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**Brochure**

**Par-Four Investment Management, LLC**

**March 27, 2018**

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**This brochure provides information about the qualifications and business practices of Par-Four Investment Management, LLC (“Par-Four”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 201-573-7500 and/or Labrenz@Par4Investment.com. This information has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about Par-Four is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

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**Item 2. Material Changes**

There have been no material changes made to this brochure since Par-Four's last annual update, which was filed on March 29, 2017; however, Par-Four has made some routine updates and clarifying changes.

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**A. General Description of Advisory Firm.**

Par-Four was founded in August 2003 by Robert B. Burke (the “CEO”) as an independent alternative asset manager. Mr. Burke is the principal owner of Par-Four. Par-Four’s principal place of business is located in Woodcliff Lake, New Jersey.

**B. Description of Advisory Services (including any specializations).**

Par-Four provides investment advisory services on a discretionary basis to clients, which are institutional investors and private investment funds intended for institutional investors and other sophisticated investors.

Currently, Par-Four provides investment advisory services to pooled investment vehicles operating as private investment funds (each, a “Fund” and collectively, the “Funds”), a separately managed account (the “Account”), and four special purpose entities that function as collateralized debt obligations (each, a “CLO,” together, the “CLOs” and collectively with the Funds and the Account, the “Advisory Clients”).

Par-Four’s core investment strategy is investing in leveraged loans, debt and equity securities across the capital structure of high yield, investment grade and other companies in stressed, distressed and other special situations. Note that Item 8 below goes into greater detail on Par-Four’s methods of analysis and investment strategies.

**C. Availability of Tailored Services for Individual Clients.**

Par-Four provides advice to Advisory Clients based on specific investment objectives and strategies. Par-Four, as the collateral manager to the CLOs, follows the investment mandate of each CLO and does not tailor advisory services to the individual needs of investors in the CLOs. In connection with its management of the Funds and the Account, Par-Four may agree to tailor advisory services to the individual needs of the client. In addition, Advisory Clients may impose restrictions on investing in certain securities or certain types of securities.

**D. Wrap Fee Programs.**

Par-Four does not participate in wrap fee programs.

**E. Client Assets Under Management.**

As of December 31, 2017, Par-Four had approximately \$1,669,185,000 of regulatory assets under management, all on a discretionary basis.

**A. Advisory Fees and Compensation.**

The Funds pay Par-Four fixed fees each quarter in advance in amounts equal to 0.375% (i.e., 1.5% per annum) based on the value of the net assets of the respective Fund on the first day of the quarter (the "Fund Management Fee"). If an investor invests during a quarter or makes an additional subscription during a quarter, the Fund Management Fee will be charged as of the effective date of the such subscription based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the quarter.

Par-Four may also be allocated performance-based compensation from the Funds, which is compensation that is based on a share of the net profits (including net unrealized gains) of a Fund. Such compensation rate is equal to 20% and is subject to a loss carryforward provision.

Par-Four may, in its sole discretion, waive or reduce the Fund Management Fees and/or performance-based compensation for investors that are members, principals, employees or affiliates of Par-Four, Portrush GP Advisors, LLC, an affiliate of Par-Four (the "General Partner"), relatives of such persons and certain large or strategic investors.

Any fees or compensation received by Par-Four from the Account is separately negotiated and includes a management fee (which may be a fixed amount agreed upon with the Account) and performance-based compensation.

The CLOs pay Par-Four as follows:

- Tralee CDO I, LTD. ("Tralee I")
  - Par-Four receives an account management fee equal to 0.50% per annum based on the assets under management for Tralee I, which is payable quarterly in arrears. Of this, 0.20% of the account management fee is a base management fee and 0.30% is a subordinated management fee. Tralee I pays the base management fee and subordinated management fee from cashflow generated by Tralee I's investments. The base management fee is payable from the cashflow on a priority basis (prior to payment of debt service on the notes issued by Tralee I) and the subordinated management fee is payable on a subordinate basis (after payment of debt service on the notes issued by Tralee I).
  - Par-Four may also receive a contingent management fee equal to 20% of the cashflow generated by Tralee I's investments in excess of a 12% hurdle (i.e., IRR threshold to equity investors).
  - Tralee I was called, effective July 17, 2017.
- Tralee CLO II, LTD. ("Tralee II")
  - Par-Four receives an account management fee equal to 0.40% per annum based on the assets under management for Tralee II, which is payable quarterly in arrears. Of this, 0.20% of the account management fee is a senior management fee and 0.20% is a subordinated management fee. Tralee II pays the senior management fee and subordinated management fee from cashflow generated by Tralee II's investments. The senior management fee is payable from the cashflow on a priority basis (prior to payment of debt service on the notes issued by Tralee II) and the subordinated management fee is

payable on a subordinate basis (after payment of debt service on the notes issued Tralee II).

