

TOWERBROOK

TowerBrook Capital Partners L.P.

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of TowerBrook Capital Partners L.P. (“TowerBrook” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212)-699-2200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Material Changes

This brochure, dated March 30, 2016, serves as an update to TowerBrook’s brochure dated March 31, 2015. This brochure contains routine annual updates to the prior brochure, as well as disclosure related to TowerBrook’s new non-control oriented structured opportunities strategy, including disclosures relating to conflicts of interest and allocation of investment opportunities.

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Advisory Business

TowerBrook is an investment management firm founded in March 2005 and organized under the laws of the State of Delaware as a limited partnership. The Firm is based in New York and London. TowerBrook, together with its related investment manager entities, provides investment advisory services to a number of private investment partnerships (each individually, a “Partnership” and, collectively, the “Partnerships”). Certain Partnerships pursue a “control oriented” private equity strategy, comprising buyouts and other control-oriented debt and equity investments (the “PE Partnerships”), whereas other Partnerships pursue a non-control-oriented structured opportunities strategy, comprising not-for-control stressed and distressed debt investments and other investments in equity or assets where control-oriented private equity attributes may not apply (the “TSO Partnerships”). As of December 31, 2015, TowerBrook managed approximately \$7.4 billion of assets on a discretionary basis on behalf of the Partnerships. TowerBrook’s general partner and principal owner is TowerBrook Capital Partners, LLC, a Delaware limited liability company that is wholly controlled and substantially owned by Neal Moszkowski and Ramez Sousou (the “Co-CEOs”).

Affiliates of TowerBrook serve as the general partners and direct investment managers to the Partnerships; however the investment management duties and responsibilities are performed by TowerBrook through investment advisory agreements. For a list of TowerBrook's affiliated entities that serve as general partners and direct investment managers to existing Partnerships, please refer to the table in the "Other Financial Industry Activities and Affiliations" section below.

TowerBrook and its affiliated investment managers provide investment advice to the Partnerships and not individually to the limited partners of the Partnerships. As investment advisers, TowerBrook and its affiliated investment managers are primarily responsible for identifying investment opportunities for the Partnerships, effecting all investment transactions, monitoring and evaluating the Partnerships' investments and making recommendations regarding the purchase and/or sale of investments. The assets of each Partnership are managed in accordance with the terms of the organizational documents applicable to such Partnership.

The Firm may from time to time, consistent with the terms of the organizational documents of the Partnerships, pursue, on behalf of clients other than the Partnerships, various investment strategies and lines of business that vary from those pursued on behalf of the Partnerships.

Fees and Compensation

A Partnership is governed by a limited partnership agreement ("LPA") that sets forth in detail the fee structure relevant to such Partnership. The terms of the LPAs are generally established during the fundraising period of the applicable Partnership.

Pursuant to a Partnership's LPA, an affiliate of TowerBrook is entitled to compensation for its services in the form of an annual management fee payable quarterly in advance by the Partnership. The management fees payable by the Partnerships vary, but are generally based on either (i) during the investment period, a percentage of a Partnership's capital commitments, and thereafter based on a percentage of capital invested, or (ii) during the life of the Partnership, a percentage of capital invested. As of the date of this brochure, the maximum asset based management fee payable by a Partnership is based on a rate of 2% per year.

TowerBrook affiliates, in their role as general partners of certain Partnerships, are eligible to receive a performance-based profit allocation, or carried interest, with respect to realized investments, which is generally determined as a percentage of profits derived from the disposition of investments (after taking into account expenses of the Partnership, including management fees, and following a preferred return to limited partners). If the performance-based carried interest results in an over distribution of the agreed upon amount of carried interest to the Partnership's general partner, the general partner is generally subject to an after-tax "claw back" arrangement. As of the date of this brochure, the maximum carried interest allocable to a general partner of a Partnership is 20% of the profits derived from the disposition of investments (after taking into account expenses of the Partnership, including management fees, and following a preferred return to limited partners of up to 8% per annum).

TowerBrook may also receive transaction fees, origination fees, monitoring fees, director fees and similar fees from a Partnership's portfolio companies, and break-up fees associated with

investment opportunities that are not consummated (collectively, “Other Fees”). With respect to Partnerships that currently pay management fees to TowerBrook (or its affiliates), a percentage of the Other Fees (net of expenses) is applied to reduce the management fees, if any, payable by such Partnership. Further, for those Partnerships that currently pay management fees, the Other Fees that will reduce the management fee will be limited to the extent of the Partnership’s proportionate interest (or intended proportionate interest) in the applicable portfolio company. The types of fees that constitute Other Fees may vary among the Partnerships. Detailed information regarding the types and amounts of Other Fees that may offset the management fees otherwise payable by a Partnership, and the mechanics for such offset, is provided in the offering documents and/or organizational documents (including LPAs) of such Partnership.

In addition to management fees and performance-based carried interest as described above, the Partnerships pay or reimburse TowerBrook or its affiliated parties for certain fees, costs and expenses. Those fees, costs and expenses will vary from Partnership to Partnership, but typically will include (among others): all reasonable legal and other organizational and offering fees, costs and expenses incurred in the formation of a particular Partnership and related entities and the offering of the limited partner interests in a Partnership; fees, costs and expenses incurred in connection with the discovery, evaluation, acquisition or disposition of investments (whether or not consummated) and the holding, hedging, or monitoring of investments, including, without limitation, private placement fees (other than fees paid to TowerBrook Financial (as defined below)), sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, mobile device and conference call fees, costs and service expenses, and legal, accounting, investment banking, advisory, consulting, information services and professional fees, costs and expenses (which reimbursement in respect of professional fees may include payments to affiliates of TowerBrook); travel-related fees, costs and expenses (including transportation, meal, entertainment and lodging expenses) related to or arising from the sourcing, discovery, evaluation, acquisition, holding, hedging, monitoring or disposition of investments, including potential investments (which may include travel by way of private or non-commercial planes at rates not in excess of commercial rates for first class or business class travel); fees, costs and expenses incurred in connection with the carrying, hedging, or management of investments, including custodial, trustee, accounting, record keeping and other administration fees, as well as portfolio accounting and reporting system licenses and fees, portfolio company reporting system licenses and fees, and performance management system licenses and fees; expenses incurred in connection with any market data, relevant news or third-party research services and related terminals for the delivery of such services; fees, costs and expenses incurred in connection with the preparation and distribution of the Partnership’s financial statements, tax returns, K-1s (or similar schedules) and other communications with the partners of a Partnership and the limited partner advisory board of a Partnership, including fees, costs and expenses incurred in connection with purchasing, licensing or leasing computer software and hardware for such uses, fees, costs and expenses incurred in connection with providing the partners of a Partnership access to a database or other forum hosted on a website designated by a Partnership and fees, costs and expenses incurred with investor webcasts; attorneys’ and accountants’ fees, costs, expenses and disbursements (including allocable compensation for in-house attorneys); taxes and other governmental charges levied against a Partnership; insurance premiums and expenses, including without limitation, for errors, omissions, fidelity, crime, general partner liability, directors’ and officers’ liability policies; regulatory and litigation fees, costs and expenses, and damages, including regulatory expenses of TowerBrook and its affiliates incurred in connection

