

ITEM 1. COVER PAGE



WILLOW TREE CREDIT PARTNERS LP

**Form ADV Part 2A
Firm Brochure**

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This brochure provides information about the qualifications and business practices of Willow Tree Credit Partners LP (“Willow Tree” or the “Firm”). If you have any questions about the contents of this brochure, please contact Willow Tree at the number or address provided above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein.

Additional information about Willow Tree is also available on the SEC website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

This Item is not applicable to Willow Tree. This is the initial brochure for Willow Tree.

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ITEM 4. ADVISORY BUSINESS

This brochure has been prepared based on the way Willow Tree expects to conduct its investment advisory operations once its registration is effective.

General Description of Willow Tree

Willow Tree, a Delaware limited partnership formed in February 2017, provides investment management services to its advisory clients. The principal owner of Willow Tree is Timothy Lower. Willow Tree Credit Partners GP, LLC (“Willow Tree GP”) acts as the general partner to Willow Tree. Mr. Lower is the principal owner and managing member of Willow Tree GP.

Description of Advisory Services

Willow Tree expects to provide investment advisory services to (1) a pooled investment vehicle intended for institutional and other sophisticated investors (the “Fund”), and (2) one or more separately managed accounts (the “SMAs”) (the Fund and the SMAs are referred to collectively herein as the “Clients”). A Willow Tree affiliate acts as general partner (the “General Partner”) to the Fund. References to “Willow Tree” below shall include the General Partner, as pertinent. In the future, Willow Tree may form additional fund clients and accept additional SMAs that invest primarily in accordance with the same strategy or other strategies. Willow Tree provides advisory services to the Fund on a discretionary basis and to the SMAs on either a discretionary or a non-discretionary basis as agreed between Willow Tree and the SMA and set forth in the applicable investment management agreement or other similar agreement.

Willow Tree constructs portfolios principally pursuant to a direct lending investment strategy in which it makes non-investment grade first lien, floating rate, senior secured loans to private companies and, to a much lesser extent, junior capital investments in private companies. Willow typically applies a modest-to-moderate amount of leverage to its senior secured loan investments to enhance the yield on such investments. Additionally, Willow Tree’s investment strategy focuses primarily on such non-investment grade debt for smaller to middle market privately held companies (*i.e.*, those with earnings before interest, tax, depreciation and amortization (“EBITDA”) ranging from approximately \$5 million to \$75 million) representing a wide range of industries and sectors.

Willow Tree’s advisory services consist of investigating, identifying and evaluating investment opportunities; structuring, negotiating and making investments on behalf of its Clients; managing and monitoring the performance of such investments; and disposing of such investments.

Tailoring to Individual Needs and Investment Restrictions

Willow Tree provides advisory services to the Fund in accordance with the relevant offering documents, investment management agreement and/or the limited liability company agreement or limited partnership agreement (or analogous organizational document) (collectively, the “Governing Documents”). Willow Tree provides investment advice directly to the Fund and not individually to any Fund investor (an “Investor”).

Willow Tree manages the SMAs in accordance with negotiated guidelines and restrictions regarding investments and other investment criteria as set forth in the applicable investment management agreement or other similar agreement.

Co-Investments

Willow Tree also serves as manager of various co-investment vehicles structured to facilitate participation by third-party co-investors in portfolio investments alongside the Fund.

Side Letters

As described in more detail under Item 5 below, Willow Tree may enter into “side letters” or similar agreements pursuant to which certain Investors are granted specific rights, benefits or privileges that are not generally made available to other Investors.

Assets Under Management

As of the filing date, Willow Tree had no assets under management. This brochure has been prepared and submitted in conjunction with Willow Tree’s application to register with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

ITEM 5. FEES AND COMPENSATION

Fee Schedule, Deduction of Fees, Timing of Payments and Termination

Willow Tree’s fee schedule is omitted because this brochure is being delivered only to “qualified purchasers,” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (the “Investment Company Act”).

Willow Tree will deduct management fees (“Management Fees”) from the Fund’s assets, either in advance or in arrears as set forth in the relevant Governing Documents, on a monthly basis. If deducted in advance, due to limitations on withdrawals, Management Fees will in almost all cases have been earned at the time of withdrawal. In the unusual situation in which such fees have not been earned at the time of withdrawal, Willow Tree will refund the *pro rata* portion of the unearned Management Fee, minus reasonable expenses. Willow Tree also may receive performance-based compensation or a performance allocation (“Performance Allocation”).

Generally, such fees are not negotiable regarding the Fund. In certain cases, however, Willow Tree may waive or reduce Management Fees and Performance Allocation for certain Investors, including employees and affiliates. All Investors should review the Governing Documents for complete information on fees and compensation. Additionally, Willow Tree and its affiliates may elect to waive or reduce Management Fees and Performance Allocation for the benefit of one or more co-investors without offering such reduction or waiver to the other co-investors.

The terms for payment of fees and expenses regarding any SMA are negotiated on an account-by-account basis and set forth in the applicable investment management agreement or other similar agreement.

Side Letters

Willow Tree may, without the approval of any Investor, from time to time enter into agreements with certain Investors that provide for terms that are different from those described in the pertinent offering documents (“side letters”). Such side letters or other similar agreements may not impose any additional obligations or liabilities on any other Investor not party to such agreement. As a general matter, Willow Tree owes certain fiduciary duties to the Fund, which require that Willow Tree act in good faith and in what Willow Tree considers to be in the best interests of the Fund. In doing so, Willow Tree also will endeavor to act in a

manner that ensures the fair treatment of the Fund's Investors. In exercising discretion in causing the Fund to enter into a side letter, Willow Tree will disclose any material terms of such side letter (*i.e.*, any terms or combination of terms that may disadvantage another Investor) to other Investors. Otherwise, absent an agreement to the contrary, Willow Tree may, but generally is not required to, disclose the existence or terms of any such side letters to any other Investor.

The types of Investors who receive preferential treatment, or have the right to receive preferential treatment, may include: cornerstone or seed Investors or Investors of other strategic importance to the Fund; Investors complying with specific legal, tax and/or regulatory requirements; and affiliates of Willow Tree.

Rights or terms that a side letter may alter may include, but are not limited to: (1) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an Investor; (2) preferential fee terms; (3) preferential terms relating to liquidity and/or transfer; and (4) enhanced transparency and reporting. Such side letters or similar agreements, however, will not combine preferential information rights with preferential redemption rights to the detriment of other Investors.

