
PART 2A OF FORM ADV: FIRM BROCHURE

ARENA INVESTORS, LP
("Arena")

A Delaware Limited Partnership registered with the U.S. Securities and Exchange Commission as an Investment Adviser

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This brochure provides information about the qualifications and business practices of ARENA INVESTORS, LP ("Arena"). If you have any questions about the contents of this brochure, please contact us at (212) 612-3203. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about ARENA INVESTORS, LP is also available on the SEC's website at www.adviserinfo.sec.gov.

ARENA INVESTORS, LP is registered with the SEC as an investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

- There are no material changes, as Arena is making its initial filing.

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ITEM 4. ADVISORY BUSINESS

Arena was created to establish a multi-strategy asset management business that seeks to create risk-adjusted returns for its clients across a wide variety of fundamentals-based, asset-oriented, credit-focused investment opportunities.

The senior management team of Arena is led by CEO and CIO Daniel Zwirn.

The Westaim Corporation, a Canadian corporation, owns Arena through indirect holding companies. The direct owner of Arena is Westaim Arena Holdings II, LLC. Mr. Zwirn and the remainder of the senior management team of Arena have certain economic rights with respect to Arena.

The descriptions of funds and accounts managed by Arena which are set forth in this brochure, including the types of investments made and strategies used, fees and expenses charged, risk factors and conflicts of interests that may arise in Arena's management of such funds and accounts, are qualified in the formal offering materials (e.g., the offering memorandum, memorandum and articles of association, limited partnership agreement, as the case may be, and subscription documents) provided to investors in the funds which Arena manages (collectively referred to herein as the "Offering Documents") or investment management agreement ("IMA"), as pertinent.

Arena Clients

Arena intends to provide investment advisory services to pooled investment vehicles, or single investor managed accounts or funds, the investment strategies of which typically are expected to parallel all or a portion of the investment strategies of one of the other Arena clients. As more fully described below, Arena's investment strategies include, but are not limited to: (i) corporate private credit, (ii) real estate private credit, (iii) commercial and industrial assets, (iv) structural finance, (v) consumer assets and (vi) corporate securities.

Assets Under Management

As of May 31, 2015, Arena had no discretionary or non-discretionary assets under management.

ITEM 5. FEES AND COMPENSATION

Arena's clients, and the investors in the funds which it advises, are generally qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (the "Investment Company Act"). As such, a detailed client fee schedule is not included in this brochure. However, Arena's initial clients will pay some or all of the following fees to Arena:

- (i) An annual management fee, typically payable monthly in advance, that is generally equal to 2.0% of capital account balances or the net asset value of an account (a "Management Fee"); and
- (ii) A performance fee (or in the case of certain other clients, an "incentive allocation"; the phrase "Carry" is used throughout this Form to refer to both a performance fee or an incentive allocation) that is generally equal to 20% of the net capital appreciation of such client's account at the end of the relevant fiscal period (generally subject to a "high water mark" based on prior high net values and loss carryforward limitation).

Generally, fees are not negotiable; however, in certain cases, Arena may waive or reduce Management Fees and Carry for certain investors, including employees and affiliates. The Carry will be payable or allocable to the general partners of each of the funds that Arena advises (collectively, the "General Partners"), each an affiliate of Arena.

Arena and its affiliates, including Arena Origination Co., LLC, ("AOC") may receive loan origination fees and other transaction fees from companies in which its clients invest. Arena and its affiliates also charge Arena's clients a fee in connection with the management and servicing of certain portions of the loans that each client owns. Arena clients may bear a portion of the origination fee charged by AOC.

Arena may make investments on behalf of clients either directly or indirectly through investments in private pooled investment funds or other pooled investment vehicles. It should be noted that when investments are made indirectly, fees, including performance-based fees and/or asset-based fees, may be payable to such pooled investment vehicles in addition to the fees payable to Arena and its affiliates.

Arena will deduct management fees from clients' assets, typically in advance, on a monthly or quarterly basis, depending on the client involved.

More detailed information about specific fees and expenses is provided in the pertinent Offering Documents or IMA.

Additional Fees and Expenses

In addition to those fees described above, clients will pay additional fees and expenses, such as the following non-exhaustive list of items:

- brokerage commissions
- expenses relating to short sales
- hedging expenses
- clearing and settlement charges
- custodial fees
- bank service fees
- administrative expenses
- valuation and appraisal expenses
- organizational and initial offering expenses
- costs and expenses (including travel related thereto) of ongoing offering and sale of fund interests (other than placement agent fees, if any)
- costs of winding-up a fund
- interest expenses
- financing costs
- costs, fees and expenses, incurred in connection with the investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging or disposition of investments
- risk management expenses
- legal and compliance expenses, including costs of Form PF and AIFMD
- auditing and tax preparation expense
- accounting and operations expenses (including the cost of accounting software packages)
- expenses related to or in connection with any governmental inquiry, investigation or proceeding involving the Fund, including the amounts of any judgments, settlements or fines paid in connection therewith
- extraordinary expenses (including litigation, indemnification and contribution expenses)
- fund level taxes
- expenses related to unconsummated investments
- out-of-pocket expenses of asset management personnel
- third party administrator expenses

- insurance costs, including both D&O and errors and omissions insurance
- fees and expenses of sub-advisors
- cost of software in connection with investments (including fees of third party software developers)
- fees and reimbursable expenses to members of a fund's Board of Directors or Advisory Board
- expenses associated with Advisory Boards and meetings of investors
- expenses relating to quantitative analysis and software management services
- fees and expenses of servicers of specific assets owned by a client account
- costs of research, information systems, software and hardware
- overhead expenses pursuant to the constituent documents of the client
- professional fees relating to investments (including expenses of consultants and experts)
- expenses associated with the distribution of reports to investors
- expenses of organizing blockers or special purpose vehicles
- costs of trade breaks
- costs of trade errors
- costs of joint venture servicing expenses
- costs of other external services
- legal defense costs, including costs of judgments and settlements
- tax structuring costs
- costs of relevant non-accounting software
- costs of other service providers to the clients
- costs of any third parties that approve affiliated transactions

To the extent that Arena and its affiliates perform all or a portion of certain of the services listed above, the costs of such services may be reimbursed by the client. To the extent that a third party performs such services and Arena incurs all or a portion of the corresponding expenses listed above, the costs of such expenses will be reimbursed by the client.