with the operation of a Partnership (including, without limitation, fees, costs and expenses related to the preparation and filing of Form PF and other similar U.S. and non-U.S. regulatory filings and fees, costs and expenses related to complying with the European Alternative Investment Fund Managers Directive, fees, costs and expenses related to complying with the reporting requirements of Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and certain regulations and other administrative guidance thereunder and, in each case, similar regulations and administrative requirements in other jurisdictions); fees, costs and expenses incurred in connection with any litigation or government inquiry, investigation, examination or proceeding involving a Partnership or any of its investors, including the amount of any judgment, settlements or fines; fees, costs and expenses associated with maintaining a Partnership and any of its subsidiary entities, including fees, costs and expenses incurred in the organization, operation and restructuring of such subsidiary entities; interest on, and fees, costs and expenses arising out of a Partnership's borrowings, investment guarantees, the incurrence of leverage and indebtedness (including the fees, costs and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the account of a Partnership); fees, costs and expenses incurred in connection with the dissolution, winding up or liquidation of a Partnership; fees, costs and expenses relating to defaults by partners of a Partnership in the payment of any capital contributions; out-of-pocket expenses for transactions that are not consummated; fees, costs and expenses incurred in connection with any restructuring or amendments to the constituent documents of a Partnership and related entities; fees, costs and expenses relating to transfers of partnership interests (and admission of a substitute partner) or a permitted withdrawal of a Partner (but only to the extent not paid or otherwise borne by the relevant transferring Partners of a Partnership and/or the assignee or the withdrawing Partner, as applicable); fees, costs and expenses incurred in connection with the formation of any alternative investment vehicles or special purpose investment vehicles to the extent permitted under a Partnership's organizational documents; expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of a Partnership, Partnership related entities or any special purpose investment vehicles; fees, costs and expenses incurred in connection with any indemnification obligations of a Partnership; fees, costs and expenses incurred in connection with distributions to the Partners of a Partnership; fees, costs and expenses incurred in connection with any meetings of Partners of a Partnership called by the general partner of a Partnership; fees, costs and expenses incurred in connection with any meetings of the limited partner advisory board of a Partnership called by the general partner of a Partnership; reasonable out-of-pocket expenses incurred by the members of the limited partner advisory board of a Partnership in connection with the fulfillment of their duties pursuant to the organizational documents of a Partnership (including transportation, meal, entertainment and lodging expenses); fees, costs and expenses incurred in connection with annual meetings called by the general partner of a Partnership for the chief executive officers and chief financial officers of a Partnership's portfolio companies; expenses incurred in connection with any meetings of TowerBrook's Senior Advisory Board or TowerBrook's Management Advisory Board, in each case, called by a Partnership's general partner (including transportation, meal, entertainment and lodging expenses), including expenses incurred by the partners and employees of TowerBrook and members of TowerBrook's Senior Advisory Board and TowerBrook's Management Advisory Board in connection with attending such meetings; compensation and other similar expenses of consultants (including industry executives, advisors, consultants, operating executives, subject matter experts or other persons acting in a similar capacity) who provide

services to a Partnership or its portfolio companies (including with respect to potential portfolio investments), including a Partnership's proportionate share of fees payable by TowerBrook to members of TowerBrook's Management Advisory Board and members of TowerBrook's Senior Advisory Board (subject to any applicable caps on such fees pursuant to a Partnership's LPA); fees, costs and expenses incurred in connection with transfers of interests by partners of a Partnership that are not otherwise borne by the applicable transferor or transferee; fees, costs and expenses incurred in connection with the valuation of assets of a Partnership; and any other fees, costs and expenses permitted by a Partnership's organizational and offering documents. This list is not intended to be exhaustive; prospective and existing limited partners are advised to review the applicable Partnership's offering documents and organizational documents (including LPAs) for a more extensive description of the fees, costs and expenses associated with an investment in the Partnerships.

Investment vehicles owned by TowerBrook's investment professionals, employees and related persons may invest in certain Partnerships. Such persons, as well as certain co-investors and unrelated persons, may not pay management fees and/or be subject to performance based carried interest in connection with their investment in the Partnerships. In addition, certain special purpose Partnerships that invest alongside other Partnerships in all or certain investments may not pay management fees and/or be subject to performance based carried interest in connection with their investment in such special purpose Partnerships.

The general partner of a Partnership, in its sole discretion, may call capital for management fees and other expenses or pay such fees and expenses out of the Partnership's current income and from disposition of investments.

If any limited partner is participating in a co-investment alongside a Partnership (a "Co-Investor"), such Co-Investor will typically bear its pro rata share of fees, costs and expenses related to the sourcing, monitoring, investigation, development, acquisition or consummation, ownership, maintenance, hedging and disposing of the underlying co-investments. In the event that a Co-Investor participates in a co-investment through an investment vehicle or vehicles managed or advised by TowerBrook, the Co-Investor will generally bear its pro rata share of the aggregate organizational costs and expenses of such vehicles. With respect to a co-investment opportunity, TowerBrook endeavors to have each Co-Investor agree at the time it makes a binding commitment to participate in an investment that it will be responsible for its pro rata share of any fees, costs and expenses relating to such co-investment opportunity should the investment not be completed (a "Broken Deal"). In the event of a Broken Deal, all fees, costs and expenses relating to such Broken Deal generally are allocated as follows: (i) to the extent a Co-Investor has agreed to be responsible for its pro rata share of any fees, costs and expenses related to the Broken Deal, to the Co-Investor; (ii) to the extent a Co-Investor has not agreed to be responsible for its pro rata share of any fees, costs and expenses related to the Broken Deal, to the Partnerships on whose behalf TowerBrook evaluated and pursued the Broken Deal to the extent consistent with the terms of the LPAs of such Partnerships; and (iii) to the extent that fees, costs and expenses relating to a Broken Deal are not allocated to a Co-Investor or a Partnership pursuant to the foregoing clauses (i) and (ii) above, to TowerBrook. TowerBrook or any of its affiliates may (or may not) in their discretion (a) charge performance based carried interest, management fees or other similar fees to Co-Investors and (b) collect customary fees in

connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements.

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

In January 2015, certain affiliates of Wafra Strategic Investors L.P. (the “Investor”) committed to provide funding to the Firm in exchange for the right to receive a 10% minority equity interest, including the right to participate in fee income and carried interest from the Partnerships and additional investment funds that the Firm may form in the future. The Investor does not participate in the investment process or the day-to-day management of the Firm, but has certain minority rights in respect of entities that indirectly hold interests in the general partner and the managers of the Firm’s investment funds, including the right to receive certain performance information related to the Firm’s investment funds. Affiliates of the Investor may be limited partners in certain of the Firm’s investment funds and may co-invest in certain investments made by the Firm’s investment funds. As of the date of this brochure, the Investor does not own any equity interest in the Firm.

Performance Based Fees and Side-by-Side Management

As described in the Fees and Compensation section above, the general partners of certain Partnerships are entitled to performance-based carried interest. Performance-based carried interest may create an incentive for TowerBrook to make investments on behalf of the Partnerships that are riskier or more speculative than would be the case in the absence of such carried interest. TowerBrook seeks to address these conflicts through careful vetting of investment opportunities by its investment professionals and disclosure of investments to limited partners by way of capital calls or other notices distributed to the limited partners in advance of each investment and quarterly reports to the limited partners. Additionally, investment vehicles owned by TowerBrook’s investment professionals invest in certain Partnerships in an effort to align TowerBrook’s and such Partnerships’ interests. Furthermore, the constituent documents of the Partnerships that provide for performance-based carried interest have after-tax “claw back” arrangements as described in the Fees and Compensation section above.

Although TowerBrook and its affiliates accept performance-based carried interest from some Partnerships, but not others, TowerBrook does not believe it faces conflicts of interest in this regard because the Partnerships that are not subject to performance-based carried interest do not make investments other than investments alongside Partnerships that are subject to performance-based carried interest.

TowerBrook maintains policies and procedures relating to allocations of investment opportunities between or among the Partnerships. TowerBrook may, from time to time, be presented within investment opportunities that fall within the investment objectives of more than one Partnership. As a general matter, TowerBrook will allocate investment opportunities that are within such common objectives between the Partnerships in a manner that TowerBrook believes in good faith to be fair and reasonable over time.

When determining whether an investment opportunity (including a follow-on opportunity) is appropriate for the PE Partnerships or the TSO Partnerships, TowerBrook will consider the factors and circumstances that TowerBrook considers to be relevant to the determination (the “Investment Allocation Considerations”), which may include, without limitation: the respective investment guidelines, parameters, restrictions, strategies and objectives of the applicable Partnerships (each of which may take into account certain other Investment Allocation Considerations); any priority (or exclusivity) requirements under the respective Partnerships’ LPAs; the size, nature and type of investment opportunity; current and anticipated market and general economic conditions; the costs and complexity of allocating the investment opportunity across multiple Partnerships; the risk profile of the investment opportunity in light of the Partnerships’ respective risk tolerances and the composition of such Partnerships’ existing portfolios; the probability that an investment will be a control-oriented investment; the desire to achieve or maintain diversification, including, without limitation, with respect to exposure to asset classes, geographic exposure, currency exposure, exposure to the same, similar or correlated sectors or industries and commodity exposure; the respective investment time horizons of the respective Partnerships and the proximity of such Partnerships to the end of their respective specified investment periods or specified terms; available capital of the respective Partnerships, including, without limitation, funding limitations and expected cash flows; degree of leverage availability and any requirements or other terms of any existing leverage facilities; existing contractual rights or restrictions or fiduciary duty considerations that are relevant to the respective Partnership’s participation in the investment opportunity, whether arising out of an existing investment by such Partnership, the terms of a non-disclosure agreement to which such Partnership is party or otherwise; the probability/possibility of future capital investments by such Partnerships with respect to a follow-on investment opportunity, the purpose and/or circumstances of the follow-on investment; the existence, type, nature and role of co-investors; availability of management, director or advisory talent; legal and/or regulatory restrictions or consequences; tax consequences; and potential conflicts of interest, including whether a Partnership has an existing investment (directly or indirectly) in the portfolio company or issuer in question and the portfolio company or issuer in question is a competitor and/or a potential transaction partner of, or lender to, an existing portfolio company or issuer of a Partnership.