Additional Fees and Expenses

In addition to the Management Fees and, if applicable, Performance Allocation described above, the Fund bears its own offering and operational expenses, including, without limitation, as applicable:

- Expenses of the continuous offering of interests (including the cost of producing, updating and distributing offering memoranda and other offering materials);
- Fund accounting software;
- Fees and expenses of professionals or service providers retained by Willow Tree in its discretion to advise in connection with the Fund's investment activities or in the operation of the Fund;
- Costs, fees and expenses incurred in connection with the investigation, development, origination, acquisition, ratings, consummation, ownership, maintenance, monitoring, loan servicing, hedging, valuing, holding and disposition of investments, including legal tax and accounting expenses in connection therewith (whether or not consummated);
- Investment-related commissions, brokerage fees, and similar charges;
- Investment-related travel expenses;
- Investment research expenses, consulting and legal fees related to investment research;
- Fees for market data, research analytics, newswire and quotation services;
- Research-related information systems, software and hardware, including software development and management services;
- Loan administration fees and expenses;
- Other third-party fund administration and investor servicing fees and expenses;
- Out-of-pocket expenses of asset management personnel;

- Fees for trade order management systems, risk management software, computer, and data processing charges; periodical subscription fees, printing costs, postage and other operating expenses;
- Interest expenses, including margin interest expenses;
- Legal, audit, regulatory, tax advisory, tax preparation, filing and other expenses (including expenses related to particular portfolio positions or strategies), insurance expenses, banking fees and expenses, depositary and custody fees (including any sub-custodian or delegates);
- Directors' fees and expenses related to the investment advisory committee, their meetings and expenses related to meetings of Investors (if applicable);
- Expenses of organizing, maintaining and winding-up blockers or special purpose vehicles;
- Transaction-related costs including brokerage commissions, mark-ups and mark-downs, and clearing expenses;
- Costs of trade breaks and trade errors to the extent consistent with Willow Tree's trade error policy;
- Costs of joint venture servicing;
- Spreads, short dividends, hedging costs, as well as the costs of preparing and filing regulatory filings of the Fund, Willow Tree, the General Partner or any of their respective affiliates in connection with their respective activities (including "blue sky" filings, Form PF, FATCA and any other filing or registration with, or license obtained from, any governmental, regulatory, self-regulatory or other authority, as applicable) necessary for, or incidental to, the activities of the Fund;
- Any sales or other taxes, fees or government charges that may be assessed against the Fund, Willow Tree or its affiliates in connection with the Fund's activities, including annual filing, franchise tax, registration and maintenance fees;
- Other reasonable expenses necessary to perform the operation of the Fund as determined by Willow Tree in its sole discretion; and
- Costs of winding-up the Fund.

The Fund also will pay any extraordinary costs that it may incur arising in connection with the conduct of the Fund's activities, including litigation expenses and any other expenses not arising in the ordinary course of business, as determined by Willow Tree in its sole discretion (*e.g.*, taxes, indemnification expenses, litigation costs or damages).

Generally, the Fund also pays all investment expenses and costs incurred in connection with transactions not consummated (*i.e.*, "broken deal expenses"). A potential co-investor who co-invests alongside the Fund shares broken deal expenses only if the potential co-investor has a contractual obligation to co-invest in the particular transaction and/or bear such expenses regarding the particular investment. Therefore, the Fund, and not a potential co-investor, typically bears these expenses.

Otherwise, co-investors participating in a co-investment are subject to any of the costs and expenses enumerated above. Expenses related to consummated transactions are generally shared *pro rata* by all Clients and investment funds participating in the transaction, including co-investment vehicles or funds, if any.

See Item 12 below for additional information regarding brokerage fees.

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

Clients generally pay both a Management Fee and Performance Allocation, although some Clients or Investors may pay a reduced or no Management Fee or Performance Allocation. Managing assets for different Clients with different fee structures, including, *e.g.*, the side-by-side management of a Client that pays performance-based compensation and one that does not or of a client that pays higher performance-based compensation than another, creates a conflict of interest for an adviser. Such an arrangement creates an incentive for an adviser to favor accounts with the most profitable performance-based compensation structure. These arrangements give rise to conflicts of interest regarding:

- The allocation of investment opportunities; and
- Transactions among such Clients (*i.e.*, cross trades).

Consequently, when trading on behalf of multiple Clients with differing performance-based compensation arrangements, Willow Tree endeavors to allocate investment opportunities among Clients in a fair and equitable manner so that over time, Willow Tree treats Clients fairly and no Client is systematically disadvantaged. Willow Tree's trade allocation for any given Client may vary based on, among other things, differences in Clients' investment objectives, capital constraints and any scheduled increase or decrease of any particular Client's assets under management. Willow Tree has adopted policies and procedures governing the identification, assessment and monitoring of conflicts of interest and policies and procedures to address the allocation of investment opportunities. In addition, members of Willow Tree's senior management will routinely consult with one another for the purpose of identifying conflicts and assessing the fairness of investment allocations.

ITEM 7. TYPES OF CLIENTS

Willow Tree offers investment advisory services to pooled investment vehicles that are privately offered funds and separately managed accounts.

Investors are expected to comprise primarily government and private pension funds, sovereign wealth funds, endowments, foundations, family offices, banks, investment companies, insurance companies, private corporations, and a limited number of high net worth individuals. Generally, Investors will be required to meet certain suitability and net worth qualifications, such as being: (1) an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), (2) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act or (3) a "knowledgeable employee" within the meaning of Rule 3c-5 of the Investment Company Act, depending on the applicable eligibility requirements of the respective Fund.

Willow Tree generally requires that Investors invest no less than \$500,000. With respect to SMAs, Willow Tree generally requires a minimum investment of \$50,000,000. Willow Tree may waive each of these minimums at its sole discretion.

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

Methods of Analysis

Generally

Willow Tree's investment objective is to achieve superior risk-adjusted returns, primarily through current income and secondarily through capital appreciation, while emphasizing principal preservation and low volatility by investing in a diversified portfolio of assets consisting principally of first lien, senior secured, non-investment grade, corporate loans to privately held companies. From time to time, under particularly compelling circumstances, Willow Tree may trade on behalf of a Client in privately placed debt investments issued by public companies.

Willow Tree's investment professionals conduct extensive analyses and due diligence to determine which investment opportunities provide an investable risk/reward proposition. The diligence process carried out by Willow Tree's investment professionals includes, but is not limited to, analysis of publicly available information, forensic accounting, on-site information gathering and analysis of company-specific, sector-specific, and general market trends. In particular, Willow Tree requires that new positions (1) have attractive credit metrics, (2) have attractive risk/return prospects and (3) meet Willow Tree's diversification requirements. A Client's portfolios will not trade on a public exchange because all investments will be private.

Willow Tree sources investment opportunities through a network of relationships that focus on finding debt investments primarily in middle market companies in the following industries: healthcare, business services, general industrials and manufacturing, aerospace and defense, technology and media and consumer products and services. Willow Tree expects the network to include (1) the leveraged buy-out private equity sponsor community focused on the middle market, (2) contacts in the banking, legal and financial advisory industries and (3) operating advisers and strategic partnerships.

Willow Tree bases its investment analysis on value-oriented, credit-related fundamentals and focuses on a thorough "bottom-up" approach and the use of market-standard and proprietary valuation-based modeling techniques to identify attractive relative values compared to fundamental credit risk.

Underwriting Analysis

The underwriting focus for each investment varies based on the nature of the underlying business and its capitalization. Factors that are common to each such analysis are set forth below:

- Structure (pricing, key terms, etc.);
- Investment rationale, key risks and the way those risks are expected to be mitigated;
- Nature of the business and its future prospects;
- Positioning of the company relative to its closest competitors;
- Industry trends, especially whether there are significant headwinds;
- Regulatory or legal factors that pose a risk to the business or may serve as growth catalysts;

- Analysis of historical financial performance;
- Unique legal and tax factors; and
- Forecasting potential outcomes, ranging from management's growth case to a conservative downside case.

