

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

CLAREN ROAD ASSET MANAGEMENT, LLC

December 22, 2014

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This brochure provides information about the qualifications and business practices of Claren Road Asset Management, LLC ("Claren Road"). If you have any questions about the contents of this brochure, please contact us at (212) 888-1433. 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 Claren Road Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

ITEM 2

MATERIAL CHANGES

If Claren Road makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

This is Claren Road's fifth amendment to its initial Form ADV Part 2A submitted with its application for registration with the SEC on October 18, 2011. The material and non-material changes to this ADV are as follows:

1. **Cover page** – change of address
2. **Item 4** – ownership of Claren Road
3. **Item 10** – Material Relationships or Arrangements with Industry Participants – clarifications regarding employees of Claren Road who are registered representatives of TCG Securities.

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ITEM 4 ADVISORY BUSINESS

Claren Road Asset Management, LLC ("Claren Road") commenced operations in January 2006 and currently has offices in New York, New York. The founding members of Claren Road are Brian Riano, John Eckerson, Sean Fahey and Albert Marino (the "Founders"). The principal ultimate owners of Claren Road are the Founders and certain entities affiliated with The Carlyle Group ("Carlyle"), which acquired 55% of Claren Road on December 31, 2010. As of September 2014, Claren Road is directly owned by CRAM Holdings, LP (the "Holding Company"), which is owned by Carlyle and the Founders. Claren Road serves as the investment adviser to private pooled investment vehicles (each a "Fund" and collectively, the "Funds") that are offered to investors on a private placement basis. The Funds are structured as Delaware limited partnerships and Cayman Islands exempt limited companies. Claren Road has been appointed as the investment adviser to the Funds with discretionary trading authority.

The Founders jointly manage Claren Road's day-to-day ordinary course of business operations. Claren Road has established an Operating Committee, on which both Claren Road and Carlyle representatives serve, to review and make decisions with respect to certain matters outside the ordinary course of Claren Road's business.

Claren Road currently provides investment advisory services to the following Funds:

1. Claren Road Credit Partners, LP, a Delaware limited partnership (the "Domestic Credit Fund"); Claren Road Credit Fund, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands (the "Offshore Credit Fund"); and Claren Road Credit Master Fund, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands (the "Master Credit Fund", and together with the Domestic Credit Fund and the Offshore Credit Fund, the "Credit Funds"). Both the Domestic Credit Fund and the Offshore Credit Fund invest substantially all of their assets in the Master Credit Fund. Claren Road Capital, LLC (the "General Partner"), a Delaware limited liability company and an affiliate of Claren Road, serves as the general partner of the Domestic Credit Fund.
2. Claren Road Credit Opportunities Partners, LP, a Delaware limited partnership (the "Domestic Credit Opps Fund"); Claren Road Credit Opportunities Fund, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands (the "Offshore Credit Opps Fund"); and Claren Road Credit Opportunities Master Fund, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands (the "Master Credit Opps Fund", and together with the Domestic Credit Opps Fund and the Offshore Credit Opps Fund, the "Credit Opps Funds"). Both the Domestic Credit Opps Fund and the Offshore Credit Opps Fund invest substantially all of their assets in the Master Credit Opps Fund. The General Partner serves as the general partner of the Domestic Credit Opps Fund.

Claren Road makes investments for the Master Credit Fund and the Master Credit Opps Fund in accordance with the investment objectives and guidelines as set forth in the Funds' respective offering memoranda and such investments consist primarily of corporate debt instruments.

Claren Road does not participate in any wrap fee programs.

Claren Road manages approximately \$8.1 billion as of February 28, 2014 on a discretionary basis.

ITEM 5

FEES AND COMPENSATION

Claren Road and/or the General Partner receive management fees and performance fees or incentive allocations from the Funds.

Claren Road, its affiliates and equity owners, and certain of their respective professionals, may invest in or alongside the Funds. Fees assessed or profit allocations on such investments may be substantially reduced or, as is more typical, waived altogether for these investors.

Performance fees or carried interest profit allocations are subject to regulation under Rule 205-3 under the Advisers Act. Therefore, Claren Road seeks to ensure that investors in the Funds that are directly or indirectly assessed performance fees or are subject to carried interest profit allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such fees or allocations and their risks. Accordingly, the fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

1. Domestic Funds

Management Fee

Generally, the Domestic Credit Fund and Domestic Credit Opps Fund pay Claren Road a fee for investment advisory services (the "Management Fee") for each fiscal quarter equal to 0.5% (2% per annum) of the beginning net asset value of each investor's capital account for such fiscal quarter. The Management Fee is calculated and paid at the beginning of each quarter.

The Management Fee will be prorated for any period that is less than a full quarter and will be adjusted for contributions made during the quarter. The General Partner of the Domestic Credit Fund and Domestic Credit Opps Fund may waive or modify the Management Fee with respect to certain investors.

Incentive Allocation

Generally, at the end of each fiscal year, or such other period as may be specified in the operative documents for a particular class of investors, of each of the Domestic Credit Fund or Domestic Credit Opps Fund, the Fund's General Partner is entitled to an incentive allocation (the "Incentive Allocation") in an amount equal to 20% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation of securities held in the Domestic Credit Fund's or Domestic Credit Opps Fund's portfolio) allocated to an investor's capital account for such fiscal year, or such other period as may be specified in the operative documents for a particular class of investors, after deducting the Management Fee debited to such investor's capital account for such fiscal year, subject to a loss carry-forward mechanism.

In the event that the Domestic Credit Fund or Domestic Credit Opps Fund is terminated or an investor withdraws other than at the end of a fiscal year or such other period as may be specified in the operative documents for a particular class of investors, then for purposes of determining the Incentive Allocation allocable at such time to the Fund's

General Partner, net capital appreciation will be determined as if such dates were the end of the fiscal year or such other period as may be specified in the operative documents for a particular class of investors, subject to certain adjustments. The General Partner of the Domestic Credit Fund and Domestic Credit Opps Fund may waive or modify the Incentive Allocation with respect to certain investors.