More detailed information about the types of fees and/or expenses that a particular client may pay in connection with the advisory services that Arena provides is contained in the relevant Offering Documents or IMA. In addition, please see Item 12 for a further discussion of the brokerage and other transaction costs that clients pay.

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

As described in Item 5 above, clients generally pay both a Management Fee, which is generally equal to 2.0% per annum of the total capital account balances for the relevant client, and Carry, which is generally equal to 20% of the net capital appreciation of such client's account at the end of the relevant fiscal period, generally subject to a "high-water mark". Other clients (or investors in certain clients) may pay reduced or no Management Fee or Carry. Managing assets for different clients with different fee structures, including ones that may allow for the possibility of earning Carry at the same time as others that do not, can create a conflict of interest for Arena because such an arrangement creates an incentive to favor accounts for which Arena has the ability to earn Carry. Such situations give rise to potential conflicts of interest including: (i) the allocation of investment opportunities and (ii) transactions among clients (*i.e.*, cross trades).

As a result, Arena employs policies and procedures governing the identification, assessment and monitoring of conflicts of interest. In addition, members of Arena's senior management will routinely consult with one another for the purpose of identifying conflicts. Additional information regarding the allocation of investment opportunities and the manner in which Arena manages any related potential conflicts of interest is set forth in Item 11 of this brochure.

ITEM 7. TYPES OF CLIENTS

As described in Item 4 above, Arena will offer investment advisory services to various funds and managed accounts.

With limited exceptions where permitted by applicable law, Arena will require that the underlying investors in the funds that it advises be “qualified purchasers” as that term is defined in Section 2(a)(51) of the Investment Company Act (with the exception of certain Arena personnel who qualify as “knowledgeable employees” under Rule 3(c)-5 of the Investment Company Act). Arena also generally requires, with some exceptions granted at the discretion of Arena, that the underlying investors in the funds that it advises invest no less than \$5,000,000.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Arena seeks to generate risk-adjusted returns across a wide variety of fundamentals-based, asset-oriented, credit-focused investment opportunities.

Arena employs a number of investment strategies in connection with its investment advisory services and looks across a variety of industries, investment products and geographies. The investment strategies include, but are not limited to: (i) corporate private credit, (ii) real estate private credit, (iii) commercial and industrial assets, (iv) structured finance, (v) consumer assets, and (vi) corporate securities.

Arena relies on its understanding of and relationships in diverse industries, a wide variety of financial products, and a global mix of jurisdictions to make credit-oriented investments which Arena would be comfortable to own, operate, and liquidate the assets in case of default.

Arena will seek to gain comfort with potential investments through a bottom-up understanding of the fundamentals of a business and/or situation. Here are the main elements of the process:

- Potential Investment. Sourced by investment professionals directly or through joint ventures and proposed through introductory memoranda; CIO meets senior investment professionals/teams once per week.
- Conditional Investment Approval. Investment memoranda are reviewed by relevant investment team(s) and CIO for final conditional approval.
- Finance/Treasury. Determines a method for funding or financing investment, appropriate allocation of investments to different funds.
- Legal. Reviews legal documentation from investment team and outside attorneys for consistency; determines legal structure for each investment from a regulatory, tax and any other standpoint; Tax Department performs detailed tax analysis.
- Compliance. Performs regulatory analysis and seeks appropriate compliance with Arena's policies and procedures; monitors fair allocation across funds/accounts.
- Asset/Risk Management. Determines capability to monitor and review investment going forward; assigns asset manager(s) to monitor the investment independently of portfolio manager; performs ongoing monitoring of asset for risk management.

Investment Risks

All investments involve the risk of loss of capital that clients should be prepared to bear. The nature of the investment instruments Arena utilizes and the strategies which it employs may amplify this risk. Such risks may include, without limitation:

- risks related to originating and holding loans
- risks related to investing in non-performing loans and related assets
- risks related to illiquid investments or decreased liquidity of investments
- risks related to affiliated transactions, including cross trades with other Arena clients and principal transactions with AOC, Arena's originations affiliate
- risks related to holding bank loans and participations
- risks related to agency provisions in loans
- risks related to acquiring real estate loans and participations and risks related to investments in loans secured by real estate
- operating in a difficult and unpredictable credit environment
- credit risk
- prepayment risk
- risks related to interest rates and credit spreads
- currency risk
- risks related to borrower fraud
- risks related to subordinated debt investments
- risks related to structured finance investments
- risks related to derivative investments
- changes in the availability of debt financing or financing at attractive prices
- increase in default rates on commercial and residential mortgages
- risks related to short selling
- risks related to hedging transactions
- risks related to bankruptcy and trade claims
- risks related to limitations on quantitative models
- risks related to cross-collateralization
- risks related to highly volatile investments
- risks of investing in undervalued and difficult to value investments
- dependence on key individuals
- risks related to broad investment mandates
- limited diversification
- risks of country-specific or region-specific investing
- general economic, political and capital market conditions
- risk of a continued economic slowdown or recession

- risks inherent to a global investment portfolio, including political, social and economic uncertainty
- investing in companies that could face intense competition
- changing business and economic conditions that could adversely impact investment performance
- changes in the quality, pricing and availability of suitable investments
- counterparty risk
- custodial risk
- cybersecurity risk
- increased governmental and regulatory intervention and restrictions that could adversely impact investments
- risks related to the use of leverage
- risks inherent in investing in portfolio funds
- risks related to the allocation of opportunities among clients and the overlapping investment programs of clients
- dissolution risk
- risk of recourse to client assets
- risks related to investing in transportation and infrastructure assets
- risks related to investing in excess mortgage-servicing rights
- risks related to investments in financial instruments that are inherently highly leveraged

A complete description of the risks associated with each particular investment strategy is included in the Offering Documents, where applicable, a copy of which is provided to prospective investors and should be carefully reviewed prior to investing.