The possibility exists that multiple Partnerships with similar strategies that do not, by their terms, invest together, may have capital available for investment at the same time (including in connection with a follow-on investment in, or add-on acquisition with respect to, a portfolio company of a Partnership). If an investment opportunity develops that is within the investment parameters and strategies of two or more Partnerships that do not, by their terms, invest together, TowerBrook addresses such conflicts by bringing them to the applicable Partnerships’ advisory boards which are comprised of representatives of the investors in such Partnerships. In such case, the applicable Partnerships’ advisory boards will approve or disapprove of such co-investment and, if approved, TowerBrook will allocate the opportunity through a methodology determined by TowerBrook in consultation with the applicable Partnerships’ advisory boards, subject in all cases to the applicable provisions of the LPAs of the applicable Partnerships.

TowerBrook has adopted guidelines governing co-investment opportunities pursuant to which TowerBrook may, to the extent it believes in its sole discretion that it is appropriate to do so, offer any limited partner of a Partnership or any third party the opportunity to co-invest in any transaction in which a Partnership has made, or will make, an investment, subject in all cases

(including with respect to the allocation of co-investments among potential co-investors) to the provisions of the LPA of the applicable Partnership, the terms of any side letter or other terms negotiated with a Partnership's limited partners with respect to the particular Partnership and the terms of TowerBrook's co-investment guidelines. Such guidelines set forth certain factors that TowerBrook may consider, based on the facts and circumstances of a potential investment, in determining whether or not to offer a co-investment opportunity to a potential co-investor. Such factors may include, but are not limited to, the jurisdiction in which the co-investor is based, any existing relationships between the co-investor and management of the relevant portfolio company or any other party relevant to the transaction, any relevant experience of the co-investor in the same industry or sector as the relevant portfolio company, or any other factors which TowerBrook deems relevant. The structure and terms of any co-investment opportunity to be offered by TowerBrook to any limited partner of a Partnership shall be determined by TowerBrook, subject to the restrictions, if any, set forth in the LPA of the relevant Partnership. TowerBrook or any of its affiliates may (or may not) in their discretion charge performance based carried interest, management fees or other similar fees to co-investors.

TowerBrook has obtained directors' and officers' insurance coverage for the Partnerships and certain of their respective affiliates from a portfolio company of certain of the Partnerships. Such insurance coverage was obtained on arms-length terms at the recommendation of an independent insurance advisor, and the premiums paid by TowerBrook or its affiliates for such insurance coverage are comparable to the premiums that would be paid by such persons had such relationship not existed. In addition, certain Partnerships have ownership interests in portfolio companies that may offer discounts on products or services to TowerBrook personnel. However, any such discounts are of a de minimis nature relative to the relevant portfolio companies' revenues and operations.

Types of Clients

TowerBrook and its affiliated investment managers provide advisory services to privately offered funds that generally pursue either a "control oriented" private equity investment strategy or a "non-control oriented" structured opportunities investment strategy.

Limited partners in the Partnerships may include, but are not limited to, high net worth individuals, pension plans, sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (*e.g.*, funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities. Investment advice is provided directly to the Partnerships and not individually to the limited partners.

Details concerning applicable limited partner suitability criteria are set forth in the respective Partnership's offering documents and subscription materials. Although TowerBrook and/or its affiliates have the authority to accept commitments for lesser amounts, the minimum commitment in the Partnerships is generally \$10 million. Each limited partner of a Partnership is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended.

TowerBrook and its affiliates may enter into separate agreements, commonly referred to as “side letters”, with certain limited partners with respect to the Partnerships which would have the effect of establishing rights under, altering, or supplementing the terms of the LPA of the applicable Partnership with respect to such limited partner, in a manner more favorable to such limited partner than those applicable to other limited partners in such Partnership. Such rights or terms pursuant to such agreements may include, without limitation, fee or carried interest arrangements with respect to a limited partner, reporting obligations of TowerBrook, waiver of certain confidentiality obligations, consent of TowerBrook to certain transfers by a limited partner, or rights or terms necessary in light of particular legal, regulatory or tax characteristics of a limited partner.

Methods of Analysis, Investment Strategies and Risk of Loss

On behalf of the PE Partnerships, TowerBrook generally pursues control-oriented private equity or distressed debt investments in large and middle-market European and North American companies. On behalf of the TSO Partnerships, TowerBrook generally pursues investments in “structured opportunities”. TowerBrook generally considers “structured opportunities” to be complex transactions incorporating contractual downside protection that take advantage of changing market conditions or situation-specific events where traditional control-oriented private equity attributes may not apply.

TowerBrook strives to control its investment risk by staging its capital commitments. In the case of equity investments by the PE Partnerships, TowerBrook usually requires the initial investment to have sufficient critical mass to survive as a stand-alone entity, but may seek to identify one or more add-on acquisitions at the time of the initial investment. Investments by the PE Partnerships primarily take the form of leveraged buy-outs, leveraged build-ups and distressed situations with a path to control. The TSO Partnerships invest primarily in not-for-control stressed and distressed debt, structured equity and structured assets, as described in more detail below.

Buy-outs: TowerBrook pursues, on behalf of the PE Partnerships, buyouts of fundamentally strong businesses in complex situations and collaborates with corporate sellers to identify divestiture candidates that are not appropriate for auction. The Firm attempts to identify fragmented industries with favorable economic fundamentals and long-term growth potential, where companies can be acquired at attractive valuations.

Distressed Situations with a Path to Control: TowerBrook regards “distress” as a tactical opportunity for the PE Partnerships to acquire an ownership interest in a viable business at an attractive valuation. In pursuing this strategy, TowerBrook targets fundamentally sound companies that are suffering from financial distress or a capital markets dislocation. These are generally difficult, highly complex and/or contrarian value investment opportunities. All potential targets should have sound business fundamentals, a compelling valuation and substantial upside opportunity.

Not-for-Control Stressed and Distressed Debt: These are typically corporate loans, bonds and other financial obligations and securities in the secondary market that are priced at a discount to par. This category also includes primary privately negotiated debt instruments, rescue financing

and debtor-in-possession (DIP) financing, where the investment is structured to offer significant downside protection and, in some cases, the potential to convert the holding into equity. In the case of both secondary market purchases and primary privately negotiated debt investments, the TSO Partnerships will focus on situations where, at the time of the initial investment, TowerBrook believes in good faith that a path to control is not reasonably probable. Debt investments where a path to control is reasonably probable at the time of initial investment will be allocated exclusively to the TowerBrook PE Partnerships.

Structured Equity: These are typically equity investments into an operating company incorporating structural and contractual protection, in situations where TowerBrook has no initial intent of gaining control or TowerBrook believes in good faith that it is not reasonably probable that a Partnership will gain control. This may involve investment in a combination of two or more elements of a company's capital structure, such as convertible preferred shares, payment-in-kind preferred shares, warrants, convertible debt and common equity, where the investment can be structured to offer strong minority shareholder rights, preferred participation in the capital structure and potential upside through some equity participation. TowerBrook is not expected to invest in minority stakes through common equity only.

Structured Assets: These are typically real assets, cash flow streams, portfolio purchases or other specialty finance assets. Suitable assets are likely to be found in industries such as transportation, media rights, natural resources, power generation, specialty finance and telecom infrastructure, among others. In the case of structured assets, TowerBrook, on behalf of the TSO Partnerships, will focus on investments where the generation of franchise value or goodwill is not anticipated at the time of the initial investment.

TowerBrook's investment strategy is based on two fundamental principles: (i) focused proprietary sourcing of investment opportunities; and (ii) a proactive, value-added approach to overseeing portfolio companies.