2. Offshore Funds

Management Fee

Generally, the Offshore Credit Fund pays Claren Road a Management Fee for each fiscal quarter of between 0.375% (1.5% per annum) and 0.5% (2% per annum) of the net asset value of each series of shares as of the beginning of such fiscal quarter and the Offshore Credit Opps Fund pays Claren Road a Management Fee for each fiscal quarter equal to 0.5% (2% per annum) of the net asset value of each series of shares as of the beginning of such fiscal quarter. The Management Fee is calculated and paid at the beginning of the quarter.

The Management Fee will be prorated any period that is less than a full calendar quarter and will be adjusted for subscriptions occurring during the quarter. The directors of the Offshore Credit Fund and Offshore Credit Opps Fund, with the consent of Claren Road, may waive or modify the Management Fee with respect to certain investors.

Incentive Fee

Generally, at the end of each fiscal year, or such other period as may be specified in the operative documents for a particular class of investors, of each of the Offshore Credit Fund or Offshore Credit Opps Fund, Claren Road is entitled to an incentive fee (the "Incentive Fee", and together with the Incentive Allocation, the "Performance Compensation") in an amount equal to 20% of the net realized and unrealized appreciation in the net asset value of each series of shares, adjusted for any redemption of shares in the series made during the year and any accruals of the Incentive Fee and subject to a loss carry-forward mechanism.

In the event that shares are redeemed other than at the end of a fiscal year, or such other period as may be specified in the operative documents for a particular class of investors, the Incentive Fee will be computed and paid as though the redemption date were the last day of the fiscal year or such other period as may be specified in the operative documents for a particular class of investors. The directors of the Offshore Credit Fund and Offshore Credit Opps Fund, with the consent of Claren Road, may waive or modify the Incentive Fee with respect to certain investors.

The Funds may issue additional subclasses of shares with differing fee terms.

3. Expenses

Claren Road is responsible for and will pay or cause to be paid overhead expenses, including: office rent; utilities; furniture and fixtures; stationery; secretarial/ internal administrative services; compensation; entertainment expenses; employee insurance and payroll taxes. All other expenses will be paid by the Funds and will include: fees payable to Claren Road; legal, compliance, audit, accounting (including third party accounting

services) and administrator (including middle/back office services) fees and expenses; organizational expenses; investment expenses such as commissions, research fees and expenses (including research-related travel); market data fees; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; Fund-related insurance costs; the Funds' pro rata share of the expenses of the Master Credit Fund or Master Credit Opps Fund; and any other expenses related to the purchase, sale or transmittal of Fund assets which may include Bloomberg terminals and development costs for the Fund's internal operations and portfolio management system.

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

The performance-based fees that Claren Road and the General Partner receive do not differ, with respect to their method of calculation or percentages, as between the Credit Funds and the Credit Opps Funds; however, certain classes of investors may pay such fees on a different timetable, which may impact the timing of Claren Road's and the General Partners' receipt of such fees. Claren Road and the General Partner do not face the same conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients, or when the method or percentages involved in the calculation of such fees significantly differ from one client to the next. Nonetheless, Claren Road has a trade allocation policy, the purpose of which is to ensure that investment opportunities are allocated between the Funds on a fair and equitable basis. Claren Road's allocation policy is discussed in Item 11.

In addition, the principals and certain employees of Claren Road may have personal investments in one or more of the Funds, and such investments may not be proportionate among the various Funds. In allocating investment opportunities, Claren Road may have an incentive to favor Funds in which its principals or employees have a greater interest. Claren Road's allocation policy expressly prohibits the allocation of investment opportunities based on anticipated compensation or profits to Claren Road, any affiliates or their professionals.

ITEM 7
TYPES OF CLIENTS

The clients to whom Claren Road provides investment advice are pooled investment vehicles, interests in which are offered to investors on a private placement basis, as described above.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

Claren Road's investment strategy with respect to the Funds utilizes long/short credit, event-driven, and capital structure arbitrage strategies primarily in the following global and regional markets: investment grade, high yield and distressed, high grade corporate debt securities and their derivatives, Emerging Markets, Asia, European sovereigns and their derivatives and U.S. municipal bonds. The Funds primarily invest in debt instruments, within the confines of strict risk control procedures aimed at preserving capital. Claren Road employs a fundamental, research-driven value strategy, with special emphasis given to issuer asset quality, liquidity, and security-specific bond covenants and claim seniority.

Claren Road's approach to identifying investment opportunities is driven by fundamental bottoms up research. Analysis of the investment merits of an issuer and its securities and other instruments is based on, but not limited to, the following (where applicable): market valuation of an issuer's securities; outlook for the industry in which an issuer operates; credit metrics such as cash flow ratios, earnings, and overall balance sheet strength; asset quality, particularly in stressed or distressed situations; quality of management and its incentives toward its various stakeholders; bond indentures and related covenant protections. Claren Road also evaluates technical factors such as supply and demand, the market's expectations surrounding an issuer, and the existence of short and long term catalysts. The Credit Opps Funds may hold more concentrated positions, have less diversification and take on greater risk than the Credit Funds.

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

The following does not purport to be a complete list or explanation of the risks involved in an investment in the Funds. These risk factors include only those risks that Claren Road believes are material, significant or unusual and relate to particular investment strategies employed by Claren Road. Prior to making any investment in a Fund, investors should carefully review the offering documents for a more complete description of the risk factors and conflicts of interest relating to such Fund.

1. Broad Discretion as to Nature of Investments

Claren Road has broad discretion in making investments for the Funds. Investments will generally consist of fixed income instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Claren Road will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities and the value of its investments. In addition, the values of the Funds' portfolios may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Funds' investment objectives will be achieved.

2. Arbitrage Transaction Risks

Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, relative value arbitrage, debt spread arbitrage and index arbitrage. Claren Road may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Funds are employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads", which can also be identified, reduced or eliminated by other market participants.