Investment Instruments Utilized

Arena purchases and sells on behalf of its clients investment instruments which include, but are not limited to, the following:

- (i) Corporate private credit, including, without limitation, senior private corporate debt, secondary market bank debt, distressed debt such as senior secured bank debt before or during a Chapter 11 bankruptcy filing, bonds in liquidation or out-of-court exchange offers and trade claims of distressed companies in anticipation of a recapitalization, bridge loans/transition financing, debtor-in-Possession financings (“DIPs”), junior secured loans, junior capital to facilitate restructurings, equity co-investments or warrants alongside corporate loans;

- (ii) Real estate private credit, including, without limitation, secured or unsecured mezzanine financings, DIPs, “A-tranche” loans (senior secured loans) and “B-tranche” loans (junior secured loans) for real estate properties requiring near-term liquidity, structured letters of credit, real estate loans secured by land, single family homes, multi-family apartments, condominium towers, hospitality providers, health care service providers, and corporate campuses;
- (iii) Commercial and industrial assets, including, without limitation, investments in entities (including start-up businesses) engaged, or to be engaged, in activities or investments such as distressed commercial and industrial loans, commercial and industrial assets such as small-scale asset-based loans, trade claims and vendor puts, specialized or other types of equipment leases and machinery, non-performing loans globally, hard assets (including airplanes & components, industrial machinery), commodities (physical and synthetic), reinsurance and premium finance within life and property casualty insurance businesses, legal-related finance including law firm loans, settled and appellate judgments and probate finance, royalties, intellectual property;
- (iv) Structured finance, including without limitation, “off-the-run” loans and securities backed by mortgages (commercial and residential), other small loans including equipment leases, auto loans. Further, commercial mortgage-backed securities, residential mortgage-backed securities, collateralized loan obligations, collateralized debt obligations, other structured credits and consumer credit securitizations, aviation and other leased asset securitizations, esoteric asset securitization, synthetics, and catastrophe bonds;
- (v) Consumer assets, including without limitation auto and title loans, credit cards, consumer installment loans, charged-off consumer obligations, consumer bills, product-specific purchase finance, residential mortgages, tax liens, REO homes, other consumer credit securitizations, retail purchase loans and unsecured consumer loans as well as distressed or charged-off obligations of all of these types, manufactured housing, and municipal consumer obligations; and
- (vi) Corporate and other securities, including, without limitation, hedged and unhedged investments in public securities (including public real estate), municipal bonds, senior public corporate debt, other industry relative value, merger arbitrage in transactions such as mergers, hedged

investments in regulated utilities, integrated utilities, merchant energy providers, acquisitions, tender offers, spin-offs, recapitalizations and Dutch auctions, event-driven relative value equity investments in transactions such as corporate restructurings, strategic block, other clearly defined event, high-yield bonds, credit arbitrage and convertible bond arbitrage, in/post bankruptcy equities, de-mutualizations, liquidations and litigation claims, real estate securities, business development companies, MLPs, royalty trusts, publicly traded partnerships, options and other equity derivatives.

In addition, Arena may invest in various derivatives, including, without limitation, options, futures, commodities, swaps and swaptions, for hedging and independent investment opportunities. Investments may be made in U.S. and non-U.S. securities or instruments that trade on exchanges or over-the-counter or that are acquired in private placements or otherwise. Investments may be made either directly or indirectly, including through private funds which make any or all of the types of investments described above. Both long and short positions may be taken. Arena may also utilize leverage for hedging or other strategies.

Arena may invest in the business of other investment managers and non-recourse financing transactions whereby certain assets are contributed to a special purpose vehicle formed for the purpose of facilitating the acquisition of such assets. In addition, Arena may offer advice on the borrowing of money to finance certain transactions or to obtain “permanent capital”.

All of these investment types are highly speculative in nature, and there can be no assurance that the investment objectives will be achieved. Investors must be prepared to bear the risk of a total loss of their investment.

More detailed information about the types of investments that Arena may make on behalf of clients, and the corresponding risks, is provided in the Offering Documents.

ITEM 9. DISCIPLINARY INFORMATION

Neither Arena nor any of its executive officers has been subject to the legal or disciplinary events related to this Item.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Commodity Pool Operator

The General Partner intends to operate the funds that it advises pursuant to the exemptions to registration provided by Commodity Futures Trading Commission Rule 4.13(a)(3).

Certain Affiliates

Arena is affiliated with the following entities:

AOC, which originates loans for the purposes of selling them (including to clients advised by Arena) or holding them. See Item 5 and “Conflicts” under Item 11.

The General Partners. Any persons acting on behalf of the General Partners are subject to the supervision and control of Arena in connection with any investment advisory activities. In accordance with SEC staff guidance, the General Partners will be registered as investment advisers in reliance on the Form ADV filed by Arena.

Arena Management Co., LLC will provide personnel and other administrative services to Arena.

Arena Investors, LLC is an investment adviser owned by Mr. Zwirn and one or more members of his senior management team. This adviser is expected to cease operations in the near future.

