

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

CLAREN ROAD ASSET MANAGEMENT, LLC

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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 tenth amendment to its initial Form ADV Part 2A submitted with its application for registration with the SEC on October 18, 2011. While this Brochure contains numerous changes and updates to the brochure last filed with the SEC on March 16, 2017, the below summarizes only the material changes to the Annual Brochure since its last filing. Clients and prospective clients, as well as current and prospective investors in the funds that we manage, should carefully review this Brochure in its entirety.

1. Item 10C. **(Other Financial Industry Activities and Affiliations)** - Material Relationships or Arrangements with Industry Participants – On February 1, 2016, The Carlyle Group relinquished its 55% equity ownership interest in Claren Road, and as of such date, 100% of the equity interests in Claren Road are owned and controlled by Brian Riano, Sean Fahey and Albert Marino.
2. Item 10C. **(Material Conflicts of Interest Relating to Other Investment Advisers)** - Claren Road's affiliate, Claren Road Asia Limited ("Claren Road Asia"), recently filed a request with the Securities and Futures Commission of Hong Kong (the "HK SFC") to withdraw its Type 9 asset management services licensing status as Claren Road Asia is no longer providing Type 9 services to the Funds. Claren Road Asia continues to be included as a "relying adviser" on Claren Road's Form ADV Part 1 A until such time as HK SFC has confirmed to Claren Road that its Type 9 licensing status has been formally withdrawn.

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ITEM 4 ADVISORY BUSINESS

Claren Road Asset Management, LLC ("Claren Road") commenced operations in January 2006 and currently has offices headquartered in New York, New York. The founding members of Claren Road are Brian Riano, Sean Fahey and Albert Marino (the "Founders").¹ The principal ultimate owners of Claren Road are the Founders. As of September 2014, Claren Road is directly owned by CRAM Holdings, LP (the "Holding Company"), which is owned by the Founders. Claren Road serves as the investment adviser to certain private pooled investment vehicles (each a "Fund" and collectively, the "Funds") that are offered to investors on a private placement basis. In this document, references to Claren Road's "Clients" include any or all of the Funds and any other separately managed accounts that Claren Road is engaged to manage, as applicable. Unless otherwise expressly stated herein, the term "Clients" does not include investors. 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.

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 with the Domestic Credit Fund, the "Feeder Credit Funds"); 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 Feeder Credit Funds 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 together with the Domestic Credit Opps Fund, the "Feeder Credit Opps Funds"); 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 Feeder Credit Opps Funds 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.

The Feeder Credit Funds and Feeder Credit Opps Funds shall be collectively referred to herein as "Feeder Funds".

Redeeming Portfolios. At the close of business on September 30, 2015, December 31, 2015, March 31, 2016, July 31, 2016, October 31, 2016, and December 31, 2016 each of the Master Credit Fund's and the Master Credit Opps Fund's assets and liabilities (excluding any assets and liabilities attributable only to the portfolio established for redeeming investors), respectively, were, as of the relevant date, bifurcated into two portfolios – one for redeeming investors and another for non-redeeming investors due to the significant redemption requests from investors in the Feeder Credit Funds and the Feeder Credit Opps Funds. The structure allows the Master Credit Fund and Master Credit Opps Fund, respectively, to liquidate and monetize the portion of each such Fund's assets and liabilities for the benefit of redeeming investors and to continue to manage the remaining portion in accordance with each such Fund's investment program.

Claren Road makes investments for the Master Credit Fund and the Master Credit Opps Fund (other than with respect to the portfolios established for redeeming investors as described in the preceding paragraph) in accordance with the investment objectives and guidelines as set forth in their 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 on a discretionary basis approximately 650 million as of February 28, 2017. (These calculation are based on the aggregate net asset value of the Funds and include the assets of both the redeeming and continuing portfolios described above, and may differ from the "regulatory assets under management" figure reported in Item 5.F of Part 1A of this Form ADV).

Claren Road does not manage any assets on a non-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. Management Fee

Generally, each of the Feeder Credit Funds and the Feeder Credit Opps Funds pay Claren Road a fee for investment advisory services (the "Management Fee") for each fiscal

quarter ranging from 0% (0% per annum) 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.

2. Performance Compensation

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 either 15% or 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.

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 either 15% or 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 Board of 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 and tranches of shares with differing fee terms.

3. Separately Managed Accounts

While, as of the date of this Brochure, Claren Road is not providing investment management services to any separately managed accounts, we have in the past and may in the future directly advise such accounts.