Investment Strategies

Willow Tree's core investment strategy is primarily to originate, and apply moderate leverage to, well-structured, first lien, senior, secured, non-investment grade, floating rate corporate loans to private companies and, to a much lesser extent, make investments in junior securities to private companies.

Our investment strategy also includes the use of structured credit-related investments. The range of structured credit-related investments includes, but is not limited to, opportunities in collateralized debt obligations, collateralized loan obligations and asset-backed securities, in debt or equity tranches, where their intrinsic value is materially greater than current market prices or where illiquidity discounts offer the potential for capital appreciation. When combined with interest payments or other forms of distribution, such investments offer the possibility of generating enhanced returns.

The pillars of Willow Tree's investment philosophy and planned strategy include:

- Using disciplined underwriting;
- Embracing complexity, including non-sponsored transactions and carve-outs, when appropriate;
- Focusing on downside protection, including in-house restructuring capabilities; and
- Maximizing long-standing relationships with private equity sponsors, issuers, intermediaries, professionals and other channels through which we plan to source quality deal flow.

Willow Tree's approach to constructing a portfolio is as follows:

- In general, we will seek to create a diversified portfolio of investments across various borrowers, industries and geographic locations. We expect to invest in a wide variety of privately negotiated transactions, such as leveraged buyouts, add-on acquisition financings, refinancings, and recapitalizations. We intend to limit our exposure to borrowers in which the existing equity owners no longer have substantial capital at risk or where the use of proceeds of the transaction is not additive to the overall value of the enterprise (*e.g.*, dividend recapitalizations).
- We believe that, in the current environment, the risk-adjusted returns available in senior, secured, first lien loans is superior to that available in junior debt securities (whether second lien or subordinated unsecured debt). A substantial majority of portfolios that Willow Tree constructs will comprise a combination of "stretch" senior, secured, first lien, floating rate corporate loans and unitranche loans (*i.e.*, debt that combines senior and subordinated debt into one debt instrument). A portion of the portfolio will consist of smaller, opportunistic investments in junior capital securities. The latter may be in the form of: (1) equity co-investments in transactions in which Willow Tree is making a senior loan investment or (2) stand-alone investments in either private equity sponsored or non-sponsored transactions.

- Other than certain opportunistic junior capital investments, the portfolio will be comprised mainly of first lien, senior, secured, non-investment grade, floating rate corporate loans, limiting investors' exposure to the risk of adverse movements in market interest rates.

As previously noted, we will focus on investments in smaller companies (*i.e.*, those with EBITDA ranging from approximately \$5 million to \$75 million). We expect such companies to be located primarily in the United States. Also, we may make some investments on behalf of our Clients in non-U.S. companies at favorable terms, taking into account risks associated with such investments.

Occasionally, Willow Tree may opportunistically purchase distressed senior securities trading at a discount during periods of market dislocation or when Willow Tree has strong conviction about the creditworthiness of an issuer and the asset and enterprise coverage of such senior security.

Our direct lending strategy focuses on the debt of defensive growth companies (*i.e.*, companies that demonstrate (1) sustainable secular growth drivers, (2) high barriers to competitive entry, (3) high free cash flow after capital expenditure and working capital needs, (4) high returns on assets and (5) niche market dominance. The direct lending strategy also involves:

- Active monitoring of all investments to identify problems early and work with companies to develop constructive solutions when necessary;
- Tracking of the portfolio company's performance against budget and prior years' performance and, typically, receipt of detailed financial information on a monthly basis; and
- Ongoing updating of financial models and company summaries containing key credit statistics and financial data.

Risk of Loss

An investment in securities involves a high degree of risk, including the risk that the entire amount invested may be lost, a risk Clients should be prepared to bear.

Clients and Investors should carefully consider, among other factors, the following material risks involved with Willow Tree's investment strategies. Investors should refer to the applicable Governing Documents for more complete information on investment strategies employed and the risks associated with an investment in the Fund.

Strategy-Related Material Risks

General Risks of Lending, Secured Lending and Loan Origination

Among other risks, Willow Tree's lending strategy is subject to general market, credit and interest rate risks. Secured lending is also subject to the risk of inadequate collateral, and lending generally is subject to the risk of default.

Credit risk refers to the likelihood that an obligor will default on the payment of principal, interest or other amounts owed on an instrument. Credit risk may change over the life of an instrument, and debt instruments that are rated by rating agencies are subject to downgrade at a later date.

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or

directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively affect the price of a fixed rate debt instrument and falling interest rates will have a positive effect on the price of a fixed rate debt instrument.

Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

While loans originated by a Client are intended to be over-collateralized, the lack or inadequacy of collateral or other assets expected to be the source of repayment or credit enhancement for a debt instrument may affect its credit risk, and a Client may be exposed to losses resulting from default. A defaulted or otherwise distressed Client investment may become subject to workout negotiations or restructuring, which may entail, among other things, a substantial reduction in interest rate, a substantial write-down of principal and a substantial change in the terms, conditions and covenants with respect to the investment. A Client may incur additional expenses if it is required to seek recovery upon default or to negotiate new terms with a defaulting issuer.

Additionally, in the event of a default, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests, may not be adequately protected. Furthermore, claims may be asserted that could interfere with the enforcement of the Client's rights. Under certain circumstances, the Client or its affiliate may assume direct ownership of the underlying asset. The liquidation proceeds upon a sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Client. Any costs or delays involved in the effectuation of the liquidation of the underlying collateral regarding a defaulted loan may further reduce the proceeds and thus increase the loss.

Investment Due Diligence and Research; Reliance on Corporate Management and Financial Reporting

When conducting due diligence and investment research, Willow Tree may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues, often on an expedited basis, to take advantage of an investment opportunity. Detailed information necessary for a full evaluation may not be available, and the financial information available to Willow Tree may not be accurate or provided based upon accepted accounting methods. Outside consultants, legal counsel, accountants and investment banks may be involved in the due diligence and investment research process in varying degrees depending on the type of investment. There can be no assurance that these consultants will evaluate such investments accurately. Moreover, the due diligence investigation and investment research that Willow Tree carries out with respect to any investment opportunity may: (1) not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, (2) lead to inaccurate or incomplete conclusions or (3) be manipulated by fraud. A Client could incur material losses as a result of the misconduct or incompetence of such individuals and/or a substantial inaccuracy in such information.

Fraud

Of paramount concern in lending is the possibility of material misrepresentation or omission or fraud on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Client to perfect or effectuate a lien on the collateral securing the loan. When investing on behalf of a Client, Willow Tree will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but Willow Tree cannot guarantee such accuracy or completeness. Although distressed lending is not part of Willow Tree's

core strategy, under certain circumstances, a Client may invest in loans to high-risk borrowers, such as companies with limited or poor credit histories. The risk of default by such borrowers is high, and any such default may lead to a material loss to a Client. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Insolvency and Bankruptcy

Various laws enacted for the protection of creditors may apply to a Client's investments. In a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Client investment, such as a trustee in bankruptcy, a court may find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such Client investment. If, after giving effect to such indebtedness, the issuer (1) is insolvent, (2) is engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (3) intends to incur, or believes that it will incur, debts beyond its ability to pay such debts as they mature, such court could determine (1) to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, (2) to subordinate such indebtedness to existing or future creditors of the issuer or (3) to recover amounts previously paid by the issuer in satisfaction of such indebtedness.