Mr. Zwirn

Mr. Zwirn may serve as a director, officer, principal and or advisor of other investment advisers or other businesses in the financial services industry and may serve as a trustee and on various committees for certain non-profit organizations. In particular, Mr. Zwirn financial services activities currently include the following:

- Brookings Institution - trustee
- Barnard College - trustee
- University of Pennsylvania’s Jerome Fisher Program in Management & Technology - Executive Board
- North Mill Capital - Director; investment committee member
- Colford Capital Holdings L.L.C. – Member of Board of Managers
- Applied Data Finance - Director; CEO

Conflicts

Information regarding Arena's management of potential conflicts is discussed in Item 11 below. Certain of Mr. Zwirn's activities described above may reduce the amount of time that he is able to spend on Arena's activities, and may involve activities which are similar to Arena's debt investing.

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

Code of Ethics

Arena has adopted a Code of Ethics (the “Code”) which includes, among other policies, a Personal Trading Policy and an Insider Trading Policy, to establish principles of conduct and to assist in detecting, managing and to the extent possible avoiding conflicts of interest, which may arise between employees and clients as a result of personal investing activities. The Code is designed with the goal of ensuring, among other things, that employees conduct their investing activities (both for their personal accounts and for clients) in accordance with applicable law and in a manner where clients’ interests are placed first and foremost. All employees are responsible for upholding Arena’s fundamental principles of openness, integrity, honesty and trust and must conduct their activities with due skill, care, diligence, prudence and fairness.

To facilitate the requirements of the Code, Arena will automate the reporting requirements and approval process through an electronic compliance system. Arena’s Code applies to all employees of Arena and its affiliates as well as their spouses, certain members of their immediate families and other persons as further described in the Code. Furthermore, the Code applies to any account in which an employee or other person covered by the Code has a direct or indirect beneficial, economic or financial interest or over which an employee or other person covered by the Code has investment discretion or direct or indirect influence or control.

Generally, the Code requires, among other things, that all employees pre-clear securities transactions, including transactions in private placements. The Code also requires employees to report accounts and securities holdings covered by the Code at the commencement of their employment and annually thereafter. In addition, on a quarterly basis, employees are required to report securities transactions executed during the quarter.

Arena’s Code imposes prohibitions on employee trades including: (i) trades based on inside information; (ii) trades intended to manipulate the market; (iii) trades in securities on Arena’s restricted list; (iv) trades in securities subject to an open order or during a blackout period; (v) trades in new issues; and (vi) short-term trades. Arena has exempted certain types of securities from some of the requirements and prohibitions of the Code including the pre-clearance requirement and short-term trading and blackout prohibitions.

As part of the Code, Arena has established an Insider Trading Policy. Arena's Insider Trading Policy includes specific requirements regarding the possession of material non-public information ("MNPI") in order to avoid situations which may violate applicable regulatory statutes or create an appearance of impropriety.

Arena's Insider Trading Policy strictly forbids any employee from conducting trades, either personally or on behalf of others, including clients of Arena, while in possession of MNPI that may affect the security to be traded and from improperly communicating MNPI to others.

A copy of the Code will be provided to any client or investor or prospective client or investor upon request.

Recommendations of Securities in which Arena or a Related Person has Some Financial Interest

Arena and its affiliates may engage in a broad spectrum of activities, including direct (or principal) investment activities for their own accounts and investment advisory activities that, with respect to any particular client, are independent from, and may from time to time conflict with, overlap with or compete with, the investment activities of other clients. As a result, Arena is subject to various potential conflicts of interest.

Cross Transactions and Principal Trades

From time to time, subject to applicable investment guidelines and restrictions, it is expected that AOC or a fund will originate loans and then later transfer the loan to an Arena client (or in the case of an origination by a fund, another Arena client account) or to a third party.

In addition, Arena may direct one client account to sell securities or loans to another client account, including client accounts in which Arena or its personnel may have a proprietary investment, through a so called "cross transaction" when Arena deems the transaction to be in the best interest of each participating client (*e.g.*, for rebalancing or tax purposes, liquidity purposes or to reduce transaction costs that may arise in an open market transaction). In particular, a U.S. fund may originate loans and then sell them to an offshore fund, or other Arena affiliates may originate loans with or without a U.S. fund's participation and sell or participate them to a U.S. fund, an offshore fund or to third parties. Such transactions may be made with or without the services of a broker-dealer. When effecting such transactions between an Arena affiliate and a client or between clients, Arena will have conflicting loyalties and responsibilities with respect to AOC, as Arena's personnel, including Dan Zwirn, will overlap with personnel at AOC. Also, Arena may have conflicting loyalties and responsibilities with

respect to transactions between clients. To the extent that any such transaction qualifies as a “principal transaction” (*i.e.*, where Arena or affiliate is acting as principal for its own account and knowingly transacts with a client) under the Investment Advisers Act of 1940 (the “Advisers Act”), Arena will implement policies and procedures designed to comply with the provisions of Section 206(3) of the Advisers Act.

Arena expects to conduct a number of activities to address, monitor and manage such potential conflicts, including those related to the sale of loans from AOC. to a client and to transactions between and/or among Arena and its clients. The Chief Compliance Officer is involved in oversight, review and approval process regarding principal transactions and cross trades in a number of ways depending on the context of such trades. Furthermore, actual conflicts and, where deemed necessary, potential conflicts in connection with a principal transaction or a cross trade are brought to clients’ advisory boards (where applicable) or to an unaffiliated third party designated to consider such conflicts and, as applicable, provide required consent.

Allocating Investment Opportunities and Related Conflicts of Interest

The investment objectives and programs of a client may be similar to, or overlap with, the investment objectives and proposed investment programs of other clients and, therefore, certain clients regularly compete for investment opportunities with each other (and potentially with Arena). As a result, the allocation of investment opportunities gives rise to potential and actual conflicts of interest.