- Par-Four may also receive an incentive management fee equal to 20% of the cashflow generated by Tralee II's investments in excess of a 14% hurdle (i.e., IRR threshold to equity investors).
- Tralee II was reset in August 2017, with a stated maturity date of July 2029.
- Tralee CLO III, LTD. ("Tralee III")
  - Par-Four receives an account management fee equal to 0.35% per annum based on the assets under management for Tralee III, which is payable quarterly in arrears. Of this, 0.20% of the account management fee is a senior management fee and 0.15% is a subordinated management fee. Tralee III pays the senior management fee and subordinated management fee from cashflow generated by Tralee III's investments. The senior management fee is payable from the cashflow on a priority basis (prior to payment of debt service on the notes issued by Tralee III) and the subordinated management fee is payable on a subordinate basis (after payment of debt service on the notes issued Tralee III).
  - Par-Four may also receive an incentive management fee equal to 20% of the cashflow generated by Tralee III's investments in excess of a 14% hurdle (i.e., IRR threshold to equity investors).
  - Tralee III was reset in October 2017, with a stated maturity date of October 2027.
- Tralee CLO IV, LTD. ("Tralee IV")
  - Tralee IV was priced on December 21, 2017, with a stated maturity date of 2030.
  - Par-Four receives an account management fee equal to 0.35% per annum based on the assets under management for Tralee IV, which is payable quarterly in arrears. Of this, 0.15% of the account management fee is a senior management fee and 0.20% is a subordinated management fee. Tralee IV pays the senior management fee and subordinated management fee from cashflow generated by Tralee IV's investments. The senior management fee is payable from the cashflow on a priority basis (prior to payment of debt service on the notes issued by Tralee IV) and the subordinated management fee is payable on a subordinate basis (after payment of debt service on the notes issued Tralee IV).
  - Par-Four may also receive an incentive management fee equal to 20% of the cashflow generated by Tralee IV's investments in excess of a 12% hurdle (i.e., IRR threshold to equity investors).

The fee schedule for each CLO is not negotiable.

## **B. Payment of Fees.**

Par-Four receives the Fund Management Fee each quarter by instructing the Funds' administrator to deduct the Fund Management Fee from the Funds' accounts. Investors in the Funds do not have the ability to choose to be billed directly for fees.

Par-Four deducts fees from the CLOs on the basis described above and instructs the Account to pay agreed upon fees on a monthly basis.

### **C. Other Fees and Expenses.**

In addition to paying the Fund Management Fee and performance-based compensation, if any, the Funds also bear all of their operating expenses. Such expenses include, but are not limited to; organizational costs; administration, middle/back office, accounting, legal, audit and tax preparation expenses; expenses incurred in connection with the purchase of shares by new or existing shareholders; marketing expenses; expenses related to the registered offices of the Funds; and operating and other expenses of any nature related to the business of the Funds. Further, because the Funds' assets are invested in a "master-feeder" fund structure, the feeder funds bear a pro rata share of the expenses associated with the related master fund. Such expenses include, but are not limited to, commissions; clearing fees; fees, interest and other costs on margin accounts or other financings or re-financings; third-party administrator fees; borrowing charges on securities sold short; custodial fees; bank service fees; research fees; expenses in connection with proposed transactions (including transactions that fail to close); and any other reasonable expenses related to the purchase, sale, holding or transmittal of master fund assets or master fund liabilities.

The Account and the CLOs are subject to different fees and expenses, which are set forth in the Account Agreement and the Portfolio Management Agreement and Indenture, respectively.