Fees for separately managed accounts are negotiable and not based on a fixed fee schedule. Such fees would generally be expected to be based on factors specific to the applicable managed account and the applicable client's preferences, including without limitation, the investment strategy to be utilized, the investment restrictions imposed, the perceived risk/return of the instruments expected to be traded, the level of assets in the managed account, and the required and/or anticipated term of the managed account arrangements. Fees for separately managed accounts would include either management fees based on an agreed-upon percentage of the assets in the managed account or performance fees based on an agreed-upon percentage of the net returns of the managed account, or both management and performance fees.

Claren Road would generally be paid its fees with respect to separately managed accounts from the applicable Client based on the computation of the fee by the Client (itself or using an agent) and not by deducting its fees directly from Clients' assets. Fees would be paid in arrears.

4. 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 Clients and will include, as applicable: 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 Feeder 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 payment of Performance Compensation may cause Claren Road to make investments that are riskier or more speculative than would be the case if Performance Compensation were not made. Since Performance Compensation is calculated on a basis that includes unrealized appreciation of assets, such Performance Compensation may be greater than if it were based solely on realized gains.

In certain circumstances, Claren Road may be entitled to receive greater Performance Compensation in respect of certain Funds than it would be entitled to receive in respect of other Funds, and thus may have an incentive to devote more research and other resources and/or to allocate investment opportunities to the Funds from which greater Performance Compensation is expected. Claren Road has a trade allocation policy, the purpose of which is to ensure that investment opportunities are allocated among the Funds on a fair and equitable basis. Claren Road's allocation policy is discussed in Item 11.

In addition, the Founders and certain employees of Claren Road and its affiliates 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 Founders 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 Funds 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.

While, as of the date of this Brochure, Claren Road is not providing investment management services to any separately managed accounts, we have in the past and may in the future directly advise such accounts. Claren Road generally expects that it would enter into separately managed account arrangements solely with institutional investors that, in each case, are "qualified clients" under Rule 205-3 under the Advisers Act.

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, Asian, 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 bottom-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.

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 (a) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (b) margin calls or interim margin requirements which may force premature liquidations of investment positions and (c) 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, evolving regulatory requirements govern swaps and other derivatives. In addition, there is limited 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 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. These factors may adversely impact the liquidity of the Funds' investment portfolios and the liquidity of an investor's investment in a Fund.

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: (a) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (b) market risk (adverse movements in the price of a financial asset); (c) 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); (d) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (e) documentation risk (exposure to losses resulting from inadequate documentation); (f) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (g) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (h) 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 (i) 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.

22. Cyber Security Breaches and Identity Theft

Claren Road and its Clients' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Claren Road's and Clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure or unauthorized disclosure of data could harm Claren Road and Clients' reputation, subject any such entity and their respective affiliates to legal claims, increased costs, financial losses, data privacy breaches, regulatory intervention, and otherwise affect the their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

23. Foreign Account Tax Compliance Act

The U.S. Foreign Account Tax Compliance Act ("FATCA") requires certain entities in a broadly defined class of foreign financial institutions ("FFIs") to comply with a complicated and expansive reporting regime or be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2019, a 30% U.S. withholding tax on gross proceeds from the sale of certain U.S. stocks and securities). Non-U.S. entities which are not FFIs also must either certify they have no substantial U.S. beneficial ownership or certify certain information with respect to their substantial U.S. beneficial ownership or be subject to a 30% withholding tax on certain U.S. payments (and beginning in 2019, a 30% U.S. withholding tax on gross proceeds from the sale of certain U.S. stocks and securities). In general, these requirements apply to non-U.S. investment funds, such as any non-U.S. Claren Road-sponsored investment vehicle advised by Claren Road. Among other things, FATCA compliance requires FFIs to obtain and review appropriate due diligence information with respect to certain existing and prospective investors. In addition, the reporting obligations imposed under FATCA require FFIs to enter into agreements with the U.S. Internal Revenue Service (the "IRS") to obtain and disclose information about certain investors to the IRS or, if subject to an intergovernmental agreement (an "IGA"), register with the IRS. Failure to comply with the preceding requirements could expose Claren Road and its investors to a 30% U.S. withholding tax, which may discourage certain investors from investing in non-U.S. investment funds. Prospective investors in any Claren Road-sponsored investment vehicle should consult their own tax advisors regarding all aspects of FATCA as it affects their particular circumstances.

In addition, the OECD has developed Common Reporting Standard ("CRS") rules for the automatic exchange of FATCA-like financial account information amongst OECD member states. Like FATCA, CRS will impose certain due diligence, documentation and reporting requirements on various Claren Road entities. While CRS does not contain a potential withholding requirement, non-compliance could subject Claren Road to certain reputational harm along with monetary penalties.