Allocation of limited investment opportunities

In making allocation decisions with respect to limited investment opportunities that could reasonably be expected to fit the investment objectives of multiple clients, or of Arena itself, Arena anticipates that it may consider one or more of the following factors that it deems relevant: the investment objectives of clients, the source of the investment opportunity, any exclusive rights to investment opportunities that may have been granted to particular clients, the expected duration of the investment in light of clients’ investment objectives and policies (including diversification policies), the amount of available capital, the size of the investment opportunity, regulatory and tax considerations, the degree of risk arising from an investment, the expected investment return, relative liquidity, likelihood of current income or such other factors as Arena deems to be appropriate. These factors provide substantial discretion to Arena in allocating investment opportunities. Further, two or more clients may hold an investment for which there is extremely limited, or no, liquidity or that is subject to legal or other restrictions on transfer. In a situation where Arena is limited in its ability

to dispose of an investment, Arena may consider the factors described above in allocating the sale of such an investment.

If an investment opportunity is available in limited quantities, and subject to investment restrictions and fiduciary duties, Arena may have an incentive to allocate such investment opportunity to Arena or its employees or to one client rather than other clients. For example, such an incentive may arise if the economic interests of Arena and its employees in certain of these clients, when combined with their rights to Management Fees and/or Carry or other fees, are significantly larger than their direct and indirect economic interests in other clients. Such an instance may lead to fewer, and less attractive, investment opportunities being made available to clients than would have been the case had Arena and its employees been restricted from pursuing proprietary investments and/or investment programs on behalf of other clients.

In an attempt to resolve those conflicts, Arena has developed a set of Loan Allocation Procedures to be administered by a Loan Investment Committee which will take into account many of the above enumerated factors, as well as other considerations, in determining how loan investment opportunities will be allocated among various Arena proprietary accounts, managed accounts and other affiliated and unaffiliated persons to whom such opportunities might be offered or with whom such opportunities may be participated in the future. All transactions among Arena's clients on the one hand and other affiliates of Arena on the other will be approved in a manner permitted by Section 206(3) of the Investment Advisers Act.

Please see Item 12 (under the heading "*Trade Aggregation and Allocation*") for further information related to allocating liquid investment opportunities.

Potential conflicts due to overlapping client investments

Where clients, Arena itself, or its employees hold the same investment, the differing investment objectives of such clients, as well as other factors applicable to the specific situation, may result in a determination to dispose of, or retain, all or a portion of such investment on behalf of a client (or on behalf of Arena itself or its employees) at different times as such investment or portion thereof is being disposed of, or retained, by other clients. In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment which would be beneficial for one client while retaining such investment would be beneficial for another client. Arena may also invest in securities on behalf of one client (or Arena itself or its employees may purchase such securities) that may differ from investments made on behalf of other clients, even though the investment objectives of other clients may be similar. Moreover, Arena, clients, or Arena's employees may make investments or

engage in other activities that express inconsistent views with respect to an investment, a particular security or relevant market conditions.

In addition, Arena expects to make other business decisions on behalf of certain clients relating to investments independently of the manner in which it approaches a similar or even the same investment held by other clients. Consequently, Arena, on behalf of certain clients, may choose not to hedge certain risks that other clients hedge, or certain clients may be exposed to risks of financing on an investment when other clients are not. Further, in some instances, Arena may choose to coordinate its clients' activities (such as timing dispositions in an orderly way in order to avoid affecting the share price of an investment in an unduly volatile manner) with respect to investments held by more than one client, when it would theoretically be possible for Arena to act unilaterally with respect to a particular client's holdings in such investment. Such coordination could have the effect of lowering returns for a particular client with respect to an investment relative to what might have been achieved absent such coordination.

Should a particular client invest in entities or assets in which other clients hold an investment, the investment by such client could be viewed, especially in hindsight, to have been made on a non-arm's-length basis and could have an effect (either positive or negative) on the market price of the initial investment.

It is not uncommon for a client, or Arena itself, to hold interests in an entity that are of a different class or type than the class or type of interest held by another client. For example, one client may hold securities in an entity and other clients may hold equity or debt of such entity that are senior or junior to the securities held by the client, which could mean that the clients will be entitled to different payment or other rights, or that in a workout or other distressed scenario the interests of one client might be adverse to those of other clients and such client might recover all or part of its investment while the other clients might not. Clients will not be required to take any action or refrain from taking any action to mitigate another client's losses in such a scenario, and Arena will make decisions on how to resolve such situations in its sole discretion.

Restrictions on Client Trading Activities Resulting from the Acquisition of Material Non-Public Information

Arena employees regularly acquire confidential information and Arena may enter into confidentiality and/or "standstill agreements" when assessing investment opportunities. By reason of its various activities, Arena and its employees may have access to MNPI about an issuer. For example, an employee of Arena may serve from time to time as a director, or in a similar capacity, or as an executive officer, with respect

to, the securities of which may be purchased or sold on behalf of clients, which service may prohibit all clients from engaging in transactions in certain issuers. Additionally, employees of Arena may acquire MNPI in the ordinary course of their investment activities, which acquisition may result in restrictions on a client's ability to sell a portfolio investment at a time when it might otherwise have done so. Any of these activities could prevent clients from buying or selling securities or other interests in an issuer, potentially for an extended period.

Arena has adopted certain policies and procedures concerning the handling of MNPI. These policies and procedures are designed to prevent insider trading and violations of applicable securities laws by each employee, clients and Arena itself. As such, in the event that an employee of Arena obtains MNPI with respect to any company or otherwise becomes restricted from trading the securities of such company for any reason, Arena may be prohibited for a period of time from engaging in transactions on behalf of some or all its clients with respect to the securities of such company, which prohibitions may have an adverse effect on such clients.