Proprietary Sourcing. TowerBrook generally avoids competitive auctions by seeking to source investment opportunities on a proprietary basis through its network of long-standing relationships and through targeting special situations that attract few or no competitors because of the complex or contrarian nature of the investment opportunity. TowerBrook proactively pursues proprietary opportunities by formulating and researching investment theses and initiating dialogue about potential acquisitions with the management teams or owners of prospective target companies. TowerBrook consults with third-party investment and industry experts to assist the Firm in identifying noncompetitive investment opportunities and developing a proprietary advantage when there is competition for investment opportunities. TowerBrook will also use industry experts as part of its overall due diligence process to help evaluate the operational aspects of potential investments, existing portfolio companies, and the macro-economic environment to make informed investment decisions.

In the case of the TSO Partnerships, TowerBrook will strive to limit the potential risks to capital that stem from the nature of many structured opportunities, including tighter due diligence timeframes, more limited available information and, by definition, lower levels of influence compared with private equity investments. Risk will be mitigated in part through structural and contractual protection and, in some instances, governance rights.

For the PE Partnerships, TowerBrook will generally develop a comprehensive understanding of an industry before committing to an opportunity. Although TowerBrook considers itself a generalist in terms of industry focus, it has built up substantial knowledge and expertise in the following industry sectors: Healthcare Products and Services, Retail, Luxury, Financial Services, Consumer Goods, Telecommunications, Media, Chemicals, Knowledge Services, and Selected Industrial Segments. TowerBrook seeks to leverage this experience by proactively looking for new opportunities in these sectors. In other sectors, TowerBrook will engage third-party industry experts to assist with industry and investment analysis.

When analyzing new opportunities, TowerBrook is rigorous in maintaining price discipline and looks wherever possible to structure downside protection into new investments, including use of vendor loan financing and earn-out structures. When suitable opportunities do not present themselves, TowerBrook refrains from putting money to work.

Overseeing Portfolio Companies. TowerBrook believes that the management teams of its portfolio companies are a key asset of any investment, and, in connection with its control investments, it will look wherever possible to strengthen the management team post-closing. With respect to control investments, TowerBrook collaborates with the management teams of portfolio companies to oversee the implementation of operational improvements.

Analysis of Exit Scenarios, Realizations. From the outset, TowerBrook will carefully consider the potential to exit an investment. It will determine the most likely exit route at an early-stage meeting of the applicable Partnership's transaction committee at which a specific investment is considered, while all forms of exit will be evaluated throughout the investment's life. Potential routes to realizations may include outright sales, initial public offerings or full or partial returns of capital by holding an asset until maturity (in the case of debt instruments) or restructurings. The most appropriate route chosen will eventually depend on the nature of the underlying asset and the financial market conditions at any given time.

Certain Associated Risks

All investing involves a risk of loss that investors should be prepared to bear. The descriptions contained below are a brief overview of different risks related to TowerBrook's investment strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Partnerships. Investors should consider an investment in a Partnership as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in a Partnership's offering documents and organizational documents. Each prospective investor should carefully review the applicable Partnership's offering documents and organizational documents before deciding to make an investment in a Partnership.

General Business and Management Risk. Investments subject the Partnerships to the general risks associated with the underlying businesses or assets, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of

whom could significantly adversely affect the portfolio company's performance. While in all cases TowerBrook will monitor portfolio company performance, the management of each portfolio company will have day-to-day responsibility over such portfolio company.

Dependence on Key Personnel. The success of the Partnerships is highly dependent on the expertise and performance of TowerBrook's Managing Directors. There can be no assurance that the Managing Directors will continue to be associated with TowerBrook or any of its affiliates throughout the life of the Partnerships, as they are under no contractual obligation to remain with TowerBrook or any of its affiliates for all or any portion of the term of any Partnerships. The loss of the services of one or more of these individuals could have an adverse effect on the performance of the Partnerships.

Liquidity Issues. TowerBrook often invests in instruments where there is likely to be no actively traded market. Moreover, many of the Partnerships' investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, a Partnership may find it more difficult to sell such instruments when TowerBrook believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Partnership may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. TowerBrook faces competition for investments from a variety of other investment vehicles, as well as individuals, financial institutions and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that TowerBrook will be able to locate and complete investments which satisfy the investment objectives of the Partnerships or that it will be able to invest fully the Partnerships' capital.

Valuation of Assets. The securities or instruments of indebtedness owned by the Partnerships are required to be fairly valued by TowerBrook. When estimating fair value, TowerBrook will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of TowerBrook. Investors should review the Partnerships' LPAs, private placement memoranda and other governing documents to understand the risks and potential conflicts of interest that may arise in connection with valuation of assets.

No Assurance of Returns. There is no assurance that TowerBrook will be able to generate returns for limited partners, or that the Partnerships' investment objectives will be achieved, or that there will be any return of capital. Therefore, an investor should only invest in a Partnership if the investor can withstand a total loss of its investment. The past investment performance of the entities with which officers, partners and employees of TowerBrook have been associated

cannot be taken to guarantee or indicate future results of any investment in the Partnerships, or in any other clients other than the Partnerships that may be formed by the Firm from time to time.

Nature of the Partnerships' Investments. The Partnerships' investments may be in control-oriented equity, equity-related or debt investments and/or in "structured opportunities", which TowerBrook considers to be complex transactions with structural downside protection that take advantage of changing market conditions or situation-specific events through mispriced opportunities where traditional control-oriented private equity attributes may not apply. While both types of investments offer the opportunity for significant capital gains, they also involve, by their nature, a high degree of business, financial, market and legal risk, that may result in substantial losses. There can be no assurance that the Partnerships will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Valuations of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Partnerships' activities. As a result, the Partnerships' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

The Partnerships may make control-oriented investments and/or minority equity or debt investments in companies over which TowerBrook may have limited influence. Such a company may have economic or business interests or goals that are inconsistent with those of TowerBrook and the Partnerships, and the applicable Partnership may not be in a position to limit or otherwise protect the value of its investment in the company. The Partnerships' control over the investment policies of these companies may also be limited. In addition, in certain situations, including where the issuer is in bankruptcy or undergoing a reorganization, minority investors (such as the Partnerships) may be subject to the decisions taken by majority investors and the outcome of a Partnership's investment may depend on such majority controlled decisions, which decisions may not be consistent with the Partnership's objectives.

The Partnerships' investments may involve leveraged acquisitions, which by their nature may result in companies undertaking a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance total returns, if investment results fail to cover borrowing costs, then returns will be lower than if there had been no borrowings.

The Partnerships may co-invest in a company with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments in which a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of the Partnerships or may be in a position to take (or block) action in a manner contrary to the Partnerships' investment objectives. In addition, the Partnerships may, in certain circumstances, be liable for actions of their third-party co-investors or partners.

The Partnerships' investments may involve the formation of new companies. Significant risks are associated with the formation of such companies, which may require substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

The Partnerships' investments may involve underperforming companies or companies identified by TowerBrook as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged and any investment in them may involve a high degree of risk.

The Partnerships may invest in debt obligations, securities and assets that are inefficiently priced as a result of business, financial, market or legal uncertainties. The level of analytical sophistication, both financial and legal, necessary for successful returns on such investments is unusually high. There can be no assurance that a general partner or TowerBrook will evaluate correctly the nature and magnitude of the various factors that could affect the value of the applicable Partnership's investments.

Investments In Distressed Securities And Restructurings. The investment strategies of the Partnerships includes stressed and distressed investing (*e.g.*, investments in defaulted, out-of-favor or stressed or distressed bank loans and securities) or may involve investments that become "non-performing" following a Partnership's acquisitions thereof. The Partnerships' investments may therefore include specific securities or instruments (including bank loans and other forms of indebtedness) of companies that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk. The Partnerships may also make investments in companies that are experiencing financial or operational difficulties or are otherwise out-of-favor. Some or all of these companies may operate at a loss or with substantial variation in operating profits from period to period, and may have a need for substantial additional capital to support expansion or to achieve or maintain a stable operating position. Such companies may not have ready access to the traditional capital markets. Such companies' securities or instruments may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks.