3. Competition for "Relative Value" and "Event Driven" Investments

Relative value and event driven trading is extremely competitive. The Funds compete with a large number of firms, many of which have substantially greater financial resources as well as larger research and trading staffs than are available to the Funds. Competitive investment activity by other firms tends to reduce the Funds' opportunity for profit by reducing the magnitude as well as the duration of the market inefficiencies which it seeks to exploit.

4. Non-Diversification

It is anticipated that the Funds' portfolios may be relatively concentrated with respect to types of investments. Accordingly, the investment portfolios of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wider diversification among types of investments, issuers and geographic areas. This risk may be greater for the Credit Opps Funds, which generally take more concentrated positions as a result of their investment strategy.

5. Activist Strategy

As the Funds' investment strategy intends to involve in some cases aggressive creditor or shareholder activism that will attempt to influence the destinies of target companies, there exists the risk that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the Funds' purchase of the securities and the anticipated results. During this period, a portion of the Funds' capital will be committed to the securities purchased, and the Funds typically might finance some portion of such purchases with borrowed funds on which the Funds must pay interest. Additionally, if the anticipated results do not in fact occur, the Funds may be required to sell their investments at a loss. Moreover, there may be instances where the Funds will be restricted in transacting in or redeeming a particular investment as a result of its activist investment strategy. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the Funds may invest, the Funds potentially risk the loss of their entire investments in such companies. Conversely, as discussed in Item 10.C., the Funds' affiliation with Carlyle may preclude the Funds from initiating an activist strategy with respect to a particular target company, or from pursuing

an activist strategy to its conclusion, because that company is or becomes a Carlyle Portfolio Company (as defined in Item 10.C.).

Moreover, as a result of the Funds' investment strategy and the possibility that the Funds may participate in restructuring or similar activities, it is possible that the Funds may become involved in litigation (as either plaintiff or defendant). Litigation entails legal and other expenses, which the Funds will bear. Litigation also entails the possibility of counterclaims against the Funds and ultimately judgments may be rendered against the Funds, for which the Funds may not carry insurance.

6. Control Positions

To the extent that the Funds own a controlling stake in, have representatives on a board of directors of, or are deemed an affiliate of, a particular company, they may be subject to certain additional securities laws restrictions which could affect the Funds' abilities to make additional investments, as well as the liquidity of the Funds' interests and the Funds' abilities to liquidate their interests without adversely impacting the stock price. These restrictions include insider trading restrictions, the affiliate sale restrictions of Rule 144 of the Securities Act, as amended, and the disclosure requirements of Sections 13 and 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, to the extent that affiliates of the Funds or Claren Road are subject to such restrictions, the Funds, by virtue of their affiliation with such entities, may be similarly restricted, regardless of whether the Funds stand to benefit from such affiliate's stock ownership.

If the Funds, alone or as part of a group acting together for certain purposes, become the beneficial owner of more than 10% of certain classes of securities of a U.S. public company or place a director on the board of directors of such a company, the Funds may be subject to certain additional reporting requirements and to liability for short-swing profits under Section 16 of the Exchange Act. Furthermore, the Funds may also be subject to similar reporting requirements in non-U.S. jurisdictions where they hold significant positions in the securities of public companies in such jurisdictions.

7. Use of Leverage

The Funds may utilize leverage. This results in the Funds controlling substantially more assets than the Funds have equity. Leverage increases the Funds' returns if the Funds earn a greater return on investments purchased with borrowed funds than the Funds' costs of borrowing such funds. However, the use of leverage exposes the Funds to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' costs of borrowing such funds. In the event of a sudden, precipitous drop in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay their borrowings, further magnifying the losses.

8. Interest Rate Risk

The Funds are subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the

market value of fixed income instruments tends to decrease. Conversely, as interest rates fall, the market value of fixed income instruments tends to increase. This risk will be greater for long-term securities than for short-term securities. The Funds may attempt to minimize the exposure of the portfolios to interest rate changes through the use of U.S. government securities, other sovereign securities and their derivatives. However, there can be no guarantee that Claren Road will be successful in fully mitigating the impact of interest rate changes on the portfolios.

9. Portfolio Turnover

The investment strategy of the Funds may require Claren Road to actively trade the Funds' portfolios, and as a result, turnover and brokerage commission expenses of the Funds may significantly exceed those of other investment entities of comparable size.

10. Derivatives Regulation

Swaps and other derivatives instruments are subject to legal, tax and market uncertainties. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act passed in 2010, new regulatory requirements govern swaps and other derivatives. In addition, there is currently little case law characterizing swaps and other derivatives, interpreting their provisions or characterizing their tax treatment. There can be no assurance that new and additional regulatory requirements governing swaps and other derivatives or future court decisions construing provisions in, or provisions similar to those in, any swap agreement or related documents will not have a material adverse effect on the investments.

11. Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

C. Risks Associated with Particular Types of Investments

1. Illiquid Investments

The Funds may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and the Funds may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than do the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

2. Convertible Securities

The Funds may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

3. Special Situation Issuers

The Funds may invest in companies involved in (or that are the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell the investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of their entire investment in such companies.

4. High Yield Securities

The Funds may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

5. Distressed Investments

The Funds may invest in "distressed" securities, claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed investments may result in significant returns to the Funds, but also involve a substantial degree of risk. The Funds may lose a substantial portion or all of their investment in a distressed environment or may be required to accept cash or securities with a value less than the Funds' investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed instruments, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. Moreover, to the extent that the Funds invest in distressed sovereign debt obligations, the Funds will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of the control of Claren Road.