The issuer of a Client investment may enter bankruptcy, receivership, insolvency or similar proceedings (collectively, "bankruptcy"). Bankruptcy may result in, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of the related Client investments.

Call and Prepayment Risk

The ability of issuers to prepay Client investments will vary. A Client will experience a loss if a Client investment was purchased at a price greater than par and is prepaid at par or at a price lower than the purchase price. The rate of prepayments, amortization, delinquencies and defaults may be influenced by various factors including:

- Changes in issuer performance and requirements for capital;
- Interest rate movements;
- Unavailability of credit or a decline in credit underwriting standards; and
- The overall economic environment.

Further, in the case of prepayment, a Client bears reinvestment risk, because Willow Tree may be required to invest the proceeds at a lower rate than the original investment.

Client investments generally pay floating interest rates. To the extent interest rates increase, periodic interest obligations owed by the related issuer also will increase. As prevailing interest rates increase, some issuers may not be able to make the increased interest payments on Client investments or refinance their balloon and bullet loans, resulting in payment defaults.

Contingent Liabilities and Indemnification

Willow Tree, on behalf of its Clients, may acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known, Willow Tree may not accurately assess or protect against the risks that they present. Acquired contingent liabilities

could thus result in unforeseen losses for our Clients. In addition, in connection with the disposition of an investment in a portfolio company, a Client may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business.

A Client also may be required to indemnify the purchasers of such investment if any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a Client, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a Client could harm such Client's performance.

Smaller Issuers

On behalf of its Clients, Willow Tree invests primarily in the debt obligations or securities of middle market, lower middle market and/or less well-established companies. While smaller companies may have potential for rapid growth, they involve higher risks. Smaller companies have more limited financial resources than larger companies and may be unable to meet their obligations under their debt securities, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of a Client realizing any guarantees it may have obtained in connection with its investment. Smaller companies also typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Generally, less information is publicly available about these companies, and they are generally not subject to the financial and other reporting requirements applicable to public companies. Smaller companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the company and, in turn, on a Client's performance. Smaller companies also may have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. Such companies also may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

Portfolio Company Management

Each portfolio company's day-to-day operations will be the responsibility of such portfolio company's management team. Although Willow Tree will be responsible for monitoring the performance of each portfolio investment, there can be no assurance that the existing portfolio company's management team, or any successor, will be able to operate the portfolio company in accordance with Willow Tree's expectations. The success of each portfolio company depends in substantial part upon the skill and expertise of each portfolio company's management team.

Investments in Highly Leveraged Portfolio Companies

On behalf of its Clients, Willow Tree may invest in companies whose capital structures involve significant leverage. Additionally, some of the debt positions acquired by a Client may be the most junior in what could be a complex capital structure, and thus subject the Client to the greatest risk of loss.

Investments in highly leveraged entities are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market, and industry developments. Furthermore, a portfolio company's significant indebtedness could, among other things:

- Subject the portfolio company to a number of restrictive covenants, terms, and conditions, any violation of which could be viewed by creditors as an event of default and could materially impact a Client's ability to realize value from the investment;
- Cause even moderate reductions in operating cash flow to render the portfolio company unable to service its indebtedness, leading to the portfolio company's bankruptcy or other reorganization and a loss of part or all of a Client's investment;
- Give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the portfolio company's ability to respond to changing industry conditions if additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- Limit the portfolio company's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors that have relatively less debt;
- Limit the portfolio company's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- Limit the portfolio company's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

As a result, the risk of loss associated with a leveraged portfolio company is generally greater than for companies with comparatively less debt.

Operating and Financial Risks of Portfolio Companies

Portfolio companies in which Willow Tree invests on behalf of its Clients could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, portfolio companies that Willow Tree expects to be stable may operate, or expect to operate, at a loss or have significant variations in operating results; may require substantial additional capital to support their operations or to maintain their competitive position; or may otherwise have a weak financial condition or be experiencing financial distress. In some cases, the success of a Client's investment strategy will depend, in part, on the ability of Willow Tree to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty.

Uncertainty of Financial Projections Regarding Portfolio Companies

Willow Tree generally establishes the pricing of transactions and the capital structure of portfolio companies based on financial projections for such portfolio companies. Normally, these projections depend on management judgments. In all cases, projections of future results are only estimates based upon assumptions made at the time that the projections are developed. Projected results may not be realized, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Illiquid Investments and Long-Term Investments; Uncertain Exit Strategies

On behalf of its Clients, Willow Tree invests in and holds to maturity instruments that do not have a significant secondary market. In most cases, there will be no public market for the securities at the time of their acquisition. These securities generally may not be sold publicly, unless their sale is registered under applicable securities laws or an exemption from such registration requirements is available, and Willow Tree may not be able to arrange a private sale. To the extent that there is no trading market for a portfolio investment, Willow Tree may be unable to liquidate that investment on the Client's behalf or may be unable to do so at a profit. Accordingly, there can be no assurance that a Client will realize value on its investments in a timely manner.

Due to the illiquid nature of many of the positions, as well as the uncertainty of the success of their issuers, Willow Tree is unable to predict with confidence what the exit strategy will ultimately be for any given investment, or that one will definitely be available. In certain instances, a Client may be forced to sell or exit an investment earlier than Willow Tree would recommend due to liquidity issues, Client dissolution, or other possible factors.

Client's Use of Leverage

The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A Client may borrow money from time to time to purchase or carry securities or may enter into derivative transactions with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause a Client's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the Client's net asset value could also decrease faster than if there had been no borrowings. Any of the foregoing circumstances could have a material adverse effect on the performance of our Clients.

Client Financing Arrangements; Availability of Credit to a Client

There can be no assurance that a Client will be able to maintain adequate financing arrangements under all market circumstances. The imposition of financial limitations or restrictions could compel a Client to liquidate all or part of its portfolio at disadvantageous prices. The financing available to a Client from banks, dealers and other counterparties is likely to be restricted in disrupted markets.

Investments Longer Than Term

A Client may make investments which may not be advantageously disposed of prior to the date the Client will be dissolved, either by expiration of its term or otherwise. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to investors of a Client will occur.

Risk of Litigation

A Client's investment activities may subject the Client to the risks of becoming involved in litigation. The expense of defending against claims against the Client by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Client. A Client may not be able to defend or prosecute legal proceedings that may be brought against it (or lenders as a group) or that the Client (or lenders as a group) might otherwise bring to protect its (or their) interests.

In addition, a Client may accumulate substantial positions in the securities of issuers that become involved in litigation.

Limited Control of Administration and Amendment of Investments

A Client may have limited consent and control rights with respect to an investment, and such rights may not be effective in view of the expected proportion of such obligations held by the Client. If authorized to vote a Client's securities, Willow Tree will exercise or enforce, or refrain from exercising or enforcing, any or all of the Client's rights in connection with the Client investment or any related documents, or will refuse amendments or waivers of the terms of any Client investments and related documents, in accordance with its portfolio management practices and the standard of care specified in the relevant investment management agreement or other similar agreement and/or Governing Documents, as applicable. Willow Tree's ability to agree to changes to the terms of the Client investments generally will not otherwise be restricted by the investment management agreement or other similar agreement and/or Governing Documents. The Client will not have any right to compel Willow Tree to take or refrain from taking any actions other than in accordance with its portfolio management practices and the standard of care specified in the relevant investment management agreement or other similar agreement and/or Governing Documents, as applicable.