The financial difficulties of a company may never be overcome and may cause such company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject a Partnership to certain additional potential liabilities that may exceed the value of the Partnership's original investment therein. For example, under Section 363 of Title 11 of the United States Code, as amended (the "Bankruptcy Code"), 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. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the

bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions. Such investments could be subject to federal bankruptcy law and state fraudulent transfer laws, which may vary from state to state, if the securities relating to such investments were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such securities. If such investments constitute debt and such debt is used for a buyout of shareholders, this risk is greater than if the debt proceeds are used for day-to-day operations or organic growth. Under certain circumstances, payments to a Partnership and distributions by a Partnership to certain limited partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Such debt may also be disallowed or subordinated to the claims of other creditors if the relevant Partnership is found to have engaged in other inequitable conduct resulting in harm to other parties. A Partnership's investment may be treated as equity if it is deemed to be a contribution to capital, or if the Partnership attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. While the Partnerships will attempt to avoid taking the types of action that would lead to such liability, there can be no assurance that such claims will not be asserted or that the Partnerships will be able successfully to defend against them.

Implications of Service on Creditors' Committees. TowerBrook, on behalf of a Partnership, may elect to serve on creditors' committees, official or unofficial, equity holders' committees or other groups (in addition to boards of directors) to ensure preservation or enhancement of the such Partnership's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If TowerBrook concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to such Partnership, it may resign from that committee or group, and such Partnership may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if such Partnership is 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 and potentially thereafter.

Private Stressed And Distressed Investments. Sourcing, diligence, structuring and governance of private stressed and distressed investments require consideration of factors that are often not present in standard private equity investing or investments in the debt of financially sound companies. If TowerBrook's evaluation of the anticipated outcome of an investment situation proves incorrect, a Partnership could experience losses. Successful investing requires a specialized skill set that includes: (i) the ability to accurately value a company's assets and analyze its capital structure; (ii) a sophisticated knowledge of the complex legal environment in which such investing occurs, particularly bankruptcy, securities and corporate law; (iii) the experience necessary to determine accurately the financial interests and legal rights of the debtor and each of its creditor constituencies; and (iv) refined negotiating skills. A wide variety of considerations makes any evaluation of the outcome of an investment in a financially distressed company uncertain. These considerations include the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain consents from governmental authorities or others, as well as numerous other factors. In addition,

TowerBrook may not have access to reliable and timely information concerning material developments affecting a company. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access of TowerBrook to reliable and timely information concerning material developments affecting an investment, or which cause lengthy delays in the completion of a reorganization or liquidation proceeding. Competition from other investors may also render it unadvisable for TowerBrook to pursue intended results or promptly effect transactions.

Non-Controlling Investments. The TSO Partnerships may hold non-controlling interests in their investments and, although such Partnerships will generally seek negative covenants and other contractual restrictions for each investment, it will primarily be the responsibility of management teams and boards of directors of the underlying businesses, which may include representation by other investors whose interests may conflict with the interests of the Partnerships, to operate the portfolio companies on a day-to-day basis. Accordingly, the TSO Partnerships may have a limited ability to protect their investments in such businesses. Further, the TSO Partnerships may not be entitled to appoint directors and may have a limited ability to protect their interests in such businesses and to influence such companies' management.

Capital Structure Arbitrage. In certain circumstances the execution of a stressed or distressed investing strategy involves the ability of TowerBrook to identify and exploit the relationships between movements in different securities and instruments within an issuer's or borrower's capital structure (*e.g.*, senior bank debt, second liens, debt securities and other obligations, convertible and non-convertible senior and subordinated debt, preferred equity and common stock). Identification and efforts to benefit from these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer's securities or instruments were to fail to materialize as expected by TowerBrook, the relevant Partnerships could incur losses.

Investments in Structured Assets. The TSO Partnerships may invest in structured assets where TowerBrook has identified an operating partner, cash flow streams, portfolio purchases or other specialty finance assets that meet the TowerBrook's investment criteria. Suitable assets are likely to be found in industries such as aircraft, media rights, natural resources, power generation, specialty finance and telecom infrastructure. Although such investments may result in significant returns to certain Partnerships, they involve a substantial degree of risk. Further, the level of analytical sophistication, both financial and legal, necessary for successful investment in assets of these kinds may be unusually high. There is no assurance that TowerBrook will correctly evaluate the intrinsic value of any or all of the assets that certain Partnerships may acquire.

Derivatives. The Partnerships or their investments may engage in derivative or similar transactions. These transactions may involve the purchase and sale of commodities or commodity futures, the use of forward contracts, put and call options, swap agreements (such as credit default swaps or total return swaps), floors, collars, bilateral agreements or other arrangements. Such instruments may be difficult to value, may be illiquid and may be highly volatile as a result of changes in the price of commodities or other underlying assets. In addition, derivative instruments may trade principally on markets organized outside the U.S. markets for such instruments, may be illiquid, highly-volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost. The investment techniques

related to derivative instruments are highly specialized and may be considered speculative. Such techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of the Partnerships or the Firm. Moreover, derivative agreements and contracts entered into by the portfolio companies may be subject to the risk that one or more counterparties thereto would default on their payment obligations to the companies, due to such counterparty's insolvency, bankruptcy or other factors that are outside of the control of TowerBrook and the portfolio companies. For all the foregoing reasons, the use of derivatives and related techniques can expose the Partnerships and their investments to significant risk of loss.

Risks From Debt-Related Investments Generally. The Partnerships may acquire, and the TSO Partnerships may originate, loans, bonds and other debt obligations. The borrower under a loan often provides the lenders thereunder with extensive information about its business, which is not generally available to the public. Because of the provision of such confidential information, the unique and customized nature of a loan agreement, and the private syndication of the loan, leveraged loans are generally not as easily resold as publicly traded securities, and historically the trading volume in the loan market has been small relative to, for example, the high yield bond market. In addition, the unique nature of the loan documentation may involve a degree of complexity in negotiating a secondary market purchase or sale which may not exist, for example, in the bond market. There can be no assurance that future levels of supply and demand in loan trading will provide a sufficient degree of liquidity in the market. This means that such assets may be subject to greater disposal risk in the event that a Partnership wishes to sell such assets.

With respect to investments in loans, the return of capital, if any, will generally occur only upon the repayment of loans, and the Partnerships do not expect loans to be repaid in full for a number of years following the entering into such arrangements. Trade sales of portfolio companies to generate principal repayments may rely on the buyers' ability to finance acquisitions and cash realizations may be delayed because of deferred consideration structures. In addition, there may be a risk that capital and accrued interest (if any) in respect of an instrument may not be repaid on their due date and accordingly the issuer of such loan may default on its repayment obligations, thus causing a Partnership to suffer a loss.

Although any particular loan often will share features with other loans and obligations of its type, its actual terms will have been a matter of negotiation and will thus be unique. Any particular loan or obligation may contain terms that are not standard and that provide less protection to creditors than might be expected, including in respect of covenants, events of default, security or guarantees.

There is limited historical data available as to the levels of defaults and/or recoveries that may be experienced on loans and no assurance can be given as to the levels of default and/or recoveries that may apply to any loans originated or acquired by a Partnership. Recoveries on loans will be affected by the particular circumstances of the borrower and its owners and creditors, its assets and other factors. Ultimate recovery rates are difficult to predict and may not achieve a Partnership's investment return objectives.

The contractual rights of a Partnership, in relation to the loans that it acquires, will depend on the way in which the Partnerships acquire the loans. It is intended that a Partnership may acquire interests in loans either (i) directly or (ii) indirectly by way of a participation or sub-participation. In a participation or sub-participation arrangement, a Partnership will gain an economic exposure to a loan or group of loans without becoming a lender of record. In these circumstances, a third party, such as a loan trading desk at a financial institution, holds the loan as the lender of record and retains the voting rights in respect of the loan.

Accordingly, the contractual rights acquired by a Partnership may vary considerably and the Partnership may be required to adopt particular contractual arrangements and structures in order to satisfy the legal and regulatory requirements of a particular jurisdiction. Additionally, a purchaser by way of transfer or assignment of a loan typically acquires all the rights and obligations of the assigning institution, becomes a lender under the credit agreement with respect to the debt obligation (although its rights can be more restricted than those of the assigning or transferring institution) and has a direct contractual relationship with the borrower. Acquisition of a participation or sub-participation interest in a loan typically results in a contractual relationship only with the lender which is participating out its interest under the loan, rather than with the borrower. On the acquisition of a participation or sub-participation, a Partnership will generally not have a right to enforce compliance with the terms of the loan agreement against the borrower, and will be reliant on the lender which is participating out its interest under the loan. As a result, the Partnership will assume credit risk in relation to both the borrower and the entity which is participating or sub-participating its interest under the loan.