Other Potential Regulatory Limitations

Certain clients may be subject to regulatory or legal restrictions that are applicable only because other clients are also invested in the same securities. For example, position limits – *i.e.*, the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument – imposed by various regulators may limit Arena's ability to effect certain desired trades for clients. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if one client's account does not exceed applicable position limits, it is possible that positions held by other clients may be required to be aggregated together for purposes of applying position limits and as such a client may be prevented from owning certain investments because of the activity of other clients. If at any time any aggregated positions managed by Arena were to exceed applicable position limits, Arena would be required to liquidate positions in some or all of its client accounts to the extent necessary to come within those limits. Arena will choose whether and how to liquidate positions to maintain compliance with the applicable limits in its sole discretion.

Arena and/or its affiliates may also have ongoing relationships with companies whose securities or other financial instruments are in or are being considered for Arena clients' accounts. From time to time, Arena may acquire securities or other financial instruments of an issuer for a client which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, another client (*e.g.*, one

fund may acquire senior debt while another fund may acquire subordinated debt). Arena recognizes that conflicts may arise under such circumstances and will endeavor to treat all funds and separately managed accounts fairly and equitably on an overall basis.

Furthermore, Arena and/or its affiliates have entered and may enter into or arrange non-recourse financing transactions on behalf of Arena's clients, in which the management objectives and the economic interests of each client may differ. Various potential and actual conflicts of interest may arise as a result of these types of transactions. These include, but are not limited to, the fact that the interest of one client may be structurally subordinate to another client's interest. For example, where an offshore fund holds notes, and a U.S. fund holds preferred shares, Arena and/or its affiliates could manage a portfolio of loans so as to maximize and/or accelerate the return to the U.S. fund, as the holder of the preferred shares, to the detriment of the offshore fund, as the holder of the notes, and vice-versa. As such, this may affect the decisions made by Arena or its affiliates in each of its management roles.

In addition to the conflicts described above, other conflicts may arise, including, without limitation, in approving a plan of reorganization that benefits debtholders to the detriment of equity holders. For example, the determination of the interest rate on debt purchased by an offshore fund in a transaction where a U.S. fund acquires equity may also give rise to a conflict. With respect to any transaction in which there is an actual or potential conflict of interest with respect to any of Arena clients, Arena or its affiliates, as the case may be, will consider the interests of all parties involved in the transaction and will determine, in its sole discretion, the amount to be allocated to each of the parties participating in a transaction and the other terms of such transaction.

Furthermore, certain clients of Arena may, from time to time, engage in transactions that are initiated in such a way that objectives related to tax may limit Arena's discretion over the ongoing management of the transaction.

ITEM 12. BROKERAGE PRACTICES

Each client pays its own brokerage commissions and other transaction costs. Neither Arena nor any of its affiliates will receive any commissions generated by a client's trading activities. Arena and its affiliates may benefit indirectly from payments made by a client, including payments by way of "soft dollars" as described below.

In selecting an appropriate broker-dealer to effect a client trade, Arena seeks to obtain best execution, taking into consideration a broker-dealer's execution capabilities and expertise to execute transactions for client accounts, in addition to the price of the security offered by the broker-dealer. Considerations include the broker-dealer's full range and quality of services, including, among other things, its facilities, reliability and financial responsibility, reputation, execution capabilities, ability to execute difficult trades (possible market impact, size of the order and market liquidity), special execution and block positioning capabilities, commitment of capital, access to new issues, nature and frequency of sales coverage, depth of services provided, including economic or political coverage, arbitrage and option operations, access to markets, confidentiality, commission rates, responsiveness to Arena, back office and processing, custodial services, the value of brokerage and research products and services provided to Arena (*e.g.*, research ideas, analysis, and investment strategies) and the success of prior research ideas.

Arena will not adhere to any rigid formulas in selecting broker-dealers, but weighs a combination of the preceding factors. Arena will in its sole discretion select broker-dealers to execute client transactions based on a totality of the circumstances, including any or all of the factors outlined above. This means that a broker-dealer offering the most favorable commission or spread may not be selected to execute a particular transaction. The commissions and other transaction costs (which may include dealer markups or markdowns) charged to a client by a broker-dealer in the foregoing circumstances may be higher than those charged by other broker-dealers that may not offer such products or services. In selecting broker-dealers to execute transactions, Arena need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It will not be Arena's practice to negotiate "execution only" commission rates; thus clients may be deemed to be paying for other services, including research products and services, provided by the broker which are included in the commission rate.

If Arena decides, based on the factors set forth above, to execute over-the-counter ("OTC") transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN

over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders.

Soft Dollar Usage

Although Arena does not currently have any soft dollar arrangements, from time to time, Arena, in recognition of the value of the brokerage and research services provided by the broker-dealer, may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting client account transactions which may be in excess of that which another broker-dealer might have charged for effecting the transaction. Arena will effect such transactions, and receive such brokerage and research services, only to the extent that, based on Arena's good faith determination, the amount of commission is reasonable in relation to the value of the research and brokerage products or services received, viewed in terms of either the specific transaction or Arena's overall responsibility to its clients. Arena will enter into such soft dollar arrangements only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Arena believes it is important to its investment decision-making processes to have access to independent research.

Generally, research services provided by broker-dealers may include, among other things, information and/or analyses on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities/investments, technical market action, pricing and appraisal services, electronic market quotations, credit analysis, risk measurement analysis, performance analysis, analysis of corporate responsibility issues, data on pricing and availability of securities, publications, attendance at conferences, due diligence on specific companies/investments and potential investment opportunities, analyses on issues raised in proxy statements and market, economic and financial studies and forecasts, software for use in research and trading and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. Such research services may be provided in the form of access to various computer-generated data, in written form or verbally, such as through telephone contacts or personal meetings. In some cases, research services may be generated by third parties but provided to Arena by broker-dealers.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more client accounts may be used by Arena to service one or more other client accounts. In addition, some research products or services may not be used by Arena in servicing the clients whose commission dollars paid for the

research products or services. Clients may not, in any particular instance, be the direct or indirect beneficiaries of the research products or services provided in connection with such clients' transactions.