Risks Relating to Portfolio Investments

Credit- and Debt-Related Investments Generally

Willow Tree's portfolio construction will primarily comprise debt-related investments. There are numerous risks involved with these types of investments, including general credit market risk, meaning that events that negatively impact the overall U.S. and/or international credit markets could have an adverse impact on the value of certain debt-related investments held by a Client. A Client's investments will also be illiquid, with a small or non-existent readily available market for resale. Therefore, the market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a Client may not be able to sell its investments when it desires to do so or to realize what it perceives to be fair value in the event of a sale.

Investments in debt securities are also subject to the risk of an issuer's inability to meet principal and interest payments on the obligation (credit risk), price volatility due to interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity (market risk) and potential inability to access additional financing due to, for example, high leverage (leverage risk).

Debt instruments are also subject to a "spread widening" risk, *i.e.*, the widening of the yield ratio between a debt instrument relative to a standard benchmark. Such widening indicates a market perception that the risk of default on the debt instrument is increasing and lowers the value of the debt instrument. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. Further, it may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments may not reflect the true value of the assets underlying debt instruments in which a Client invests.

Privately Placed Debt Investments of Private Companies

A Client will trade in privately placed debt investments issued by private companies (*i.e.*, companies that have not issued publicly traded securities).

Private debt investments may be in the form of loans, securities or participation interests, and may be issued in financings and recapitalizations. They also may include mezzanine, unitranche and high-yield debt securities (discussed below), which are typically issued in traditional private placements or in connection with acquisitions and other business combinations.

Privately placed debt, which, in accordance with Willow Tree's investment strategy, includes below investment grade or, on occasion, distressed assets, is considered to be of lower credit quality and more speculative than publicly offered debt. Unrated or low grade debt securities are subject to greater risk of loss of principal and interest than higher-rated debt securities. Further, a Client may trade in debt securities that rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. A Client also may invest in debt securities that are not protected by financial covenants or limitations on additional indebtedness.

Privately placed debt is subject to fewer reporting obligations than publicly traded securities. Further, a Client may invest in debt securities issued by companies with little or no operating history. Detailed information about privately placed debt necessary for a full evaluation of the securities may be less available to Willow Tree than would be available in connection with publicly offered debt securities.

Additionally, investment in debt issued by private companies (compared to public companies) is subject to a number of risks, including (1) magnified illiquidity of a Client investment, (2) inability to sell due to a lack of market, (3) absence of market efficiency or testing to determine the correct price, (4) limited or no information available to debt holders regarding, among other things, a private company's business prospects and results of operations and (5) less oversight from independent directors, regulatory agencies and others.

Leveraged Loans and High-Yield Instruments

Leveraged loans and high-yield instruments are subject to many of the same risk factors as investment grade loans, but in addition have more credit risk, are generally less liquid, and have higher price volatility than do investment grade bonds and loans. Under certain circumstances, the collateral securing a loan, if any, might not be sufficient to satisfy the borrower's obligations in the event of non-payment of scheduled interest or principal, and may be difficult to liquidate on a timely basis. Additionally, a decline in the value of the collateral could cause the loan to become substantially unsecured, and circumstances could arise (such as in the bankruptcy of a borrower) which could cause the issuer's security interest in the loan's collateral to be invalidated.

A severe liquidity crisis in the global credit markets has in the past resulted in, and may again result in, substantial fluctuations in prices for leveraged loans and high-yield debt securities and limited liquidity for such instruments. Although certain sectors have recovered, the conditions giving rise to such price fluctuations and limited liquidity may continue and may become more acute. During periods of limited liquidity and higher price volatility, Willow Tree's ability to acquire or dispose of Client investments at a price and time that Willow Tree deems advantageous may be severely impaired. In addition, the credit crisis adversely affected the primary market for a number of financial products, which may reduce opportunities for a Client to purchase new issuances of investments.

Nature of Investment in Secured Loans

A Client may own secured debt, which involves various degrees of risk of a loss of capital. The factors affecting a company's secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of a company. Any secured debt is secured only

to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets.

Secured credit facilities may be syndicated to a number of different financial market participants. The documentation governing the facilities typically require either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the facility, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a company pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, a Client may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the Client.

Secured loans are also subject to other risks, including (1) the possible invalidation of a debt or lien as a “fraudulent conveyance,” (2) the possible invalidation as a “preference” of liens perfected or recovery by a bankrupt borrower of debt payments made in the 90 days before a bankruptcy filing, (3) equitable subordination claims by other creditors, (4) so-called “lender liability” claims by the borrower of the obligations, and (5) environmental liabilities that may arise with respect to collateral securing the obligations. Recent decisions in bankruptcy cases have held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination.

Unitranche and Mezzanine Debt Securities

Unitranche and mezzanine debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Unitranche and mezzanine debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Unitranche debt securities combine secured and unsecured, subordinated debt. Mezzanine debt securities are generally unsecured and subordinate to other obligations of the issuer and are subject to many of the same risks as those associated with high-yield debt securities. Issuers of such debt securities may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Syndicated Debt, Loan Participations and Secondary Market Investments

A Client will acquire investments in primary transactions and also by secondary market investments, whether by assignment or through participation interests. To the extent a Client trades in any syndicated debt, it may be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, a Client generally will be dependent on the lender to enforce its rights and obligations under the loan arrangements. Such investments will be subject to the credit risk of both the borrower and the lender, because they depend on the lender to make payments of principal and interest received on the underlying loan.

Distressed Investments; Restructurings

Client investments may include privately negotiated investments in distressed situations (e.g., investments in defaulted, out-of-favor or distressed bank loans and debt securities). Certain of the Client investments, therefore, may include specific investments of issuers that are highly leveraged, with significant burdens on cash flow, and, therefore, involve a high degree of financial risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Willow Tree will evaluate correctly

the value of the assets collateralizing such Client investments or the prospects for a successful reorganization or similar action.

Structured Equities

Client investments may include convertible preferred stocks or other similar securities that may be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Such a convertible security entitles the holder to receive a dividend that is paid or accrued on the preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (2) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (3) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Client is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Client.

Equity Items

A Client may invest in equity kickers and other equity securities and interests in obligors (“Equity Items”). Equity Items are subject to the risks described herein with respect to investments generally but are more subordinate in an issuer’s capital structure and are therefore generally riskier than fixed-income investments. Equity Items may involve substantial risks and may be subject to wide and sudden fluctuations in market value.

Currency and Exchange Rate Risk

A portion of a Client’s investments, and the income received by a Client with respect to such investments, may be denominated in currencies other than U.S. dollars. However, the books of the Clients will be maintained, and capital contributions to and distributions from the Fund generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by a Client, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by a Fund. In addition, a Client will incur costs in converting investment proceeds from one currency to another. Willow Tree may enter into hedging transactions designed to reduce such currency risks.