6. Structured Finance Securities

The Funds may invest in structured finance securities such as, for example, equipment trust certificates, collateralized debt obligations, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Structured finance securities may present risks similar to those of the other types of investments in which the Funds may invest and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

7. Loan Participations

The Funds may invest in corporate loans acquired through assignment or participations. In purchasing participations, the Funds will usually have a contractual relationship only with the selling institution, and not the borrower. The Funds generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor

any rights of set-off against the borrower, nor will they have the right to object to certain changes to the loan agreement agreed to by the selling institution. The Funds may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the individual states, the Funds may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the Funds may be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations may be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

A number of judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Because of the nature of the assets in which the Claren Road Funds may invest, which may include corporate loans, the Funds may be subject to allegations of lender liability. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Claren Road cannot assure investors that lender liability claims will not be made against the Funds or that the Funds will not be subject to significant liability if a claim of this type is made.

8. Special Investment and Trading Risks

Special risks may be associated with the Funds' investments in structured credit products, CDOs, CLOs, synthetic credit portfolio transactions and asset backed securities. For example, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that the Funds may incur losses on their investments in structured products regardless of the investments' ratings by S&P or Moody's. Additionally, the securities in which Claren Road is authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

The valuation of CDO tranches is more complicated than the analysis of other fixed income instruments due to complexities related to the quantification of future default and recovery rates of pool credits and the correlations of these factors in the pool. Within the

CDO, the sensitivity to default and recovery rates varies among tranches. Some tranches may be more or less sensitive than the underlying collateral. A CDO executed solely in derivative form, a synthetic portfolio swap, may be carved into different risk and payment contingency contracts with varying performance characteristics. The risks associated with each tranche or payment contingency may be different, and the valuation of each tranche is complex and technical since it is dependent upon such factors as sensitivity to diversity and the default rates of underlying credits, and the level of subordination.

9. Small to Medium Capitalization Companies

The Funds may invest a portion of their assets in the stocks of companies with small-to medium-sized market capitalizations. While Claren Road believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than an investment of larger capitalization stocks.

10. High Growth Industry Related Risks

The Funds may have investments in the securities of high growth companies. These securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

11. U.S. Government Securities

The Funds may invest in U.S. Government securities. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, where the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. The Funds may also invest in zero coupon U.S. Treasury securities and in zero coupon securities issued by financial institutions, which represent a proportionate interest in underlying U.S. Treasury securities. A zero coupon security pays no interest to its holder during its life. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

12. Sovereign and Non-U.S. Company Securities

The Funds may invest in the securities of sovereign governments and non-U.S. companies that are generally denominated in non-U.S. currencies and utilize options on non-U.S. securities. Such investing involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the U.S. Government or U.S. companies. These considerations include changes in exchange rates and

exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

13. Corporate Debt Obligations

Claren Road may invest for the Funds in corporate debt obligations, including commercial paper. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). Claren Road may intend to actively expose the Funds to credit risk. There can be no guarantee that Claren Road will be successful in fully mitigating the impact on the Funds of changes to such credit risk.

14. Options

The Funds may invest in options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

15. Credit Derivatives

The Funds may invest in credit derivatives. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. Such payments may be for notional amounts, actual losses or amounts determined by formula.

The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

16. Derivative Financial Instruments and Techniques

The Funds may utilize derivative financial instruments. The risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Funds' assets, include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset); (3) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivatives and other techniques such as short sales involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

17. Hedging Transactions

Although the Funds may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, swaptions, caps and floors, futures and forward contracts generally for risk management purposes (the Funds may also utilize them for speculative purposes), there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance and increased (rather than reduced) risk for the Funds than if they did not engage in any such hedging transactions. Moreover, the Funds will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties). In addition, the Funds may choose not to enter into hedging transactions with respect to some or all of the Funds' positions.

18. Synthetic Securities

In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, with respect to synthetic securities, the Funds will usually have a contractual relationship only with the counterparty of such synthetic securities, and not the Reference Obligor on the Reference Obligation. A "Reference Obligor" is the obligor on a Reference Obligation. A "Reference Obligation" is the debt security or other

obligation upon which the synthetic security is based. The Funds generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of off-set against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Funds will not benefit directly from the collateral supporting the Reference Obligation or have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of insolvency of the counterparty, the Funds will be treated as a general creditor of such counterparty, and will not have any claim with respect to the credit risk of the counterparty or the Reference Obligor. As a result, concentrations of synthetic securities in any one counterparty subject the Funds to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. Claren Road will not normally perform independent credit analyses of a counterparty or any entity guaranteeing such counterparty, individually or in the aggregate.

19. Credit Default Swap Agreements

The Funds may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. Credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, credit default swaps can be used to implement Claren Road's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Funds may "write" credit default protection in which they receive spread income. The Funds may also "purchase" credit default protection even in the case in which they do not own the referenced instrument if, in the judgment of Claren Road, there is a high likelihood of credit deterioration. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

20. Futures and Forward Contracts

Trading in futures and forward contracts is a highly specialized activity, which, while it may reduce the Funds' volatility, may entail greater than ordinary investment risks.

21. Real Estate Industry and REIT Risks

The Funds may invest in companies in the real estate industry and, therefore, may be subject to risks associated with the ownership of real estate assets, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income. Equity REITs generally are exposed to these risks directly through fee or leasehold interests, whereas mortgage REITs generally are exposed to these risks indirectly through mortgage interests, unless the mortgage REIT forecloses on the underlying real estate.

REITs in which the Funds may invest may be affected by changes in underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Funds may invest may concentrate investments in particular geographic regions or property types. Additionally, rising interest rates may cause investors in REITs to demand a higher annual yield from future distributions, which may in turn decrease market prices for equity securities issued by REITs. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of the Funds' investments to decline. During periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors elect to prepay, which prepayment may diminish the yield on securities issued by such mortgage REITs. In addition, mortgage REITs may be affected by the ability of borrowers to repay when due the debt extended by the REIT and equity REITs may be affected by the ability of tenants to pay rent.

Certain REITs have relatively small market capitalizations, which may tend to increase the volatility of the market price of securities issued by such REITs. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to investors. The Funds may also, to the extent deemed appropriate, make direct investments in real estate.

ITEM 9
DISCIPLINARY INFORMATION

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

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

Not applicable.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

Not applicable.