Moreover, the Partnerships' portfolio investments, particularly investments in loans or other forms of indebtedness, may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer or borrower repaying the principal on an obligation held by a Partnership earlier than expected (which could result in such Partnership's investment return from such portfolio investment being less than that anticipated by such Partnership when it made the portfolio investment). As a consequence, such Partnership's ability to achieve its investment objectives may be affected.

General Credit Risks. Credit risk refers to the financial soundness of the issuer or borrower. It is the risk that the borrower will be unable to fulfill its commitment in the form of periodic interest payments and the repayment of the principal amount. Bonds have varying levels of credit risk depending on the issuer's monoline insurer (if any), hedge counterparty (if any) and liquidity provider (if any) of the financial profiles. Credit risk is often used interchangeably with default risk. However, the former also includes the risk of downgrade, which may impact the valuation of the particular bond or loan.

With respect to certain Partnerships' investments, the value of any underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. A Partnership cannot guarantee the adequacy of the protection of its interest, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a Partnership cannot assure that claims may not be asserted that might interfere with enforcement of the rights of the holder(s) of the relevant debt. In the event of a foreclosure, the liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan or a Partnership's investment in

such loan, resulting in a loss to the Partnership. Any costs or delays involved in the effectuation of a foreclosure of a loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss. A Partnership may not have the right to proceed directly against obligors on the Partnership's interests.

Below Investment Grade Securities And Loans. The Partnerships may invest in "below investment grade" bonds of issuers, and loans made to borrowers, in a weak financial condition including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although they also may offer the potential for correspondingly high returns, these bonds or loans are likely to be particularly risky investments for reasons including the following: (i) it may be difficult to obtain information as to the true condition of such issuers or borrowers; (ii) such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims; (iii) the issuer of the securities or the borrower will frequently be, or will be facing insolvency procedures and may be in breach of covenants and unable to pay debts as they fall due; (iv) insolvency laws and procedures will vary between jurisdictions and may be amended during the life of the applicable Partnership; (v) loans to such companies or bonds issued by such companies may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies; and (vi) in certain transactions, the loans may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the entity being liquidated. All the above reasons can result in losses, even if the proposed transaction is consummated.

Middle-Market Companies. A component of TowerBrook's investment objectives is to invest in middle-market companies. While investments in middle-market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in large companies. Medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in small- and medium-sized companies, could make it difficult for TowerBrook to react quickly to negative economic or political developments.

Portfolio Concentration. Although the constituent documents of the Partnerships may provide for limitations regarding the amount of aggregate capital commitments that may be invested in a single portfolio company of a particular Partnership or a particular underlying business, credit or asset, diversification is not a requirement of the Partnerships. The Partnerships' portfolios may include a small number of large positions. If the Partnerships' investments are concentrated in a few issuers or industries, any adverse change in one or more of such issuers or industries could have a material adverse effect on a particular Partnership's investments. Therefore, while any

potential investment concentration may enhance total returns to the partners of a particular Partnership, if any large position has a material loss returns to partners of a particular Partnership may be lower than if they had invested in a diversified portfolio.

Foreign Investments. Although TowerBrook intends for the Partnerships to invest primarily in companies headquartered in North America and Europe, the Partnerships may from time to time invest in indebtedness or securities of companies headquartered elsewhere. Investing outside the United States may involve greater risks than investing in the United States. In particular, the value of a Partnership's investments in foreign securities may be significantly affected by changes in currency exchange rates, which may be volatile. Although TowerBrook may attempt to hedge against foreign currency exchange rate risks by utilizing spot and forward foreign exchange contracts, foreign currency options or other instruments, there can be no assurance that TowerBrook will be able to do so successfully or cost-effectively, and may decide not to hedge against such risks or to do so only incompletely. Additional risks include: (i) risks of economic dislocations in the host country; (ii) less publicly available information; (iii) less well developed regulatory institutions; and (iv) greater difficulty of enforcing legal rights in a foreign jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Additionally, in some countries outside the U.S. and Western Europe, there is the possibility of expropriation of value, including through confiscatory taxation, limitations on the repatriation or sale of securities, property or other assets of the Partnerships, political or social instability or diplomatic developments, each of which could have an adverse effect on the Partnerships' investments in such foreign countries. While TowerBrook will take these factors into consideration in making investment decisions for the Partnerships, no assurance can be given that TowerBrook will be able to evaluate these risks accurately.

Provision of Managerial Assistance and Control; Board Participation. TowerBrook may designate directors (and non-executive chairpersons) to serve on the boards of directors of the businesses underlying the Partnerships' investments. The designation of directors and other measures contemplated could expose the assets of a Partnership to claims by a portfolio company, its security holders and its creditors. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability which the limited liability characteristic of business operations usually ignores. If these liabilities were to occur, a Partnership could suffer losses in its investments. While TowerBrook intends to manage the Partnerships in a way that will seek to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Although such board positions in certain circumstances may be important to a Partnership's investment strategy and may enhance TowerBrook's ability to manage investments, they may also have the effect of impairing TowerBrook's ability to sell the related securities when, and upon the terms, it may otherwise desire and may subject TowerBrook and the applicable Partnership(s) to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the applicable Partnership will indemnify TowerBrook from such claims.

Other Investment Activities.

TowerBrook personnel are responsible for managing Partnerships with varying investment strategies (*e.g.*, private equity, structured opportunities).

Moreover, TowerBrook personnel may serve as members of the boards of directors or similar governing bodies of various companies and may participate in other activities outside of TowerBrook. Conflicts may arise as a result of such activities and in the allocation of management resources. The possibility exists that the companies with which one or more of the members of the TowerBrook team is involved could engage in transactions which would be suitable for a Partnership, but in which such Partnership might be unable to invest.

Although the PE Partnerships and the TSO Partnerships generally pursue different investment strategies, from time to time, TowerBrook may be required to address potential conflicts of interests between these Partnerships, including with respect to the consummation of an investment, the administration of an investment (including, without limitation, with respect to exercising voting rights, granting or withholding a waiver or taking or refraining from taking any other action) or the disposition of an investment. Subject to the provisions of the LPAs of the applicable Partnerships, on any matter involving a conflict of interest, TowerBrook will be guided by its duties to the Partnerships and will seek to resolve such conflict in good faith and in the best interest of each Partnership, including, where deemed necessary, to cause the affected Partnership(s) to take such steps as may be necessary to minimize or eliminate the conflict, even if that would require a Partnership to (i) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold, (ii) vote a security or instrument of indebtedness in a certain way, (iii) exercise or refrain from exercising any right as an equity holder or debt holder, or (iv) otherwise take action that may have the effect of benefiting TowerBrook, any of its affiliates, or another Partnership and may not be in the best interests of the affected Partnership(s).

TowerBrook and its personnel have ongoing interests, including economic interests in the Partnerships. The PE Partnerships may from time to time invest in one or more of the businesses in which the TSO Partnerships' are invested, or in competitors of such businesses, or vice versa. The performance and operation of such competing businesses could conflict with and adversely affect the performance and operation of the business in which a Partnership is invested and may adversely affect the prices and availability of business opportunities or transactions available to such business. Accordingly, such entities and persons are likely to experience a variety of conflicts of interest to the extent that the interests of a Partnership would be adversely affected by investment decisions that would otherwise be in the best interest of another Partnership. Similarly, if the TowerBrook team is faced with investment decisions that would be in the best interest of a Partnership but would otherwise adversely impact another Partnership, they may nevertheless be incentivized to make such decisions for the benefit of a Partnership to the detriment of the other Partnership if they are economically or otherwise incentivized to do so (*e.g.*, due to the prospect of earning more carried interest, management fee or other fees).