The allocation of expenses by Par-Four between it and any Advisory Client and among Advisory Clients represents a conflict of interest for Par-Four. Par-Four has adopted an expense allocation policy that is designed to address this conflict. Par-Four allocates expenses to each Advisory Client in accordance with the Advisory Client's arrangements with Par-Four (including applicable Advisory Client disclosures). Par-Four seeks to allocate shared expenses for products and services benefitting Par-Four and the Advisory Clients and not covered in the Advisory Clients' arrangements in a fair and reasonable manner. Par-Four allocates common Advisory Client expenses among multiple Advisory Clients based on gross assets under management as of the beginning of the month in which the expenses are incurred and/or paid; provided, however, that Par-Four may deviate from a specified allocation with respect to expenses that, in Par-Four's view, disproportionately benefit a particular Advisory Client or group of Advisory Clients.

### **D. Prepayment of Fees.**

Pre-paid fees charged to the Funds will be refunded based on the number of days remaining in the quarter if a withdrawal or redemption (as applicable) is made before the end of a quarter.

### **E. Additional Compensation and Conflicts of Interest.**

The Adviser (or its principals, affiliates and employees) may earn or receive directors fees from portfolio companies held by an Advisory Client in connection with the investment activities of its Advisory Clients ("Director Fees"), and such Director Fees will not reduce any management fee or incentive compensation received by the Adviser and/or the General Partner.

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## **Item 6. Performance-Based Fees and Side-by-Side Management**

Par-Four and its investment personnel provide investment management services to the Advisory Clients. As described in Item 5 above, Par-Four (or an affiliate of Par-Four) may be entitled to receive performance-based compensation from the Advisory Clients. In addition, Par-Four's investment personnel are typically compensated on a basis that includes a performance-based component. Certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When Par-Four and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account. Par-Four and its investment personnel have a greater incentive to favor client accounts that pay Par-Four (and indirectly its investment personnel) higher asset-based fees or more favorable performance-based compensation arrangements or in which Par-Four or its personnel have significant investments.

Par-Four has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. Par-Four reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, Par-Four's procedures require that similarly managed accounts participate in any aggregated order at the average transaction price and that the allocation of investment opportunities among similarly managed accounts be pro rata based on Par-Four's standard allocation methodology. Par-Four may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Finally, Par-Four's procedures also require the objective allocation for limited opportunities to ensure fair and equitable allocation among accounts. These areas are monitored by various personnel at Par-Four.



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**Item 7. Types of Clients**

Par-Four provides investment advisory services to (i) the Funds, (ii) the Account and (iii) the four CLOs.

With respect to any client that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle.

With respect to any separately managed account, Par-Four determines the minimum investment amounts on a case-by-case basis with each Advisory Client. In general, such separately managed accounts involve significant minimum investments.

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

### A. Methods of Analysis and Investment Strategies.

#### Method of Analysis:

Par-Four combines a top-down industry review with a bottom-up credit-intensive fundamental analysis, to identify potential investment opportunities. An in-depth review of the financial statements of a company is conducted to develop an enterprise value based on credit models, financial models and sensitivity analysis. This is followed by a detailed analysis and understanding of the covenants, collateral and security for various levels of the company's capitalization, including its debt and equity. Par-Four often supplements this analysis by meeting with management teams and industry experts, performing due diligence with key customers and suppliers, reviewing regulatory filings, attending investor presentations and/or obtaining input from outside research analysts. Par-Four then seeks to determine the intrinsic value of a particular level of the company's capitalization that will be compared to its market value to determine the appropriate aspects of the capital structure in which to invest. Par-Four also evaluates the technical trading aspects of a potential investment, seeking the optimal market entry and exit points for the position. The technical trading analysis includes a number of trading catalysts, including, among others, company-specific credit news, activity of ratings agencies, market sentiment and buying/selling dynamics of the investment grade, high yield and distressed markets, including the capital flow of the applicable market.

#### Investment Strategies:

Par-Four's core investment strategy is investing in leveraged loans, debt and equity securities across the capital structure of high yield, investment grade and other companies in stressed, distressed and other special situations. Using this approach, Par-Four may seek to construct various portfolios of long only, long and short or short only investments that may include, without limitation, leveraged loans, debt and equity of high-yield, leveraged or financially distressed companies, options, swaps and other derivative instruments (collectively, "Financial Instruments"). Investments in Financial Instruments may be made on securities exchanges, over-the-counter and through privately negotiated transactions. Par-Four may employ leverage to enhance returns subject to regulatory limits and contractual limitations imposed by prime brokers and other lenders. Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged and entering into other forms of direct or indirect borrowing. The amount of leverage used on any individual investment will depend on Par-Four's perception of factors such as the interest rate environment, the volatility of the particular portfolio and the level of attractive investment opportunities.