C. Material Relationships or Arrangements with Industry Participants

The Carlyle Group

Through various affiliated entities, Carlyle owns a 55% equity interest in Claren Road. Carlyle is a global alternative asset management firm with business operations across several business segments. In May 2012, the Carlyle Group, L.P. completed an initial public offering of its common units. As of December 31, 2010, when Carlyle acquired its equity interest in Claren Road, Claren Road became part of Carlyle's Global Market Strategies Group, which focuses on various types of credit and other alternative investments. The Global Market Strategies Group includes several investment advisers, including Claren Road. Carlyle has a consent right over certain Claren Road actions, including, among others, starting new investment funds, terminating the Funds, forming separate classes of interests, changing the Funds' investment guidelines, modifying investor fees and placing limitations on investor withdrawals. Although Claren Road is a separately-registered investment adviser that operates independently of other Carlyle-affiliated investment advisers that are within the Global Market Strategies Group, its status as part of the larger Carlyle organization raises certain actual and potential conflicts of interest, as discussed below.

Because Carlyle is a public company, and Carlyle and its affiliates have many different asset management and advisory businesses and operate on a global basis, Claren Road may be subject to increased scrutiny and greater regulatory oversight than it would be absent the Carlyle relationship. The Funds may invest in companies or other entities in which Carlyle-affiliated advisory clients (e.g., pooled investment vehicles and managed accounts) have or are concurrently making a separate investment (e.g., an equity investment) and, likewise, Carlyle affiliated advisory clients may invest in companies or other entities in which the Funds have an existing investment or are concurrently making an investment. In such situations, the Funds and such other Carlyle-affiliated advisory clients may have conflicting interests (e.g., over the terms of their respective investments). In a bankruptcy proceeding the Funds' interests may be subject to enhanced scrutiny, subordinated or otherwise adversely affected by virtue of the involvement and actions of an affiliate of Carlyle relating to the company involved in the bankruptcy proceeding.

Claren Road and its Funds also may be subject to certain legal and other restrictions on their investment activities as a consequence of the Carlyle relationship including, for example, restrictions under the Bank Holding Company Act or limitations imposed by non-U.S.

regulatory authorities (e.g., the UK Panel on Takeovers and Mergers), or restrictions on the purchase or sale of, or exercise of voting or other rights with respect to, the debt instruments of a company when a Carlyle advisory client holds the equity of the company and the company is an affiliate of Carlyle (a “Carlyle Portfolio Company”). When a company is or becomes a Carlyle Portfolio Company, for example, this may preclude the Funds from initiating an activist strategy with respect to that company or from pursuing an activist strategy to its conclusion. In considering whether to make an investment in a Carlyle Portfolio Company, Claren Road takes into account such potential legal and/or contractual restrictions and considers the likely impact of such restrictions on Claren Road’s strategy with respect to that investment. Any such investment is made on an arms-length basis and on terms that are fair to the Funds in the good faith judgment of Claren Road.

Carlyle and its directors, members, managers, partners, shareholders, officers, employees, agents and affiliates may conduct any other business, including any business within the securities industry, whether or not such business competes with Claren Road. Without limiting the generality of the foregoing, Carlyle and its affiliated companies and persons act and will continue to act as general partner, investment adviser or investment manager for others, manage funds, separate accounts or capital for others, have, make and maintain investments in their own name or through other entities and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms.

Certain senior personnel of Carlyle’s Global Market Strategies Group (“Senior GMS Personnel”) are members of Claren Road’s Operating Committee. The Operating Committee does not participate in Claren Road’s day-to-day investment decision-making, but members participate in certain decision-making on matters outside the ordinary course of Claren Road’s business. The members of the Operating Committee who are Senior GMS Personnel are not required to, and will not, allocate all of their professional time to Claren Road. Rather, they allocate the majority of their time to matters pertaining to other areas of Carlyle’s business, and devote so much of their time to Claren Road business as is reasonably warranted.

Carlyle has in place information barriers to segregate the flow of material, non-public information between the Global Market Strategies Group and the rest of Carlyle. The effect of these information barriers is that the Funds generally will not be able to use, act on or otherwise be aware of confidential information otherwise known by or in the possession of the rest of Carlyle (and vice-versa), and collaboration between personnel of the Global Market Strategies Group (including Claren Road) on the one hand, and personnel working within the rest of Carlyle, on the other hand, may be limited, reducing potential synergies.

At the same time, there is no information barrier between Claren Road and the rest of Carlyle’s Global Market Strategies Group (except that a business unit within Global Market Strategies focused on commodities is walled off from others in the group, including Claren Road). The Global Market Strategies Group operates a single restricted list to all of the Global Market Strategies Group, including Claren Road (but excluding Vermillion Asset Management, L.L.C (VAM), Carlyle Energy Mezzanine (CEMOF) and Carlyle Quantitative Strategies (CQS) is subject. As a consequence, while Claren Road typically is consulted with respect to proposed Global Market Strategies Group restrictions, a security may be put on the Global Market Strategies Group restricted list and Claren Road will as a result be precluded from acquiring that particular security on behalf of its Funds. Similarly, Claren

Road may not be able to dispose of a security owned by its Funds, even in a declining market, if the security is added to the restricted list after Claren Road acquires that security; such a limitation would continue until the security is removed from the restricted list.

Investment Advisers

Claren Road is under common control with Carlyle Investment Management L.L.C. ("CIM"), an investment adviser that is separately registered with the SEC. CIM also controls or is under common control with several advisers that are registered in the United States or located outside of the United States, as described more fully in CIM's Form ADV Part 2A on file with the SEC. Claren Road functions independently of CIM and these other advisers. CIM manages investment vehicles that may allocate a portion of their portfolios to long-dated, illiquid, restricted or other similar securities and investment opportunities and may have investment strategies that overlap with those of the Funds. It is therefore possible that CIM independently may consider the same investment opportunities as the Funds, and thereby, on any given occasion, compete with Claren Road for these investment opportunities.