Limited Hedging

Willow Tree will not, in general, attempt to hedge all of the risks of a Client’s positions. Willow Tree may hedge only foreign exchange risks and interest risks and may hedge such risks only partially. Various directional market risks in a Client’s portfolio will often remain entirely unhedged.

When managing a Client's exposure to market risks, Willow Tree may from time to time use forward contracts, options, swaps, caps, collars, floors, foreign currency forward contracts, currency swap agreements, currency option contracts, or other strategies. Currency fluctuations in particular can have a substantial effect on the cash flow and financial condition of portfolios that we construct. The success of any hedging or other derivative transactions generally will depend on our ability to predict correctly market or foreign exchange changes, the degree of correlation between price movements of a derivative instrument and the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while Clients may enter into a transaction to reduce exposure to market or foreign exchange risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

While such hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral at a time when a Fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, which reduce the returns generated by a Fund.

Limited Number of Investments; Undiversified Portfolio Risk

Willow Tree will endeavor to diversify Client investments; however, difficult market conditions or slowdowns affecting a particular asset class, geographic region or other category of investment could have a significant adverse impact on a Client if its investments are concentrated in that area, which would result in lower investment returns. This lack of diversification may expose a Client to losses disproportionate to market declines in general if there are disproportionately greater adverse price movements in the particular investments. If a Client holds investments concentrated in a particular issuer, security, asset class or geographic region, such Client may be more susceptible than a more widely diversified portfolio to the negative consequences of a single corporate, economic, political, or regulatory event.

Accordingly, a lack of diversification could adversely affect a Client's performance.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of Client investments. Instability in the securities markets may also increase the risks inherent in a Client's portfolio investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

Certain Other Risks

General Economic Conditions

Negative economic trends nationally, in specific geographic areas of the United States and/or outside the United States, could result in an increase in debt or loan defaults and delinquencies. Inability of issuers to obtain refinancing (particularly as high levels of required refinancings approach) may result in an economic decline that could delay or derail an economic recovery and cause deterioration in the performance of debt investments generally.

Additionally, the following factors may disrupt credit markets and have a negative impact on a Client's investments:

- The bankruptcy or insolvency of one or more major financial institutions that results in the disruption of payments or triggers additional crises in the global credit markets and overall economy;
- Continued deterioration of the sovereign debt of certain countries, together with the risk of contagion to other, more stable, countries;
- Rating agency downgrades (or otherwise negative changes in their ratings outlook) on the sovereign long-term debt ratings of certain countries;
- Issues affecting the economies of the United States and/or non-U.S. economies; and
- The impact of (1) military operations, (2) the possibility or actual occurrence of terrorist attacks domestically or abroad and/or (3) political instability in some parts of the world which could have a material adverse effect on general economic conditions, world financial markets, particular business segments, world commodity prices, consumer confidence and/or market liquidity.

Market Disruptions; Governmental Intervention

A Client may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to a Client from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Client. Market disruptions may from time to time cause dramatic losses for the Client, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

The downturn in the credit markets and the global economic crisis in the past several years have led to extensive and unprecedented governmental intervention. These interventions typically have been unclear in scope and application, resulting in confusion and uncertainty that in itself has been materially detrimental to the efficient functioning of the markets, as well as previously successful investment strategies. Further additional legislative or regulatory action could be taken, and the effect of such actions could have a negative impact on a Client's investments.

Investments with Co-Investors

Willow Tree may co-invest on behalf of a Client in one or more investments with certain strategic investors, lenders, limited partners (or affiliates thereof) and/or other third parties through partnerships, joint ventures or other entities, which parties in certain cases may have different interests to those of the Client. The Client's investments will be subject to typical risks in connection with third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Client, or may be in a position to block action in a manner contrary to the Client's investment objectives. The Client may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Investments made with third parties in partnerships, joint ventures or other entities may involve carried interest or fees payable to such third-party partners or co-investors, thereby reducing the distributions to the Client. In addition, such co-investments may or may not be on substantially the same terms and conditions

as the Client, and such different terms may be disadvantageous to the Client or to any investor participating directly or indirectly therein.

Cybersecurity Risks

A Client and its service providers (including Willow Tree, administrators, prime brokers and custodians) are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to a Client or investors of a Client by interfering with the processing of investor transactions, affecting a Client's ability to calculate net asset value or impeding or sabotaging Client investment and/or asset management activity and trading. A Client may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose both Willow Tree and a Client to civil liability, as well as regulatory inquiry and/or action. Investors of a Client could be exposed to additional losses because of unauthorized use of their personal information. While Willow Tree has established business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified.

ITEM 9. DISCIPLINARY INFORMATION

This item is not applicable to Willow Tree.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration

Willow Tree is not a registered broker-dealer nor does it intend to register as a broker-dealer.

Commodity Pool Operator

Willow Tree, the Manager and the General Partner intend to operate pursuant to the exemptions to registration provided by Commodity Futures Trading Commission Rule 4.13(a)(3).

Other Financial Industry Affiliations

Neither Willow Tree nor its management have any relationship or arrangement with a related person (Willow Tree's advisory affiliates or any person under common control with Willow Tree as defined for purposes of this brochure) that is material to Willow Tree's advisory business or its Clients.

From time to time, a third-party entity founded by Governor Jeb Bush may provide insights and expertise with regard to a wide range of industries as well as an extensive network of private equity firms and family-owned businesses. Also, from time to time, one or more of the Clients may invest in loan opportunities related to the portfolio companies of this entity's investment adviser affiliate or its clients, if Willow Tree determines that such opportunities are appropriate for, and in the best interests of, the Clients.

From time to time, Willow Tree's employees may serve on various creditor committees or as directors or in other management capacities of companies in which Clients invest, either directly or indirectly. Serving in such a capacity may subject such employee, and by association, Willow Tree and its Clients, to certain limitations on the ability to trade the securities of the issuer company and to certain conflicts of interest. Because of such service, an employee may become aware, from time to time, of material non-public information about the company in which Clients invest, and the employee's knowledge is likely to be attributed to Willow Tree and the Clients and result in the Clients' ability to trade the securities of such company becoming substantially restricted. Such limitations may cause the Clients to forgo sales that they would otherwise make, thereby exposing them to losses, or to forgo purchases, thereby exposing them to lost opportunities. An employee serving as a director of a company owned, directly or indirectly, by Clients may also face a conflict between the fiduciary duties owed by such employee to the Clients and the duties owed to such company. In such circumstances, an employee may act in ways that are in the best interest of such company but not the Clients. Willow Tree maintains internal compliance policies that are intended to minimize the negative effects of such conflicts if they arise, and intends to prevent employees from taking such positions when, in Willow Tree's determination, the potential risks to the Clients outweigh the potential benefits. However, there can be no assurance that permitting the board membership of an employee will not result in less favorable results for Clients than if Willow Tree had not permitted the employee to serve in such capacity.

Selection or Recommendation of Other Advisers

Willow Tree does not recommend or select other third-party investment advisers for its Clients.

For a general discussion of how we address resulting conflicts of interest, see discussion under "Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below.