The investment strategies employed by Par-Four include, but are not limited to, the following:

**High Yield Investing:** Par-Four believes that the high yield market presents attractive investing opportunities; high yield securities often trade at levels that differ significantly from their intrinsic value due to many characteristics inherent in the asset class. For example, the flow of capital into or out of the market significantly impacts the high yield market. The high yield market also has relatively short durations and presents equity type risk and returns capped by maturity or optional issuer redemption. In addition, many traditional high yield investment vehicles that have a "long only" investment mandate and utilize a nonintegrated investment process, ignore signals and opportunities from markets in which other parts of the capital structure trade, thus providing an opportunity to exploit mis-priced securities. Par-Four invests in bonds of companies where it believes the company's intrinsic value is greater (in the case of a long position) or less (in the case of a short position) than the actual market price of the company's security.

**Distressed and Special Situation Investing:** Par-Four may look for special situation investment opportunities, such as stressed and distressed securities and loans. Distressed securities and loans may

include those of a company currently in, or expected to be subject to, bankruptcy, restructuring, an operational turn-around or other similar events. Where there is a current or anticipated restructuring or bankruptcy of a company, Par-Four will seek to purchase or short these types of distressed debt, at a price which it believes is attractive relative to the estimated recovery value and the public market values and/or the value of comparable credits. Similarly, the debt of companies in liquidation may also be attractive investments when purchased at a discount relative to the value of the company's assets. Additionally, Par-Four may invest, through long or short positions, in debt securities issued by companies in the process of operational turn-arounds. Due to their depressed prices, these companies present attractive opportunities on a total return basis. Finally, Par-Four may also make event-driven investments, which involve evaluating both the value of the underlying securities and the timing and probability of a specific event, such as a potential merger between two companies or upon a determination in a legal proceeding.

**Leveraged Loans:** Par-Four may invest in seasoned performing and non-performing loans of high yield, stressed and/or distressed companies, that provide attractive pricing and/or opportunity for price appreciation due to either a turn-around or because the loans are trading at a discount to their ultimate value in a bankruptcy or reorganization. Par Four seeks to invest in loans that generate positive returns through price appreciation and, in the case of performing loans, interest income.

**Credit Default Swaps:** Par-Four may establish long or short positions through the use of credit default swaps. Par-Four, using a bottom-up credit analysis, will determine relative value in selecting the appropriate individual credits to buy or short.

**B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies./C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).**

**It is critical that investors refer to the relevant governing documents for a complete understanding of Par-Four's investment strategies and methods of analysis. The information contained herein is a summary only and is qualified in its entirety by such documents. INVESTING IN SECURITIES CONTAINS SIGNIFICANT RISKS, INCLUDING THE RISK OF LOSS OF SOME OR ALL OF AN INVESTMENT.**

**High Yield Securities:** Par-Four may invest in "high yield" debt and other 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 lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities may be 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.

**Distressed Securities:** Par-Four may purchase securities and other obligations of companies that are experiencing significant financial or business distress including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid even if the company reorganizes and/or emerges from bankruptcy proceedings, and as a result are converted to equity and may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that Par-Four will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any

reorganization or liquidation proceeding relating to a company in which a client account invests, the client account may lose its entire investment or may be required to accept cash or securities with a value less than the original investment.

**Special Situations:** Par-Four may invest in special situations. Investments of this type involve substantial financial business risks that can result in substantial or total losses. Among the problems involved in assessing and making investments in troubled issuers is the fact that it frequently may be difficult to obtain information as to the condition of such issuer. The market prices of the securities of such issuers 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 securities may be greater than normally expected. It may take a number of years for the market prices of such securities to reflect their intrinsic values. Moreover, some of these securities may not be widely traded or the client account may own a substantial portion in relation to the market for such securities. These types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Par-Four. To the extent that Par-Four becomes involved in such proceedings, it may have more active participation in the affairs of the issuer than a passive investor. In addition, Par-Four's participation in such proceedings may restrict or limit Par-Four's ability to trade securities of the subject company. As a result, the Advisory Clients may incur additional legal or other expenses, including, but not limited to, litigation expenses.