Claren Road is also under common control with CELF Advisors LLP ("CELF"), a wholly-owned affiliate of Carlyle and an investment adviser formed as a limited liability partnership under the laws of England and Wales and authorized by the UK Financial Conduct Authority (the "FCA"), which is exempt from SEC registration but is an exempt reporting adviser under the Advisers Act and, accordingly, has a Form ADV Part 1 on file with the SEC. Claren Road has entered into a sub-advisory agreement with CELF (the "UK Sub-Advisory Agreement") under which Claren Road has appointed CELF to provide portfolio management services to Claren Road including the management of assets and investments of any clients to which Claren Road provides investment management services (the "Portfolios"). CELF manages the Portfolios on a discretionary basis in pursuit of the investment objectives and policies and subject to the investment objectives and restrictions of each Portfolio as may be communicated by Claren Road to CELF from time to time. Fees paid to CELF for its services are paid by Claren Road and at no additional cost to the Funds. In connection with management of the Portfolios, only certain personnel of CELF (all Claren Road designated personnel) are designated for this activity and CELF has also retained certain staff members of Claren Road located in the United Kingdom on secondment. In accordance with the UK Sub-Advisory Agreement and subject to applicable law and FSA rules, CELF agrees to carry out the directions of Claren Road as communicated from time to time by its portfolio managers.

The portfolio management services of CELF are not exclusive. CELF and its members, officers, employees or associates may from time to time act as investment adviser, manager or dealer in relation to, or be otherwise involved in, vehicles or accounts other than Claren Road or the Portfolios which have a similar or different objective to those of the Portfolios. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with Claren Road. Neither CELF nor any of its associates nor any person connected with them is under any obligation to offer investment opportunities of which any of them become aware to Claren Road or to account to Claren Road in respect of (or share with Claren Road or inform Claren Road of) any such transaction or any benefit received by any of them from any such transaction.

An affiliate of Claren Road, Claren Road Asia Limited (“Claren Road Asia”), a limited company incorporated in Hong Kong and registered with the Securities and Futures Commission of Hong Kong has entered into a sub-advisory agreement with Claren Road and provides Type 9 asset management services, including providing investment advice, recommendations, research and related services to Claren Road. Claren Road Asia provides such services exclusively to Claren Road and Claren Road Asia’s personnel do not engage in other activities. The fees paid to Claren Road Asia for such services will be paid by Claren Road at no additional cost to the Funds. Claren Road Asia is included as a “relying adviser” on Claren Road’s Form ADV, Part 1A, and thereby has registered with the SEC as an investment adviser pursuant to the SEC staff’s no-action letter to the ABA, Business Law Section, dated January 18, 2012.

Broker-Dealers

TCG Securities, L.L.C. (“TCG Securities”), an affiliate of Carlyle, is a limited purpose broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (“FINRA”). TCG Securities acts as a placement agent with respect to the offer and sale of interests in affiliated, private investment vehicles, certain of which invest in the Funds. Certain employees of Claren Road are also registered representatives of TCG Securities. TCG Securities, Carlyle Australia Equity Management PTY Ltd and Carlyle Hong Kong Equity Management Limited (collectively the “TCG Referral Entities”) also act as non-exclusive referral agents with respect to the Funds in the United States, Australia and Hong Kong, respectively. None of the TCG Referral Entities currently intend to offer investment products sponsored or issued by unaffiliated third-parties, or to act as a broker-dealer or agent for transactions effected on behalf of Claren Road or other of its affiliated, private investment vehicles and do not intend to hold funds or securities for, or owe money or securities to, clients generally.

Additionally, Carlyle holds and may in the future acquire ownership stakes in one or more other broker-dealers. Claren Road may execute trades through such Carlyle-affiliated broker-dealers. Claren Road will execute trades in all cases consistent with its duty to seek best execution.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Not applicable.

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

A. Code of Conduct

Claren Road and its personnel abide by The Carlyle Group Code of Conduct. Claren Road also has adopted and approved a Code of Conduct and Insider Trading Policies Supplement for Claren Road Personnel (together with The Carlyle Group Code of Conduct, the “Code”). The Code sets forth standards of ethical conduct for employees and is designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. Among other things, the Code prescribes standards for dealing with clients ethically, addresses conflict of interest issues, and supplements personal trading and operating procedures. The Code provides guidance in specific areas, including but not limited to, confidentiality of Claren Road information, personal investments, gifts and entertainment and personal political activities.

Clients and investors or prospective investors may request a copy of the Code by contacting Claren Road at the address or telephone number listed on the first page of this document.

In addition to the Code of Conduct referred to in the paragraph above, Claren Road, as a Carlyle affiliate, has adopted the New York Attorney General's Public Pension Fund Reform Code of Conduct (“Public Pension Fund Code”). That Public Pension Fund Code governs Claren Road’s interactions with public pension funds in the United States and, among other matters, (a) bans the use of outside placement agents and lobbyists in connection with obtaining investments from such public pension funds, (b) bans certain campaign contributions in the United States and (c) provides for (i) increased disclosure, (ii) strengthened employment, confidentiality and gift policies, and (iii) conflicts of interest procedures as they relate to public pension funds in the United States. The Public Pension Fund Code also addresses the pay-to-play regulations recently promulgated by the SEC. A copy is available to clients, investors or prospective clients by writing to the address listed on the front page of this document.

B. Securities in Which Claren Road or a Related Person Has a Material Financial Interest

1. Cross Trades

It is not Claren Road’s general practice to cause one Fund to sell securities to another Fund. Should Claren Road determine that it is advisable to engage in such a cross-trade, it will follow the processes and procedures it has adopted to: (i) ensure that the trade is in the respective best interest of the Funds involved; (ii) ensure that the transaction is consistent with the duty to seek best execution; (iii) determine the appropriate price at which to effect the transaction; and (iv) ensure that documentation is maintained of the rationale for the trade and consideration paid. In no event will Claren Road cause the Funds to engage in a cross-trade with an ERISA account (including a private investment vehicle that has substantial benefit plan investors and is subject to ERISA).

