with third parties in connection with the offering of interests in some of our funds and may enter into other such arrangements in the future. The management company effectively bears any placement agent fees either directly or by offsetting the management fees payable to it by the amount of any placement agent fees on a dollar-for-dollar basis. In addition, we have entered into an arrangement with a broker-dealer firm relating to introduction of clients of

such firms to purchase interests in our client funds. If these arrangements are subject to compensation, it can consist of direct payments by the management company to the introducer or include fee rebates or discounts with respect to investors introduced by such third party firms.

Item 15 Custody

Due to our access to client funds and securities as general partner or investment manager for our private fund clients, and our or a related person's authority to deduct fees and other expenses from these accounts, we are deemed to have constructive custody of our private fund clients' funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (known as the Custody Rule).

We utilize the services of unrelated financial institutions or other qualified custodians (as defined in the Custody Rule) to hold the funds and securities of all of our clients, with the exception of certain privately offered securities to the extent permitted by the Custody Rule. We also ensure that the qualified custodian maintains such funds in accounts that contain only clients' funds and securities, which can be under our name as agent or trustee for the client.

With respect to our private fund clients that are collective investment vehicles for which we are deemed to have constructive custody, we comply with the periodic reporting requirements of the Custody Rule by arranging for annual financial statements, prepared in accordance with generally accepted accounting principles and audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, to be delivered to each investor in our client funds within 120 days of the end of the relevant fund's fiscal year.

We do not have actual or constructive custody with respect to our managed account clients.

Item 16 Investment Discretion

All of our firm's investment advisory services involve the management of client accounts on a fully discretionary basis and, in the case of the managed account clients, subject to the agreed upon investment guidelines. We have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell, the broker through which we effect trades, and the commission rates at which we effect trades. In exercising this authority, we adhere to the investment strategy and program set forth in each fund's private placement memorandum and operating agreements.

Investors in our client funds are required to complete subscription documents to acquire an interest in the fund, which, among other things, confirm that the investor has reviewed the relevant disclosure documents describing the scope of our authority and the inability of any investor to direct our trading activities. The investment management agreement with each managed account client contains provisions vesting full investment discretion in our firm, subject to the investment guidelines contained in the agreement, and appoints our firm as attorney-in-fact for purposes of conducting that client's investment program.

Item 17 Voting Client Securities

Because our clients have delegated the power to vote their securities to our firm, we have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. After studying proxy materials and any other information that may be necessary or beneficial to voting, we always strive to vote proxies in a manner that we believe reasonably furthers the best interests of our clients and is consistent with the relevant client's investment philosophy as set forth in its offering documents. The major proxy-related issues generally fall within five categories: corporate governance, takeover defenses, compensation plans, capital structure, and social responsibility. We will cast votes for these matters on a case-by-case basis. We will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with manager performance and market practices.

If a proxy vote creates a material conflict between the interests of the firm and a client, we will resolve the conflict before voting the proxies. We will either disclose the conflict to the client and obtain a consent or take other steps designed to ensure that a decision to vote the proxy was based on the firm's determination of the client's best interest and was not the product of the conflict.

The firm maintains records of (i) all proxy statements and materials the firm receives on behalf of clients (with the exception of materials that are publicly available, through the Securities and Exchange Commission website or otherwise); (ii) all proxy votes that are made on behalf of the clients; (iii) all documents created by us that were material to our decision as to how to vote or that memorializes the basis for that decision; (iv) all written requests from clients regarding voting history (to the extent such requests exist); and (v) all responses (written and oral) to clients' requests.

Upon request, any of our clients or any of the investors in our clients can obtain (i) a copy of our proxy voting policies and procedures and (ii) information concerning proxy voting on its behalf.

Item 18 Financial Information

- A. We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.
- C. Our firm has never been the subject of a bankruptcy petition.