TowerBrook expects that the PE Partnerships and the TSO Partnerships will not invest in the same portfolio company or issuer, other than when presented with unique and compelling circumstances or, as may occasionally be the case, if TowerBrook determines that a follow-on

investment in a company or issuer in which a TSO Partnership is already invested is appropriate for a PE Partnership. In the case of initial investments, in the rare instance that TowerBrook determines that an investment opportunity is to be allocated in relevant part to both the PE Partnerships and the TSO Partnerships, then the Partnerships will in all cases invest in the same levels of the company's capital structure and in approximately the same proportions. In the case of follow-on investments, if TowerBrook determines that an investment opportunity is to be allocated in relevant part to both the PE Partnerships and the TSO Partnerships, then TowerBrook will attempt to limit conflicts of interest and perceived conflicts of interest by seeking to avoid circumstances in which the PE Partnerships and the TSO Partnerships are invested in different levels of a company's capital structure or disproportionately in the same levels of a company's capital structure. However, avoiding those circumstances in the case of a follow-on investment may not always be possible for a variety of reasons, including the lack of flexibility afforded to TowerBrook to structure the follow-on investment due to the constraints presented by the existing capital structure and other facts and circumstances relating to the initial investment, availability of capital in particular Partnerships, investment limitations in a particular Partnership, age of one Partnership versus another Partnership, the availability of the applicable equity security or debt instrument in the market and several other factors. From time to time, therefore, a PE Partnership may make a follow-on investment in a company or issuer in which a TSO Partnership holds an investment in a different part of the capital structure of such company or issuer and/or in a different proportion to the investment held by such Partnerships in another part of the capital structure of such company or issuer (and vice versa). In general, such investments will be made only when, at the time of investment and after giving effect to the investment, TowerBrook reasonably believes that (i) such investment is in the best interests of both the applicable PE Partnerships and TSO Partnerships, (ii) the possibility of actual adversity between such Partnerships is unlikely and/or (iii) in light of the particular circumstances, TowerBrook believes that such investment is appropriate, notwithstanding the potential for conflict, and TowerBrook has received, to the extent required by the applicable Partnerships' LPAs, any required approval for the advisory boards of such Partnerships.

Accordingly, prospective investors should expect that conflicts will arise when a TSO Partnership is investing in a company in which a PE Partnership holds, or is making, an investment. While TowerBrook will seek to limit the possibility of actual adversity between the TSO Partnerships and the PE Partnerships, no assurance can be given that such conflicts will not occur.

With respect to any other conflicts of interest, the applicable general partner and TowerBrook will endeavor to resolve them in a manner they determine to be fair and equitable under the circumstances and over time. Nevertheless, there can be no assurance that any such conflicts will be resolved in a manner that is fair and equitable to a Partnership.

Disciplinary Information

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

Other Financial Industry Activities and Affiliations

TowerBrook Financial, L.P. (“TowerBrook Financial”), an affiliate of TowerBrook, is registered with the SEC as a broker-dealer and is a member of the United States Financial Industry Regulatory Authority. The primary purpose of TowerBrook Financial is to provide private placement services to TowerBrook in connection with certain Partnerships established by TowerBrook from time to time. TowerBrook Financial is a subsidiary of TowerBrook Financial LP, LLC and TowerBrook Financial GP, LLC, which are both wholly-owned subsidiaries of TowerBrook. Certain partners, employees and consultants of TowerBrook are also registered representatives and principals of TowerBrook Financial. As TowerBrook does not trade in specific securities through TowerBrook Financial for its client accounts, there is not anticipated to be any conflict of interest. TowerBrook Financial receives a monthly services fee from TowerBrook (and not the Partnerships), which is calculated on a “cost plus” basis. TowerBrook Financial does not receive commissions or any other remuneration directly related to the solicitation of investors in the Partnerships.

A number of entities affiliated with TowerBrook serve as general partners and direct investment managers to the Partnerships. Each direct investment manager has entered into an investment advisory agreement with TowerBrook which provides that TowerBrook will supply investment advisory services. The Partnerships and affiliated general partner and investment manager entities existing as of the date of this brochure are identified in the following chart. Each investment manager entity is deemed to be an investment adviser registered under the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”) because each such investment manager entity is an affiliate of TowerBrook and is subject to TowerBrook’s supervision and control for compliance purposes. Consequently, each investment manager entity is a “relying adviser” of TowerBrook in reliance upon the SEC’s Staff’s No-Action Letter to the American Bar Association dated January 18, 2012 (the “2012 NAL”). In addition, each general partner entity is a “related person” of TowerBrook and a special purpose vehicle formed to act as the general partner of certain Partnerships. In reliance on the 2012 NAL, each such related person is covered by TowerBrook’s registration as an investment adviser with the SEC and deemed to be registered with the SEC.

Affiliated Entity	Relationship to Partnership
TowerBrook Investors GP II, L.P.	Serves as general partner to TowerBrook Investors II, L.P., TowerBrook Investors II Executive Fund, L.P., TowerBrook Investors II AIV, L.P. and TowerBrook II Co-Investors, L.P.
TowerBrook Investors GP III, L.P.	Serves as general partner to TowerBrook Investors III, L.P. and TowerBrook Investors III Executive Fund, L.P.
TowerBrook Investors GP III (Parallel), L.P.	Serves as general partner to TowerBrook Investors III (Parallel), L.P.
TowerBrook Capital Partners Special II, L.P.	Serves as investment manager to TowerBrook Investors II, L.P., TowerBrook Investors II Executive Fund, L.P., TowerBrook Investors II AIV, L.P. and TowerBrook II Co-Investors, L.P.

TowerBrook Capital Partners Special III, L.P.	Serves as investment manager to TowerBrook Investors III, L.P., TowerBrook Investors III (Parallel), L.P. and TowerBrook Investors III Executive Fund, L.P.
TowerBrook Investors GP IV, L.P.	Serves as general partner to TowerBrook Investors IV (Onshore), L.P. and TowerBrook Investors IV Executive Fund, L.P.
TowerBrook Investors GP IV (Alberta), L.P.	Serves as general partner to TowerBrook Investors IV (OS), L.P. and TowerBrook Investors IV (892), L.P.
TowerBrook Capital Partners Special IV, L.P.	Serves as investment manager to TowerBrook Investors IV (Onshore), L.P., TowerBrook Investors IV Executive Fund, L.P., TowerBrook Investors IV (OS), L.P. and TowerBrook Investors IV (892), L.P.
TowerBrook TSO GP, L.P.	Serves as general partner to TowerBrook Structured Opportunities Fund (Onshore), L.P. and TowerBrook Structured Opportunities Executive Fund, L.P.
TowerBrook TSO (Alberta), L.P.	Serves as general partner to TowerBrook Structured Opportunities Fund (OS), L.P.
TowerBrook TSO Special, L.P.	Serves as investment manager to TowerBrook Structured Opportunities Fund (Onshore), L.P., TowerBrook Structured Opportunities Executive Fund, L.P. and TowerBrook Structured Opportunities Fund (OS), L.P.

TowerBrook or its affiliates may have a material investment in the Partnerships and, therefore, may be considered to participate indirectly in transactions effected for those clients. Additional information regarding the foregoing relationships, fees, and any other actual or potential conflicts of interest arising therefrom are disclosed in the respective Partnership's offering documents and/or organizational documents.

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

TowerBrook has adopted a Code of Ethics pursuant to the Investment Advisers Act which expresses the Firm's operating principles of integrity, honesty and fiduciary duties that we owe our clients. The Code of Ethics sets forth a standard of business conduct expected of all of TowerBrook's partners and employees as well as policies and procedures that each partner and employee must follow to prevent activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct.

TowerBrook maintains records of all discretionary personal securities accounts of its partners and employees in an effort to monitor all such personal investment activity. All such persons are

restricted from purchasing or selling securities that are held in Partnership accounts or being considered for purchase or sale in Partnership accounts. TowerBrook's Code of Ethics is available for review and will be provided to any client, limited partner, or prospective client or limited partner upon request.

TowerBrook's general partner entities and certain TowerBrook personnel invest some of their personal assets in the Partnerships and, therefore, hold indirect interests in the same underlying securities as other limited partners in the Partnerships. As a result, there may be an incentive to allocate investments in the Partnerships in a way that favors TowerBrook and its personnel. To mitigate this risk, TowerBrook has adopted portfolio management controls and procedures that are designed to ensure that all allocations of investment opportunities within the investment objectives of the Partnerships are made in a manner that TowerBrook believes in good faith to be fair and reasonable, over time.

In addition, TowerBrook partners and employees may be permitted to co-invest in securities of a portfolio company in which a Partnership has invested. Any such proposed co-investment by an employee would require prior permission from TowerBrook.