2. Principal Transactions

Claren Road does not generally intend to act as principal to purchase securities or other instruments for itself from any Fund or sell securities or other instruments it owns to any Fund. Claren Road has established policies and procedures to ensure that, in the event it determines to engage in such a principal transaction, it will do so in compliance with the requirements of the Advisers Act. Specifically, a principal trade will only be approved when Claren Road can document: (i) the rationale for the principal trade and that it is in the best interests of the affected Funds; (ii) its determination that the trade is consistent with Claren Road's duty to seek best execution; (iii) that Claren Road's valuation procedures are followed in determining the appropriate price at which to effect the transaction; and (iv) the receipt of client consent.

3. Transactions between Claren Road and Carlyle

Claren Road has concluded that it is prudent that Claren Road does not knowingly conduct any trades, directly or through a broker, with any Carlyle entity, including CIM and its affiliates, funds and managed accounts. Claren Road has adopted policies and procedures to ensure that its personnel who have trading authority do not knowingly trade with a Carlyle entity.

C. Investing in Securities that Claren Road or a Related Person Recommends to Clients

The Code, together with policies and procedures to prevent insider trading applicable to Claren Road and its personnel, place restrictions on personal trades by Claren Road personnel, including that they disclose their personal securities holdings and transactions to Claren Road on a periodic basis. The Code also requires that Claren Road personnel pre-clear certain types of personal securities transactions. It is the responsibility of all personnel to ensure that a particular securities transaction being considered for his or her personal account is not subject to a restriction contained in the Code or otherwise prohibited by any applicable laws.

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

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

D. Trade Aggregation and Allocation Policy

Claren Road generally will aggregate trades, because it believes that doing so is consistent with its duty to seek best execution and to negotiate more favorable commission rates or other transaction costs than might be paid if the orders are placed independently. Aggregation opportunities for Claren Road generally arise when Credit Fund and the Credit Opps Fund both are capable of purchasing or selling a particular investment based on investment objectives, available cash and other factors and it is determined that both will participate in a transaction involving that investment. Each Fund that participates in an aggregated order will participate at the same executed price for Claren Road's transaction in that instrument, with transaction costs shared pro rata based on each Fund's participation in the transaction. When trades in the same security or other instrument cannot be aggregated into a single order, portfolio managers and/or traders will direct the trades to the market in a way that seeks to best achieve equivalent treatment.

Under Claren Road's trade allocation policy, Claren Road's portfolio managers and traders are responsible for trade allocations at the time that a trade is executed. Their mandate is to make trade allocation decisions in a manner that is fair and equitable to all of the Firm's Advisory Clients in accordance with the investment objectives of those Clients. The Credit Funds' investment objectives are to produce high absolute and consistent risk adjusted returns uncorrelated with broad market conditions. The Credit Opps Funds' investment objectives are similar to the Credit Funds' investment objectives; however, the Credit Opps Funds seek to assume more risk by taking more concentrated positions and having less diversification than the Credit Funds. In order to achieve a higher level of concentration, the Credit Opps Fund typically will invest a multiple of the notional value as a percent of the Credit Opps Fund's NAV versus the investment made for the Credit Fund. The applicable allocation range for the Credit Opps Fund will be reviewed on a quarterly basis by the Allocation Committee, based upon the higher level of concentration desired for the Credit Opps Fund. It should be noted that Claren Road may give advice, and take action, with respect to one or more Funds that differs from the advice given, or action taken, with respect to another Fund or Funds and that performance may vary among the Funds. The Claren Road Chief Compliance Officer (or an appropriate delegate), Chief Risk Officer and Chief Operating Officer review trade allocations on a weekly basis and any resulting issues of significance are raised with Claren Road's Allocation Committee.

ITEM 12

BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Claren Road is authorized to select brokers and dealers to execute securities transactions for the Funds. As indicated in Item 10, Claren Road may use one or more broker-dealers in which Carlyle has an ownership interest to execute trades. In selecting brokers and dealers, Claren Road seeks to obtain best execution, taking into account quantitative and qualitative factors affecting the execution quality of transactions. Claren Road need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. In selecting brokers and negotiating commission rates, Claren Road will take into account the full range of the broker's services, including (i) financial stability of the broker; (ii) the broker's inventory and availability of the security in question; (iii) the size and type of the transaction; (iv) research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice, and market analysis); (v) the operational facilities of the brokers and/or dealers involved (including back office efficiency); and (vi) other factors such as specific insight and analysis provided in support of a trade recommendation. Claren Road maintains a list of approved brokers that it updates regularly.

Claren Road also has established a Best Execution Committee to oversee, and perform periodic reviews of, its best execution procedures. On a quarterly basis, the Best Execution Committee reviews trading volume per broker-dealer, pricing, trading patterns and any additions to the trade error log. The committee also reviews potential conflicts of interest that may arise from gifts and entertainment received from, or family relationships with, broker-dealers.

1. Research and Other Soft Dollar Benefits

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing client securities transactions to the broker-dealer. Because soft dollar products and services are purchased with brokerage commissions (or mark-ups or mark-downs in the case of permitted riskless principal transactions by dealers), an investment adviser has a fiduciary obligation to ensure that the commissions (or mark-ups and mark-downs) generally are used for the benefit of its clients and that its clients are fully informed of the adviser's use of commissions (or mark-ups or mark-downs) to purchase soft dollar products.

The broker-dealers Claren Road uses for its trade executions generally do not charge Claren Road a separate fee for research and other services that they furnish to Claren Road. While the continued provision of such services to Claren Road is not conditioned on Claren Road directing any particular level of transactions to these brokerage firms, such services are provided without separate charge in consideration of Claren Road's use of such brokerage firms to execute transactions on behalf of the Funds. The research products or services provided to Claren Road in such circumstances may be used to service all clients including ones other than those whose transactions were executed through the providing broker-dealers. Claren Road receives a benefit in this instance because Claren Road does not have to produce

or pay for such research products or services, and Claren Road may have an incentive to select or recommend a broker-dealer based on Claren Road's interest in receiving such services rather than the Funds' interest in receiving the most favorable execution. Claren Road's policies and procedures address this conflict of interest by providing that Claren Road may consider the value of proprietary research provided by a particular broker-dealer when selecting broker-dealers to execute client transactions *consistent with* its duty of best execution.