24. Legal Framework and Corporate Governance

Laws and regulations of some countries may impose restrictions that would not exist in the United States, may lack certain protections provided by U.S. law or may not be fully or consistently enforced, particularly where the other party to a dispute is a local resident or entity. In addition, many countries provide inadequate legal remedies for breaches of contract, including settling disputes with local partners with whom the portfolio may enter into joint ventures. In addition, and in particular in light of the changing global regulatory climate, Clients may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market to potential investors, which may generally limit a Client's ability to raise capital and/or increase the costs and expenses borne by the investors in such Clients.

25. 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. Clients face competition from numerous competitors in all fields of activity. Clients will be competing for investments with 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 Clients will be able to locate and complete investments which satisfy the investment objectives or that it will be able to invest fully its available capital.

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

Claren Road has filed a notice of exemption from registration as a commodity pool operator with respect to the Funds pursuant to CFTC Reg. § 4.13(a)(3).

C. Material Relationships or Arrangements with Industry Participants

On December 1, 2015, a foreign affiliate of Ernst & Young LLP (“EY”), which like EY is a member firm of Ernst & Young Global Limited, was engaged to perform certain accounting and bookkeeping services that included management functions for a recently acquired portfolio investment (the “Portfolio Company”) of one of the European buyout investment funds (the “Europe Fund”) sponsored by The Carlyle Group L.P. (“Carlyle”). Both the Europe Fund and the Portfolio Company that was purchased by the Europe Fund on March 9, 2016, are considered controlled affiliates of Carlyle. For the period from March 9, 2016 through August 1, 2016, the continued provision of the management functions by EY’s foreign affiliate were inconsistent with the auditor independence standards of Regulation S-X relative to EY’s audits of the pooled investment vehicles (the “Funds”).

Immediately after identification of the Services, the management functions provided to the Portfolio Company by EY’s foreign affiliate were transitioned to the Portfolio Company as of August 1, 2016. None of the professionals who provided the Services to the Portfolio Company were members of the EY audit engagement team that audits the Funds.

After careful consideration of the facts and circumstances and the applicable independence rules, EY has concluded that (i) the aforementioned matters do not impair EY’s ability to exercise objective and impartial judgment in connection with its audits of the Funds and (ii) a reasonable investor with knowledge of all relevant facts and circumstances would conclude that EY has been and is capable of exercising objective and impartial judgment on all issues encompassed within its audits of the Funds. After considering these matters, Carlyle’s management and those charged with governance of the Funds concur with EY’s conclusions.

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 Claren Road's Code of Ethics Policy (the "Code"). 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.

Further, Claren Road has adopted additional written policies and procedures to account for the pay-to-play regulations promulgated by the SEC.

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.

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.

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 and affiliates 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 various written 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 the Credit Funds and the Credit Opps Funds 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 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 generally 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. To the extent that a separately managed account's investment objective and restrictions would result in its trading the same instruments as other Clients, Claren Road's allocation policy applies a similar set proportion for allocation of trades as between the applicable managed account Client and the Funds, with one proportion established for the commencement period of the managed account, as it scales up its portfolio, and a different

proportion applied thereafter. The foregoing proportions are also reviewed on a quarterly basis to ensure they remain appropriate.

It should be noted that Claren Road may give advice, and take action, with respect to one or more Clients that differs from the advice given, or action taken, with respect to other Clients and that performance is expected to vary among the Clients.

Additionally, Claren Road may face potential conflicts of interests as it liquidates certain illiquid assets that are held in the redeeming portfolios of the Master Credit Fund and the Master Credit Opps Fund. The liquidation of such assets in the redeeming portfolio may adversely impact the prices at which Claren Road may be able to sell similar assets in the Funds' continuing portfolios. Claren Road seeks to maximize the value of assets remaining in both the redeeming and continuing portfolios of the Funds in a manner that is fair and equitable to all of its Clients.

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. 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 to seek 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 Exchange Act.

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 Client, 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 Claren Road's trade errors 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 Clients. 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 a Client 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. 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 (but not later than within 120 days after the end of its fiscal year).

Claren Road also prepares and distributes to those redeeming portfolio 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 Funds' 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 Funds' administrator.

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

With respect to Funds, 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. With respect to separately managed accounts in general, Claren Road would not have custody of the applicable client funds/assets and such client funds/assets are held in custody by unaffiliated qualified custodians.

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 applicable to the Funds.

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 appropriate portfolio manager(s). 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. Clients may obtain a copy of Claren Road's complete proxy voting policies and procedures upon request. Clients may also obtain information from Claren Road about how it voted any proxies on behalf of their account.

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.