TowerBrook may also arrange for a transaction between certain clients in which one client buys a security from, or sells a security to, the account of another client (a "cross transaction") when TowerBrook deems the transaction to be in the best interest of each participating client (including for rebalancing as provided for in the governing documents for applicable clients). In doing so, TowerBrook may (i) use an unaffiliated broker-dealer or custodian to execute such cross-transaction and may pay such broker-dealer or custodian to do so or (ii) execute a cross transaction directly without the use of a broker-dealer or custodian, in which case TowerBrook will not receive compensation to effect such transaction. TowerBrook will ensure that the compensation paid to a broker-dealer to execute a cross transaction is reasonable and commensurate with the level of services being provided. Any such compensation or other transaction costs associated with a cross transaction will be divided among the participants based upon the expenses that relate to each party involved in the cross transaction. When effecting cross transactions between clients, TowerBrook may have conflicting responsibilities with respect to each participating client. In certain circumstances a cross transaction may be considered to be a "principal transaction" (*i.e.*, where TowerBrook is acting as principal for its own account and TowerBrook knowingly transacts with a client) under the Advisers Act. To the extent that any such cross transaction may be viewed as a principal transaction TowerBrook will conduct such transaction in accordance with the provisions of Section 206(3) of the Advisers Act. In addition, any cross transaction is subject to any limited partner advisory board consultation or approval that may be required under the LPAs of the applicable Partnerships.

In addition, TowerBrook may conduct a number of activities to address, monitor and manage such potential conflicts. Various members of TowerBrook's Legal Department would be involved in oversight, review and approval of cross transactions in a number of ways depending on the context of such cross transactions.

Brokerage Practices

The Partnerships may consider investments in equity and/or debt traded securities or instruments of indebtedness that are publicly or privately traded. Therefore, the Firm may deal with financial intermediaries such as broker-dealers, and brokerage commissions may be payable in connection with such investments. To the extent that TowerBrook transacts in securities or instruments of indebtedness, the Firm is authorized to determine the broker or dealer to be used for each transaction for the Partnerships and to determine the transaction fee (commission rates and/or spread) paid. In placing orders, TowerBrook seeks the most favorable execution terms reasonably available given the specific circumstances of each trade. TowerBrook considers a variety of factors when determining where to direct brokerage transactions, including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the expertise to execute difficult securities, including the ability to find liquidity; (iii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery, and frequency of errors), taking into account the size of order and difficulty of execution; (iv) the overall reputation, integrity, and ability to maintain anonymity; and (v) the quality of research ideas and assistance with trading strategy.

Although TowerBrook will seek competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services. As discussed in greater detail under “Client Referrals and Other Compensation” below, TowerBrook Financial may provide certain specialized services in its capacity as a broker-dealer with respect to portfolio companies of the Partnerships.

TowerBrook does not enter into soft dollar arrangements or receive soft dollar credits from brokers. However, TowerBrook may receive proprietary research from broker-dealers used to execute securities transactions. To the best of TowerBrook’s knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. TowerBrook does not separately compensate such broker-dealers for the research and does not pay higher transaction costs to receive such services. These bundled services are made available to TowerBrook on an unsolicited basis and without regard to the rates of commissions charged or paid by the Partnerships or the volume of business that the Firm directs to such broker-dealers. Nonetheless, TowerBrook may have an incentive to select a broker based on its interest in receiving the research or other products or services offered by such broker, rather than on the Partnerships’ interests in receiving most favorable execution.

Review of Accounts

TowerBrook representatives serve on the transaction committees, investment committees and portfolio committees for the general partners of the Partnerships. These committees are comprised of the Co-CEOs of TowerBrook and at least five Managing Directors of TowerBrook. The investment committees have exclusive decision-making authority with regard to the acquisition and disposition of investments. The portfolio committees monitor the operations and

results of portfolio companies and generally meet on a monthly basis. In addition, TowerBrook's Chief Compliance Officer and members of the legal team periodically monitor the Partnerships' portfolios for compliance with investment restrictions and portfolio mandates.

The Partnerships provide quarterly reports to limited partners that provide transaction and investment highlights as well as a detailed review of the operating performance and recent developments in the portfolio companies. The Partnerships also provide limited partners with audited financial statements prepared in accordance with generally accepted accounting principles and K-1's (if applicable) on an annual basis. In addition, the Partnerships provide limited partners with unaudited account statements quarterly.

Client Referrals and Other Compensation

During a fundraising cycle for a Partnership, TowerBrook may compensate TowerBrook Financial and other placement agents who introduce new limited partners that commit capital. The amount paid to unrelated placement agents is structured as a percentage of the capital raised. TowerBrook or its affiliates may charge the Partnerships for such placement fees paid to unrelated placement agents or otherwise cause the Partnerships to pay such fees; however, all such fees due to placement agents by the Partnerships will reduce the management fee otherwise payable by the limited partners by an identical amount. TowerBrook Financial is compensated on a "cost plus" basis by TowerBrook, however, such fee will not be paid, directly or indirectly, by a Partnership, and such fees do not constitute Other Fees.

As described under "Fees and Compensation" above, TowerBrook or its affiliates may charge or receive from portfolio companies Other Fees. A percentage of such Other Fees paid by portfolio companies that are received by TowerBrook or any of its affiliates will be applied to reduce the management fee (if any) otherwise payable by a Partnership. Other Fees may include compensation due to partners or employees of TowerBrook serving on the boards of directors of portfolio companies, however, Other Fees do not include compensation due to members of TowerBrook's Management Advisory Board, members of TowerBrook's Senior Advisory Boards or other consultants, in each case, serving on the boards of directors of portfolio companies of the Partnerships.

TowerBrook Financial may from time to time participate in underwriting syndicates with respect to portfolio companies or may otherwise be involved in the private placement of debt or equity securities issued by portfolio companies, or otherwise in arranging financing for portfolio companies. Subject to applicable law, TowerBrook Financial may receive underwriting fees, placement commissions or other compensation with respect to such activities, which are not required to be shared with any Partnership (and which are not considered Other Fees). If TowerBrook Financial or its affiliate serves as underwriter with respect to a portfolio company's securities, the applicable Partnership may be subject to a "lock-up" period following the offering under applicable regulations during which time its ability to sell any securities that it continues to hold is restricted. This may prejudice the applicable Partnership's ability to dispose of such securities at an opportune time. TowerBrook Financial has not as of the date of this brochure participated in underwriting syndicates with respect to portfolio companies or otherwise been involved in the private placement of debt or equity securities issued by portfolio companies or otherwise involved in arranging financing for portfolio companies.

Custody

An adviser has custody if it acts in any capacity that gives the adviser legal ownership of, or access to, client funds or securities. Hence, TowerBrook has custody of Partnership assets because it or one of its affiliates either (i) acts as general partner of a Partnership with the authority to dispose of funds and securities in such Partnership's accounts or (ii) is deemed to have custody because of its ability to withdraw its fees directly from the Partnerships. TowerBrook maintains the majority of Partnership assets at unaffiliated broker/dealers, banks, or ISDA counterparties, all of whom are qualified custodians, as that term is defined under the custody rule under the Investment Advisers Act. Certain privately offered, non-certificated investments such as bank debt and swaps are not maintained at a qualified custodian in accordance with the private securities exemption of the custody rule.

In lieu of providing limited partners with quarterly custodial reports, TowerBrook ensures that the Partnerships are subject to an annual audit by an independent public accountant and the audited financial statements are distributed to each Limited Partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 90 days, or in the case of certain Partnerships, 75 days, of the applicable Partnership's fiscal year end.

Investment Discretion

TowerBrook, with its affiliated general partner and investment manager entities, has complete discretionary authority with regard to the acquisition and disposition of investments without obtaining specific consent from the limited partners. Any limitations on such authority are included in each Partnership's offering documents and/or organizational documents.

Voting Client Securities

Most of the companies in which the Partnerships invest are private companies which typically do not issue proxies. However, if TowerBrook is requested to vote on certain proposals, amendments, consents, or resolutions (*i.e.*, "proxies") on behalf of a Partnership, TowerBrook has adopted proxy voting policies and procedures, and shall be responsible for voting proxies on behalf of the Partnerships in a way that it believes will maximize shareholder value. In exercising its voting discretion, TowerBrook, its partners and its employees will attempt to avoid any direct or indirect conflict of interest raised by such voting decision. A number of TowerBrook's investment professionals serve as directors of the underlying businesses in which the Partnerships invest. In situations where TowerBrook votes the proxy for a company in which a member of the Firm serves on the board of directors, TowerBrook has determined that such board composition does not inherently present a conflict of interest as the purpose for serving on the board is to maximize the return on the Partnership's investment and to ensure that the Partnership's interests are protected.

A copy of TowerBrook's written proxy voting policies and procedures, as well as specific information about how TowerBrook has voted on a specific matter will be provided to limited partners upon written request to TowerBrook.

Financial Information

TowerBrook has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Requirements for State-Registered Advisers

Not applicable.