Where a product or service obtained with soft dollars provides both research and non-research assistance to Arena (*i.e.*, a "mixed use" item), Arena will make a good faith effort to determine the relative proportion of the research product or service used to assist Arena in carrying out its investment decision-making responsibilities, and the relative proportion used for administrative or other non-research purposes. The proportionate amount of the research product or service attributable to assisting Arena in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions; the proportionate amount attributable to administrative or other non-research purposes will be paid for by Arena from its own resources. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of Arena's allocation of the costs of such benefits and services between those that primarily benefit Arena and those that primarily benefit clients.

Consistent with the foregoing, Arena will seek best execution when it has discretionary authority to select brokers. Where available, Arena may use "step-out" trade mechanisms to effect brokerage transactions. A step-out trade allows for execution through one broker-dealer who steps out all or a portion of the trade in favor of the other broker-dealer. The commission is charged by the other broker-dealer, or clearing broker-dealer, and the executing broker-dealer receives compensation only for the portion of the trade that was not stepped-out, as applicable.

Trade Aggregation and Allocation

It is Arena's basic policy that all clients be treated fairly. Arena's clients are managed primarily using strategies generally similar to one another, though one or more clients may use different strategies. Even though their strategies are generally similar, performance of the client accounts and investments and position sizes may not be the same as a result of, among other factors, different legal, regulatory, tax, liquidity, structuring and investment constraints on each of the client's accounts. These constraints may include adverse tax consequences of certain investments as well as differences in the timing of investments, limitations on size of investments, nature of investments, and governmental regulation of investments. For example, offshore funds will generally not invest in leased equipment and other assets such as real estate or make direct loans to or otherwise engage in the active management of a U.S. company. Offshore funds or subsidiaries of offshore funds may, however, accept an assignment of, or participation in, a loan originated by a U.S. fund or AOC. or other Arena affiliates

at a price approved by an independent third party or the funds' Advisory Boards. U.S. funds are managed using strategies generally similar to offshore funds, except that generally they may engage in investment activities that generate unrelated business taxable income for U.S. tax purposes. As a consequence of these and other differences, each fund's and separately managed account's performance will differ from that of the other funds and separately managed accounts.

Arena considers the amount and nature of research products and services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. Broker-dealers may sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be more or less than the suggested allocation, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Arena make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not necessarily excluded from receiving business because it has not been identified as providing research products or services. Furthermore, in exchange for the direction of commission dollars to certain brokers, Arena may generate credits, which may be used to pay for the research products or services provided by such brokers. To the extent Arena generates such soft dollar credits, it will be receiving a benefit by reason of the direction of commissions.

Arena will regularly evaluate the placement of brokerage services and the reasonableness of commissions paid. Research received from brokers will be supplemental to Arena's own research efforts. While the receipt of research products and services will not significantly reduce Arena's normal research activities, Arena's expenses could increase materially if it attempted to generate such additional information and services through its own staff. As such, Arena's arrangements for the receipt of research services from brokers may create a conflict of interest, in that Arena may have an incentive to choose a broker-dealer that provides research services, instead of one that does not (but charges a lower commission rate).

In addition to the above factors, a number of other factors may be taken into consideration when allocating investment opportunities among Arena's clients, including risk tolerances, size of client accounts, size of available positions, current market conditions, total portfolio invested positions and the nature of the investment to be allocated. Generally, when any of Arena's clients have available funds for investments, investments suitable and appropriate for each will be allocated

substantially *pro rata* on an overall basis between and among such clients to the extent possible, unless Arena believes, in good faith, that another method would be more fair and equitable.

If Arena determines that the purchase or sale of the same security is in the best interest of more than one client account, Arena may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client account will typically receive the average price with transaction costs allocated *pro rata* based on the size of each client account's participation in the order (or allocation in the event of a partial fill) as determined by Arena. In the event of a partial fill, allocations generally will be made *pro rata* based on the initial order, but may be modified on a basis that Arena deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations.

Liability of Arena for Certain Acts or Omissions, Including Trade Errors

On occasion, trades may be executed on behalf of clients that are inconsistent with the trading instructions of a portfolio manager or are the result of some other error in the trading process. Such trades are known as "Trade Errors" and are deemed to have occurred when, as a result of such inconsistency or other error in process: (i) the wrong instrument is purchased or sold; (ii) the wrong quantity of an instrument is purchased or sold; (iii) a purchase is made instead of a sale or a sale is made instead of a purchase; or (iv) an instrument is purchased or sold in violation of regulatory or contractual obligations. Trade Errors do not include scenarios that do not result in a trade. Trade Errors frequently result in losses but may, occasionally, result in gains. Arena will endeavor to detect Trade Errors before settlement and correct and/or mitigate them in an expeditious manner. To the extent a Trade Error is caused by a third party, such as a broker, Arena may seek to recover any losses associated with the Trade Error from such third party, but may choose not to do so in its discretion, and Arena will not be liable for such losses. Unless a Trade Error has resulted from the willful misconduct or gross negligence of Arena or its employees, any losses will be borne by the client. Any gains resulting from a Trade Error will be for the benefit of the client. Arena will determine in its sole discretion whether any Trade Error has resulted from willful misconduct or gross negligence on its part. Investors should be aware that, in making such determinations, Arena will have a conflict of interest.