**Bank Loans:** Par-Four's investment program may include investments in significant amounts of bank loans. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of Par-Four to directly enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, or enforcing any rights of set-off against the obligor. There can be no assurance that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue.

**Prepayment Risk:** The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying certain of Par-Four's investments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments.

**Credit Default Swaps:** Par-Four 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. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination. In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds and loans.

**Equity Securities:** Par-Four may invest in common and preferred stock and other equity securities including both public and private securities. Equity securities generally will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions, general stock market fluctuations and changes in market confidence and perceptions of issuers. Investor perceptions are based on various and unpredictable factors including expectations regarding governmental, economic, monetary and fiscal policies, inflation and interest rates, economic expansion and contraction, and global or regional political, economic or financial crises. In

some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. Some of the small and mid-cap issuers of equity securities in which client accounts may invest may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, some equity securities may be illiquid. Due to perceived or actual illiquidity or investor concerns regarding leverage capitalization, certain equity securities often trade at significant discounts to otherwise comparable investments or are not readily tradable. Such securities generally do not produce current income and may be speculative.

**Short Sales:** Par-Four may engage in selling securities short. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of theoretically unlimited losses, in that the price of the underlying security (and thus the cost of buying those securities in the open market to return to the lender) could theoretically increase without limit. The possible losses from a short sale of a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. There can be no assurance that Par-Four will be able to maintain the ability to borrow securities sold short. The securities may be "bought in" (i.e., Par-Four may be forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further. In a "short squeeze," a lack of supply and an excess of demand for a security caused by short sellers seeking to cover their short positions forces the prices upward. If the price of a security starts to rise rapidly, the trend may escalate as an increasing number of short sellers seek to close out their positions quickly. Short-selling activities are subject to restrictions imposed by the Federal securities laws and the various securities exchanges.

**Options:** Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price. Options also involve counterparty risk. However, Par-Four generally intends to limit our trading in option contracts to standardized options which trade on recognized exchanges. Par-Four believes that these options provide greater liquidity and involve less counterparty risk than customized options for which a clearinghouse does not exist.

**Leverage and Financing Risk:** Par-Four may use leverage as part of its investment strategy. Accordingly, Par-Four may pledge the assets of its Advisory Clients in order to borrow additional funds for investment purposes. Par-Four may also leverage the investment return of its clients with options, short sales, swaps and other derivative instruments. The amount of borrowings that a client of Par-Four may have outstanding at any time may be greater than its capital. While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. The anticipated use of short-term margin borrowings results in certain additional risks, such as the potential for a "margin call," pursuant to which a Par-Four Advisory Client must either deposit additional funds or assets with a broker, or suffer mandatory liquidation of the pledged assets to compensate for a decline in value of such assets. In the event of a sudden drop in the value of the client's assets, such client might not be able to liquidate assets quickly enough to satisfy its margin requirements.

**Illiquid Investments:** Par-Four may invest in securities and other assets that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and Par-Four may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of assets eligible for trading on national

securities exchanges or in the over-the-counter markets. Par-Four may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted assets may sell at a price lower than similar assets that are not subject to restrictions on resale.

**Non-U.S. Investments:** Par-Four may invest in securities and obligations which are traded in non-U.S. markets. Investing in the securities and obligations in non-U.S. countries involves certain considerations not usually associated with investing in securities and obligations in U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict Par-Four's investment opportunities. In addition, accounting and financial reporting standards in such countries may not be equivalent to U.S. standards and, consequently, less information may be available to investors in securities and obligations issued in such countries than is available to investors located in the U.S.

**Uncertain Exit Strategies:** Due to the illiquid nature of some of the positions that Par-Four is expected to acquire, Par-Four is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

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**Item 9. Disciplinary Information**

This Item is not applicable.

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**Item 10. Other Financial Industry Activities and Affiliations****A. Broker-Dealer Registration Status.**

This Item is not applicable.

**B. Commodities-Related Registration.**

This Item is not applicable.

**C. Material Relationships or Arrangements with Industry Participants.**

Each of the Funds for which Par-Four or its related person serves as general partner or investment manager has, and may in the future, enter into additional agreements, or “side letters,” with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum of a Fund. For example, such terms and conditions may provide for special rights to make future investments in a Fund, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a reduction or rebate in fees or redemption penalties to be paid by the limited partner or shareholder and/or other terms; rights to receive reports from a Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by Par-Four and such investor. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the investor’s investment in a Fund or affiliated investment entity, an agreement by an investor to maintain such investment in a Fund for a significant period of time, or other similar commitment by an investor to a Fund.