Claren Road is not, has not been and does not anticipate becoming a party to any formal soft dollar arrangements in which a part of the commission, mark-up or mark-down charged for trade execution is allocated toward payment for research or brokerage products or services provided by the executing broker-dealer or third parties on its behalf. If Claren Road were to enter into any such arrangement, it would do so in compliance with the conditions of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

2. Brokerage for Client/Investor Referrals

While Claren Road may consider, among other things, capital introduction and marketing assistance in selecting or recommending broker-dealers for the Funds if otherwise consistent with seeking best execution, Claren Road will not commit to allocate a particular amount of brokerage to a broker-dealer in exchange for such capital introduction or marketing services.

3. Directed Brokerage

Claren Road does not have directed brokerage arrangements with its clients.

B. Trade Errors

If Claren Road makes an error while placing a trade for a Fund, Claren Road will use its best efforts to break or otherwise correct the trade, and will mitigate losses as fully as possible. As a general matter, Claren Road bears both the cost of correcting any error, and the cost of any uncorrectable error, if the error is the result of Claren Road's gross negligence or willful misconduct. Lost opportunity cost is not a reimbursable loss for purposes of this policy.

Claren Road generally will not engage in the netting of gains and losses between clients or the netting of gains and losses in the case of multiple trade errors resulting from more than one investment decision for the same client; however, it may net the gains and losses resulting from a series of transactions undertaken to correct one or more trade errors relating to a single investment decision.

In determining whether its personnel have violated the standard of care such that the Claren Road is responsible for a loss resulting from a trade error, Claren Road will have a conflict of interest between its economic interest and the interests of the Funds. Claren Road's Chief Compliance Officer, in consultation with Claren Road's Operating Committee, will be responsible for determining the resolution of, including whether Claren Road is liable to the Funds for, any trade error.

ITEM 13

REVIEW OF ACCOUNTS

The Funds are reviewed on a periodic basis by Claren Road's Chief Compliance Officer, or an appropriate delegate, to determine whether they are being managed in a manner that is consistent with their investment objectives, guidelines and/or restrictions, as disclosed in the Funds' offering documents. In addition, Claren Road has established risk guidelines for the Funds, adherence to which is monitored by Claren Road's Chief Risk Officer and Chief Operating Officer.

Claren Road provides the investors in each Fund with monthly unaudited reports of the performance of their Fund and annual audited year-end financial statements within 90 days of the end of each fiscal year or as soon as practicable thereafter.

Claren Road also prepares and distributes to those investors, who have executed a non-disclosure agreement, a monthly Risk Report containing metrics designed to communicate the performance drivers and positioning of Fund accounts. These reports are posted to the secured website on or about the 10th business day of the month after the final NAV is produced and are available to all Fund investors.

Claren Road has engaged the Administrator to support most of Claren Road's middle and back office operations. The functions performed by the Administrator include reconciliation, transfer agency, fund administration and some investor reporting for Claren Road. Additionally, the Administrator manages new investor documentation and performs anti-money laundering reviews on all accounts. The Administrator also conducts pricing verification for securities and prepares monthly capital statements, which are approved by Claren Road and distributed by the Administrator. Please see Item 10(C) for a further description of the Administrator's relationship with Carlyle and, as a result, Claren Road.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

Claren Road does not receive economic benefits from non-clients for providing investment advice and other advisory services. Claren Road may pay (or cause to be paid) fees to placement agents with respect to the sale of interests in the Funds. Any such fees will in no event be payable by or chargeable to the Funds or any investor or prospective investor, unless Claren Road accords an offsetting credit or fee reduction.

ITEM 15

CUSTODY

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

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

ITEM 16
INVESTMENT DISCRETION

Claren Road assumes discretionary authority to manage the client accounts through the execution of investment management agreements with the Funds. Claren Road has full discretionary authority with respect to investment decisions, and its advice with respect to the Funds is made in accordance with the investment objectives and guidelines as set forth in the Funds' respective offering memoranda.

ITEM 17

VOTING CLIENT SECURITIES

In compliance with Advisers Act Rule 206(4)-6, Claren Road has adopted proxy voting policies and procedures, which are available upon request. All proxies Claren Road receives will be sent to Claren Road's Chief Compliance Officer or an appropriate delegate. The Chief Compliance Officer or delegate, together with the appropriate members of the middle office, will forward the proxy to the portfolio manager. Claren Road will vote proxies in the best interests of each particular Fund. The portfolio managers will bring any identified potential conflicts of interest between the interests of Claren Road and its Funds or between Funds in connection with a proxy vote to the attention of the Chief Compliance Officer, who will review them. If a material conflict exists, Claren Road's Conflicts Committee will determine how to vote, consistent with Claren Road's duty to act in the best interests of its clients.

It is generally expected that with respect to proxy voting in situations involving the restructuring, recapitalization or reorganization of a Carlyle Portfolio Company (as defined in Item 10.C.) in which a Fund owns debt instruments, it would be in the best interest of the Fund under the circumstances to vote in accordance with the requisite majority of unaffiliated debt holders of the same class. However, under certain circumstances, Claren Road may determine that it is in the best interest of the Fund under the circumstances to exit its position in a Carlyle Portfolio Company before such a vote and accordingly will do so. While Claren Road generally will chose one of these alternatives, other courses of action may be approved by the Claren Road Operating Committee in accordance with the provisions of Claren Road's proxy voting policies and procedures.

ITEM 18
FINANCIAL INFORMATION

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

ITEM 19
REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not Applicable.

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