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

Code of Ethics

Willow Tree has adopted a Code of Ethics (the "Code") to establish principles of conduct expected from Willow Tree and its employees and to assist in detecting, managing and, to the extent possible, avoiding conflicts of interest that may arise between employees and Clients as a result of personal investing activities. The Code includes, among other policies, a Personal Trading Policy and an Insider Trading Policy.

In accordance with the Code, all employees are required to act with competence, dignity and integrity and in an ethical manner, when dealing with Clients, the public, prospective clients, third-party service providers and fellow employees. Further, employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of the Clients. At all times, each employee must:

- Place Client interests ahead of Willow Tree's interests and the employee's interests;
- Engage in personal investing that is in full compliance with the Code;
- Avoid taking advantage of the employee's position;
- Maintain full compliance with the federal securities laws; and

- Promptly report any violations of the Code to the Chief Compliance Officer (the “CCO”).

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, including the federal securities laws and the rules promulgated thereunder, and in a manner where Clients’ interests are placed first.

In connection with this goal, the Personal Trading Policy requires (1) employees to report their personal securities transactions and holdings periodically to our CCO and (2) the CCO or his designee to review the reports. These reporting requirements apply to all employees of Willow Tree as well as their spouses, certain members of their immediate families and other persons as further described in the Code. Furthermore, the reporting requirements apply to any account in which an employee or other person covered by the requirements has a direct or indirect beneficial, economic or financial interest or over which an employee or other person covered by the reporting requirements has investment discretion or direct or indirect influence or control.

Willow Tree’s Code also imposes prohibitions on employee trades/investing including: (1) trades/investing based on inside information; (2) trades/investing intended to manipulate the market; (3) trades/investing in securities on Willow Tree’s restricted list; (4) trades/investing in securities that would be appropriate investments for a Client; and (5) trades in new issues and limited offerings.

As part of the Code, Willow Tree also has established an Insider Trading Policy. Willow Tree’s Insider Trading Policy includes specific requirements regarding the possession of material non-public information (“MNPI”) in order to avoid situations that may violate applicable regulatory statutes or create an appearance of impropriety. Willow Tree’s Insider Trading Policy strictly forbids any employee from (1) conducting trades, either personally or on behalf of others, including the Clients, while in possession of MNPI pertinent to the relevant portfolio company and (2) 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 Willow Tree or a Related Person has Some Financial Interest

Willow Tree does not anticipate recommending securities to Clients in which Willow Tree or a related person has a material financial interest.

Cross Transactions and Principal Trades

Willow Tree may direct one Client account to sell securities or loans to another Client account, including Client accounts in which Willow Tree or its personnel may have a proprietary investment. These are known as “cross transactions.” Willow Tree will undertake cross transactions only when it 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) and consistent with the investment strategy, risk management and other relevant considerations of each participating Client. Such transactions may be made with or without the services of a broker-dealer. When effecting such transactions Willow Tree may have conflicting loyalties and responsibilities.

Although Willow Tree does not expect to engage in principal transactions, to the extent any transaction qualifies as a “principal transaction” under the Investment Advisers Act of 1940 (the “Advisers Act”) (*i.e.*, where Willow Tree or an affiliate is acting as principal for its own account in a securities transaction with

a Client), Willow Tree will implement policies and procedures designed to comply with the provisions of Section 206(3) Advisers Act.

Allocating Limited 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. As a result, the allocation of investment opportunities gives rise to potential and actual conflicts of interest.

Further, Willow Tree, its employees and 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.

In making allocation decisions with respect to limited investment opportunities that could reasonably be expected to fit the investment objectives of multiple Clients and/or accounts, Willow Tree anticipates that it may consider one or more of the following factors that it deems relevant: the investment objectives of relevant Clients and/or accounts, the source of the investment opportunity, any exclusive rights to investment opportunities that may have been granted to particular Clients or accounts, the expected duration of the investment in light of Clients' and/or accounts' 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 Willow Tree deems appropriate. These factors provide substantial discretion to Willow Tree in allocating investment opportunities. Further, two or more Clients and/or accounts 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 Willow Tree is limited in its ability to dispose of an investment, Willow Tree may consider the factors described above in allocating the sale of such an investment.

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

Co-Investment Opportunities

As noted above, Willow Tree may co-invest on behalf of a Client in one or more investments with certain strategic investors, lenders, limited partners (or affiliates thereof) and/or other third parties through partnerships, joint ventures or other entities.

Also, certain of the Fund's investments, particularly larger investments (in terms of capital invested), may create opportunities for certain persons or entities to co-invest in such investments alongside the Fund. Willow Tree will allocate co-investment opportunities among Investors and/or their affiliates and other persons in accordance with Willow Tree's co-investment policy.

In general, Willow Tree expects that it will first offer available co-investment opportunities to Investors (and/or their affiliates) before offering such opportunities to other persons. Willow Tree will not be obligated to offer co-investment opportunities to all Investors and it may offer such opportunities to certain Investors, but not others (including to a single Investor or small group of Investors), based on such factors as Willow Tree, in its sole discretion, determines is relevant or appropriate under the circumstances, including but not limited to such factors as: (1) Willow Tree's assessment that a co-investor will be able to consummate a co-investment within the time frame established by Willow Tree (including completion of

due diligence and obtaining all required internal approvals) as demonstrated by, among other things, Willow Tree's prior co-investment experience with such co-investor, a co-investor's financial resources and its industry reputation; (2) Willow Tree's assessment that a co-investor's participation in a co-investment may provide certain strategic benefits to the Fund; (3) a co-investor's ability to fund minimum co-investment amounts; (4) applicable legal, regulatory and tax considerations that may impact selection of co-investors; and (5) such other factors as may be set forth in Willow Tree's co-investment policy.

As part of its evaluation, Willow Tree may decide to weight certain factors from its policy more than others, depending on the facts and circumstances of a particular co-investment opportunity. The amount of each co-investment opportunity allocated to participating Investor co-investors will be determined by Willow Tree, in its sole discretion, and may not be proportional to the respective capital commitments of such participating Investor co-investors.

A co-investor will not receive a share of any topping, break up or broken deal fees received in connection with an unconsummated co-investment, unless such co-investor has agreed to pay its share of broken deal expenses associated with such unconsummated co-investment.

Potential Conflicts Due to Overlapping Client Investments

Where Clients 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 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 that would be beneficial for one Client while retaining such investment would be beneficial for another Client. Willow Tree may also invest in securities on behalf of one Client that may differ from investments made on behalf of other Clients, even though the investment objectives of these Clients may be similar. Moreover, Willow Tree, its Clients, or its 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.

Willow Tree expects to make business decisions on behalf of certain Clients regarding their investments independently of the manner in which it approaches a similar or even the same investment held by other Clients. Consequently, Willow Tree, on behalf of certain Clients, may choose not to hedge certain risks that another Client hedges, or certain Clients may be exposed to risks of financing on an investment when other Clients are not. Further, in some instances, Willow Tree may choose to coordinate its Clients' activities (e.g., timing dispositions in an orderly way in order to avoid affecting the 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 Willow Tree 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.

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.

Further, it's possible that a Client, Willow Tree, a Willow Tree affiliate or employee could 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 (or Willow Tree affiliates or employees) 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 (or Willow Tree affiliates or employees) 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 (or Willow Tree, its affiliates or employees) and such Client might recover all or part of its investment while the other Clients (or Willow Tree, its affiliates or employees) might not (or vice versa).