**D. Material Conflicts of Interest Relating to Other Investment Advisers.**

This Item is not applicable.



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**Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading****A. Code of Ethics.**

Par-Four has adopted a Code of Ethics (the "Code") that obligates Par-Four and its Covered Persons (as defined in the Code) to put the interests of Par-Four's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of Par-Four's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Edward Labrenz, Par-Four's Chief Compliance Officer by email at Labrenz@par4Investment.com. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

Par-Four, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Par-Four or its related persons have invested or seek to invest on behalf of clients. Par-Four is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Par-Four maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Par-Four is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, Par-Four may possess certain confidential or material nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Par-Four will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, Par-Four will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that Par-Four possesses such information), or not using such information for the client's benefit, as a result of following Par-Four's policies and procedures designed to provide reasonable assurances that it is complying with applicable law. Par-Four and its personnel are required to exercise caution in their interaction with employees of sell-side broker-dealers and other persons who may have access to material non public information.

**B. Client Transactions in Securities where Adviser has a Material Financial Interest.**

Certain of Par-Four's clients invest in Advisory Clients in which Par-Four or its related person has a material financial interest. This practice creates a conflict of interest because Par-Four or its related person has an incentive to recommend securities from (or sell securities to) clients based on its own financial interests, rather than solely the interests of a client.

**C. Investing in Securities Recommended to Clients.**

Par-Four seeks to monitor the potential conflicts of interests within the firm as it relates to Covered Persons personal trading (including investments in the Funds). Generally, Par-Four's Covered Persons are prohibited from trading in the same securities as the Advisory Clients. In addition, Par-Four requires each of its Supervised Persons to pre-clear certain personal securities transactions. In reviewing pre-clearance requests, the Chief Compliance Officer, or his designee, considers all the facts and circumstances related to the contemplated trade, including whether any of the Advisory Clients hold, recently held or may hold the relevant security. Such pre-clearance requests are only approved by the Chief Compliance Officer or Chief Executive Officer, after careful consideration to the attendant conflicts of interests (if any).

**D. Conflicts of Interest Created by Contemporaneous Trading.**

This Item is not applicable.

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

Par-Four considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to Par-Four on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Par-Four need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Par-Four's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. Certain investment personnel of Par-Four meet periodically to evaluate the broker-dealers used by Par-Four to execute client trades using the foregoing factors.

**1. Research and Other Soft Dollar Benefits.**

Par-Four may receive research or brokerage from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. Par-Four has no formal soft dollar arrangements in place. To the extent Par-Four may enter into soft dollar arrangements in the future, Par-Four will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

**2. Brokerage for Client Referrals.**

From time to time, Par-Four may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to Advisory Clients. Par-Four may place client portfolio transactions with firms that have made such recommendations or provided capital introduction opportunities, if Par-Four determines that it is otherwise consistent with seeking best execution. In no event will Par-Four select a broker-dealer as a means of remuneration for recommending Par-Four or any other product managed by Par-Four (or an affiliate) or affording Par-Four with the opportunity to participate in capital introduction programs.

**3. Directed Brokerage.**

This Item is not applicable.

**B. Order Aggregation.**

Upon determining to buy or sell the same security on behalf of more than one Advisory Client, Par-Four will generally aggregate trades when it believes that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or other transaction costs than might have otherwise been paid had such orders been paid independently. When Par-Four aggregates orders, all Advisory Clients are treated in a fair and equitable manner. In determining which Advisory Clients are eligible to participate in a particular transaction, Par-Four considers the relative amounts of capital available for new investments, relative exposure to short-term market trends and the respective investment programs and portfolio positions of the Advisory Clients. Such considerations may result in allocations of certain investments among the Advisory Clients on other than a pari passu basis. Trading is reviewed periodically to the extent deemed necessary by the Chief Compliance Officer to ensure that Advisory Clients are not systematically disadvantaged by this policy.