In general Arena shall not be liable to any investor or Client, and Clients shall indemnify and hold harmless Arena for, any loss, cost, expense, claim, pending or threatened claim, judgment, damages, award, settlement, government or self-regulatory organization investigation or proceeding, fine, penalty, accrued interest, fee and related

expense (including attorneys' fees and expenses) (collectively, "Losses") arising out of or relating to any actual or alleged acts or omissions in connection with a client or any investment made or held directly or indirectly by a client except to the extent any such Losses are determined by final non-appealable judgment of a court of competent jurisdiction to have been attributable primarily to such indemnified party's bad faith, "gross negligence" or willful misconduct ("Disabling Conduct"), or for losses due to any acts or omissions of any broker or agent of the client; provided, that such broker's or agent's selection, engagement or retention by an Indemnified Party did not constitute Disabling Conduct.

ITEM 13. REVIEW OF ACCOUNTS

Arena performs various weekly, monthly, quarterly and periodic reviews of each of its client's respective portfolios. Such reviews are conducted by Arena's senior management.

Investors in the funds managed by Arena will generally receive month-end unaudited performance data for the fund in which they are invested. Generally, on an annual basis, each fund will prepare and mail to each investor, together with the report prepared by the fund's accountants, a financial report setting forth a balance sheet of each fund and a statement of its net profit or net loss (or net asset value in the case of an offshore fund), a statement of each investor's capital account (or net asset value in the case of an offshore fund) and the manner of its calculation. After the end of each fiscal year, each investor in a U.S.-domiciled fund will be furnished certain tax information for tax return preparation purposes. In addition, typically on a quarterly basis each fund investor will receive unaudited performance data and an investment commentary.

Separately managed accounts will receive monthly, quarterly and/or annual performance reports, the frequency and content of which are determined pursuant to each client's IMA with Arena.

Content and Frequency of Account Reports to Clients

Arena prepares periodic reports/letters to provide to its clients and/or clients' underlying investors, detailing the performance and composition of such client's investments. As a general matter, such reports/letters are prepared and issued monthly and are subject to review by independent public accountants, which results in annual audited financial statements being produced for each such client. Managed accounts will generally receive reports with the same frequency as the private funds to which they relate or as otherwise determined on a case-by-case basis and may also be reviewed by an independent public accountant, resulting in the production of annual audited financial statements.

For additional information related to the types and frequency of reports provided to clients, please see the relevant Offering Documents or IMA, to the extent applicable.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Arena or the funds that it advises may enter into contractual agreements with individuals and/or organizations (hereafter referred to as “agents”) that solicit clients for Arena or investors for the funds. While the specific terms of each arrangement may differ, generally an agent’s compensation would be based upon the value of assets of the referred clients managed by Arena or investors who invest in the funds managed by Arena. As disclosed to the client or investor, the agent’s compensation may or may not increase the referred client’s or investor’s fees beyond that which Arena (or the funds) would otherwise charge the client or investor for investment management or other services.

Arena will benefit from arrangements where clients are referred directly to it and investors are referred directly to the funds, since Arena’s Management Fees are generally based upon a percentage of such client’s or such investor’s assets under management. Thus, the more assets Arena has under management, the higher its fee income.

ITEM 15. CUSTODY

With respect to the funds that it advises, Arena complies with the custody requirements applicable to registered investment advisers (the “Custody Provisions”) by delivering audited financial statements to the investors in the Funds within the applicable required time frame. In certain other instances where Arena has custody of client assets (including holding, directly or indirectly, client funds or securities or having the authority to obtain possession of them), Arena will comply with the Custody Provisions by requiring that a qualified custodian send quarterly, or more frequent, account statements directly to the client. In these instances, clients should carefully review the statements sent by such qualified custodian. In addition, Arena urges clients receiving such statements to compare the account statements received directly from the qualified custodian with those provided by Arena.

ITEM 16. INVESTMENT DISCRETION

Arena offers discretionary investment management services to its clients. As such, Arena has full discretionary authority to manage its clients' accounts, including authority to make decisions with respect to which securities/investments are bought and sold, the amount and price of those securities/investments, the broker-dealer to be used for a particular transaction, and commissions or markups and markdowns paid. Any limitations on Arena's discretionary authority are as agreed with the client and/or as stated in the investment management agreement. Arena's authority may be limited by client-imposed investment objectives, requirements and strategies.

Arena has full discretionary authority regarding the broker-dealers to be used and the commission rates paid. Arena will buy and sell securities directly from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

The extent of Arena's discretionary authority is set forth in the Offering Documents or IMA applicable to each client.

ITEM 17. VOTING CLIENT SECURITIES

Arena has adopted policies and procedures related to voting proxies on behalf of its clients. The general policy of Arena is to vote proxy proposals, as well as amendments, consents or resolutions relating to client securities (including interests in private investment funds, if any) in a manner that serves the best interests of its clients. In determining how to vote such proxies, Arena may take into account factors such as: (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; (iv) industry and business practices; and (v) the degree to which client interests are aligned with those of an issuer's management. In some circumstances, Arena will refrain from voting proxies where Arena believes, among other reasons, that voting would be inappropriate, taking into consideration the cost of voting the proxy, the anticipated benefit to clients, whether Arena's clients continue to hold the securities on the voting date, or where the portfolio manager believes that resolution of the proxy is not relevant to the value of the investment. In those instances where the client has reserved to itself the right to vote proxies, Arena will not participate in the voting of proxies.

It is possible for conflicts of interest to arise in the context of Arena's proxy voting. However, if an actual conflict of interest with respect to proxy voting arose, the Chief Compliance Officer, together with external legal counsel if necessary, would be involved in the process for the particular proxy vote to help manage and mitigate any such conflicts of interest.

A copy of Arena's proxy voting policies and procedures can be obtained upon request.

ITEM 18. FINANCIAL INFORMATION

Arena 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 10 years.