ITEM 12. BROKERAGE PRACTICES

Due to the nature of Willow Tree's advisory business, Willow Tree does not typically use brokers to effect securities transactions on behalf of its Clients. However, to the extent any such transaction is effected, Willow Tree seeks the best execution of orders as described below.

Selection of Broker-Dealers

Each Client pays its own brokerage commissions and other transaction costs. Neither Willow Tree nor any of its affiliates will receive any commissions generated by a Client's trading activities.

In selecting an appropriate broker-dealer to effect a Client trade, Willow Tree 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 Willow Tree, back office and processing, custodial services, the value of brokerage and research products and services provided to Willow Tree (e.g., research ideas, analysis, and investment strategies) and the success of prior research ideas.

Willow Tree will not adhere to any rigid formulas in selecting broker-dealers, but weighs a combination of the preceding factors. The principal factors are: (1) price; (2) costs; (3) speed; (4) liquidity; (5) likelihood of execution and settlement; (6) Client characteristics and objectives; (7) order size/nature; and (8) venue. Willow Tree 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, Willow Tree need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It will not be Willow Tree'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.

Clients do not direct brokerage.

Soft Dollars

Willow Tree does not currently have any soft dollar arrangements. To the extent Willow Tree effects trades through brokers, from time to time, Willow Tree, 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. Willow Tree will effect such transactions, and receive such brokerage and research services, only to the extent that, based on Willow Tree'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 Willow Tree's overall responsibility to its Clients.

Trade Allocation and Aggregation

If Willow Tree determines that the purchase or sale of the same security is in the best interest of more than one account, Willow Tree may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. Willow Tree will aggregate orders only if Willow Tree determines, in its sole discretion, among other things, that (1) it is unlikely any Client whose order is to be aggregated will be disadvantaged and (2) it is fair and effective to aggregate the trades. When an aggregated order is filled through multiple trades at different prices on the same day, each participating account will typically receive the average price with transaction costs allocated *pro rata* based on the size of each account's participation in the order (or allocation in the event of a partial fill) as determined by Willow Tree. 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 Willow Tree deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations.

Liability of Willow Tree 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 Willow Tree 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, *e.g.*: (1) the wrong instrument is purchased or sold; (2) the wrong quantity of an instrument is purchased or sold; (3) a purchase is made instead of a sale or a sale is made instead of a purchase; or (4) 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 result, occasionally, in gains. Willow Tree 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, Willow Tree 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 Willow Tree will not be liable for such losses.

Further, Willow Tree will not be liable for any losses resulting from trading errors and similar human errors, unless such losses result from Willow Tree's fraud, willful default or gross negligence. Willow Tree will determine in its sole discretion whether it caused any Trade Error and if the error breached this standard of care. Investors should be aware that, in making such determinations, Willow Tree will have a conflict of interest. If Willow Tree determines that a trade error was not the result of Willow Tree's fraud, willful default or gross negligence, the Fund will bear the costs associated with the trade error. If Willow Tree determines that a trade error was the result of Willow Tree's fraud, willful default or gross negligence, Willow Tree will undertake to ensure the Clients affected are not disadvantaged. Any gains resulting from a Trade Error will be for the benefit of the Client.

ITEM 13. REVIEW OF ACCOUNTS

Willow Tree performs monthly reviews of each of its Clients' respective accounts. The Chief Executive Officer, Chief Credit Officer and other members of the professional staff, as pertinent, conduct such reviews.

Willow Tree prepares periodic reports/letters to provide to the Fund and/or Investors, detailing the performance and general composition of the relevant Fund's investments. As a general matter, such reports/letters are prepared and issued quarterly.

Generally, on an annual basis, the 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, a statement of each Investor's capital account and the manner of its calculation. After the end of each fiscal year, each Investor will be furnished certain tax information for tax return preparation purposes.

SMA's also receive reports, the frequency and content of which are determined pursuant to each SMA's investment management agreement or other similar agreement with Willow Tree.

For additional information regarding the types and frequency of reports provided to Clients, please see the relevant offering documents or investment management agreement or other similar agreement, as applicable.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Willow Tree does not accept an economic benefit from third parties for providing investment advisory services to Clients. Willow Tree does not have any arrangements by which it pays an unaffiliated person or entity to solicit Clients on its behalf.

ITEM 15. CUSTODY

Regarding the Fund, Willow Tree has "custody" of those assets within the meaning of Rule 206(4)-2 under the Advisers Act (the "Custody Rule") (*i.e.*, Willow Tree has general authority to direct and dispose of the Fund's assets). Generally, Willow Tree complies with the Custody Rule requirements by conducting an annual audit of the Fund and delivering audited financial statements to the Investors, all in accordance with the Custody Rule requirements.

Willow Tree may or may not accept custody with respect to SMA's as set forth in the applicable investment management agreement or other similar agreement.

ITEM 16. INVESTMENT DISCRETION

Willow Tree has full discretionary authority to manage the Fund, including authority to make decisions with respect to the securities/investments the Fund buys and sells, the amount and price of those securities, the broker-dealer to be used for a particular transaction, and commissions or markups and markdowns paid. Any limitations on Willow Tree's discretionary authority are as agreed to with the Fund and set forth in the offering documents and/or investment management agreement.

The basis for discretionary authority is set forth in the subscription documents or investment management agreement or other similar agreement as applicable to each Investor or Client.

Willow Tree has discretionary or non-discretionary authority to manage the SMA's as set forth in the applicable investment management agreement or other similar agreement.

ITEM 17. VOTING CLIENT SECURITIES

Willow Tree accepts the authority to vote securities on behalf of the Fund. Willow Tree may accept authority to vote securities on behalf of SMAs as set forth in the applicable investment management agreement or other similar agreement.

In addition to proxy solicitation in connection with equity securities of traditional operating companies, “voting client securities” is deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. Willow Tree has adopted policies and procedures related to voting client securities on behalf of its Clients. When Willow Tree accepts authority to vote client securities, Willow Tree’s general policy is to vote 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 Client. In determining how to vote such securities, Willow Tree may take into account factors such as: (1) the impact on the value of the investments; (2) the anticipated associated costs and benefits; (3) the continued or increased availability of Client information; and (4) industry and business practices. In some circumstances, Willow Tree will refrain from voting client securities where Willow Tree believes, among other potential reasons, that voting would be inappropriate, taking into consideration the cost of voting the securities, the anticipated benefit to the Client, whether the Client continues to hold the securities on the voting date, or where Willow Tree believes that resolution is not relevant to the value of the investment.

It is possible for conflicts of interest to arise in the context of Willow Tree’s voting of client securities. However, if an actual conflict of interest with respect to voting arises, the CCO, together with external legal counsel if necessary as determined by Willow Tree in its sole discretion, would be involved in the process for the particular vote to help manage and mitigate any such conflicts of interest.

A copy of Willow Tree’s policies and procedures regarding the voting of client securities and how those securities have been voted is available to Clients upon request.

ITEM 18. FINANCIAL INFORMATION

This item is not applicable to Willow Tree. Willow Tree 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.