**A. Frequency and Nature of Review.**

The Advisory Client portfolios are under ongoing review by Par-Four's investment committee, which is comprised of the Chief Executive Officer/Risk Manager, CLO portfolio manager, credit strategist and sector analysts (the "Investment Committee"). The Investment Committee, headed by the CEO, has overall responsibility for selecting investments for the Advisory Clients. The Investment Committee meets on a daily basis to discuss new investment ideas and recommends whether security positions should be maintained or modified in view of market conditions. The portfolios are under ongoing review by the Investment Committee with regard to investment policy, the suitability of the investments used to meet policy objectives and the investment objectives of the Advisory Clients. The portfolios are reviewed frequently to evaluate and assess, among other things, investment performance, sensitivity to market changes and whether Advisory Clients continue to meet certain established investment criteria and guidelines. In addition, once a quarter, the Investment Committee holds a comprehensive review meeting, whereby the activities of the Advisory Clients for the prior quarter are reviewed in an in-depth manner, and a discussion is held with regard to the current market environment and investment direction for the upcoming quarter.

While there are no set factors that trigger review of portfolios and no procedure that determines the sequence in which portfolios are reviewed, the Investment Committee will review the portfolios in the event of the realization of certain events that drive a contemplated or actual trade or the occurrence of certain other market movements that materially impact the underlying investments of the portfolios.

**B. Factors Prompting a Non-Periodic Review of Accounts.**

Please see Item 13.A above. The Advisory Clients' accounts are under ongoing review.

**C. Content and Frequency of Regular Account Reports.**

Investors in each CLO will have access to monthly trustee reports pursuant to the terms of the indenture for the CLO. The Funds and the Account receive daily information related to investment activity in their respective portfolios.

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**Item 14. Client Referrals and Other Compensation**

**A. Economic Benefits Received from Non-Clients for Providing Services to Clients.**

This Item is not applicable.

**B. Compensation to Non-Supervised Persons for Client Referrals.**

This Item is not applicable.

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**Item 15. Custody**

Par-Four and the General Partner are deemed to have custody of client assets and intend to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the “Custody Rule”), by meeting the conditions of the pooled vehicle annual audit provision.

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**Item 16. Investment Discretion**

Par-Four provides investment advisory services on a discretionary basis to clients based on specific investment objectives and strategies. Par-Four, as the collateral manager to the CLOs, follows the investment mandate of each CLO and does not tailor advisory services to the individual needs of investors in the CLOs. In connection with its management of the Funds and the Account, Par-Four may agree to tailor advisory services to the individual needs of the client. In addition, Advisory Clients may impose restrictions on investing in certain securities or certain types of securities.

Unless otherwise instructed or directed by a discretionary client, Par-Four has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. Par-Four may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is Par-Four's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead Par-Four to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may, from time to time, receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Securities acquired by Par-Four for client accounts through a limited offering will be allocated pursuant to the procedures set forth in Par-Four's allocation policy. Par-Four may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable Par-Four to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. Par-Four has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades unless client consent has been obtained based upon written disclosure to the client of the capacity in which Par-Four or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

If it appears that a trade error has occurred, Par-Four will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, Par-Four's error correction procedure is to ensure that clients are treated fairly and, following error correction, hold the same investments that they would have held, to the extent practicable, if the error had not occurred. Par-Four has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of Par-Four's gross negligence or willful misconduct or as otherwise provided under applicable federal securities laws, trade errors will be corrected by Par-Four as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account. Par-Four is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by Par-Four.

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**Item 17. Voting Client Securities**

Par-Four has authority to vote proxies related to securities owned by the Advisory Clients. Par-Four understands and appreciates the importance of proxy voting.

When Par-Four has discretion to vote the proxies of Advisory Clients Par-Four votes proxies in the best interests of Advisory Clients and in accordance with its policies and procedures for voting proxies. The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities in a manner that serves the best interests of the Advisory Clients, as determined by Par-Four in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, Par-Four may refrain from voting proxies where it believes that voting would be inappropriate, taking into consideration the cost of voting the proxy and the anticipating benefit to the Advisory Clients. If a material conflict of interest exists between Par-Four and an Advisory Client, Par-Four will determine whether voting in accordance with the above guidelines is in the best interest of the Advisory Client or take some other appropriate action.

Par-Four's Advisory Clients may obtain information about how Par-Four voted proxies and a copy of Par-Four's proxy voting policies and procedures upon request by contacting the Chief Compliance Officer at [Labrenz@par4Investment.com](mailto:Labrenz@par4Investment.com).



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**Item 18. Financial Information**

This Item is not applicable.