

## **Form ADV Part 2A**



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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Assured Investment Management LLC (“AssuredIM”). If you have any questions about the contents of this Brochure, please contact Eric Albert, Chief Compliance Officer, at 212-905-3900 and/or [LegalNotices@assuredim.com](mailto:LegalNotices@assuredim.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about AssuredIM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with AssuredIM who are registered, or are required to be registered, as investment adviser representatives of AssuredIM.

Although AssuredIM is registered as an investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”), such registration does not imply that AssuredIM or its personnel have a certain level of skill or training.

## **Item 2 – Material Changes**

**If you are amending your *brochure* for your annual update and it contains material changes from your last annual update, identify and discuss those changes on the cover page of the *brochure* or on the page immediately following the cover page, or as a separate document accompanying the *brochure*. You must state clearly that you are discussing only material changes since the last annual update of your *brochure*, and you must provide the date of the last annual update of your *brochure*.**

In October 2019, Assured Guaranty US Holdings Inc., a Delaware corporation and wholly owned subsidiary of Assured Guaranty Ltd. (NYSE: AGO), purchased 100% of the outstanding equity interests of AssuredIM, BlueMountain CLO Management, LLC and Assured Investment Management GP Holdings, LLC, a Delaware limited liability company that indirectly holds general partner interests in a number of advisory clients (collectively, and together with AHP (as defined below), the “AssuredIM Companies”). The AssuredIM Companies operate within the Assured Investment Management® platform. This Part 2A of Form ADV reflects such change in ownership as well as a reduction in regulatory assets under management.

AssuredIM filed its last annual update of Part 2A of Form ADV in March 2020.

Effective August 6, 2020, Andrew Feldstein resigned as Chief Executive Officer and Chief Investment Officer of AssuredIM. David A. Buzen assumed Mr. Feldstein’s responsibilities as Chief Executive Officer and Chief Investment Officer of AssuredIM immediately following Mr. Feldstein’s resignation. Mr. Feldstein acted as Senior Advisor to the CEO and CIO of AssuredIM through the end of October 2020 to support a smooth transition of responsibilities. This Part 2A of Form ADV reflects such change in senior management personnel.

Assured Investment Management LLC was formerly known as BlueMountain Capital Management, LLC. Effective September 22, 2020, BlueMountain Capital Management, LLC changed its name to Assured Investment Management LLC. This Part 2A of Form ADV reflects such name change.

Effective October 3, 2020, Blue Mountain Capital Partners (London) LLP changed its name to Assured Investment Management (London) LLP. This Part 2A of Form ADV reflects such name change.

This Part 2A of Form ADV reflects the addition of AssuredIM’s newly formed relying adviser, Assured Healthcare Partners LLC (“AHP”). In December 2020, AHP commenced providing investment advisory services to its advisory clients. This Part 2A of Form ADV reflects AHP’s commencement of investment advisory operations and its status as a relying adviser of AssuredIM.

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#### **Item 4 – Advisory Business**

##### **A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

AssuredIM (*fka* BlueMountain Capital Management, LLC) is organized as a Delaware limited liability company and is an investment adviser registered with the SEC. The firm has been in business since 2003. As of March 20, 2020, AssuredIM and AssuredIM London (as defined below) have approximately 120 employees, primarily located in New York, as well as in London.

AssuredIM has approximately \$14,806,543,000<sup>1</sup> in regulatory assets under management. AssuredIM serves as an investment adviser to pooled investment vehicles (“Fund Clients”), special purpose vehicles for collateralized loan obligations (“CLOs”), and institutional accounts (“Institutional Accounts,” and, together with Fund Clients, CLOs and AHP Funds (as defined below), “Advisory Clients”) that are primarily domestic and foreign limited partnerships, domestic limited liability companies, trusts and foreign companies. AssuredIM generally provides investment management and supervisory services to its Advisory Clients on a discretionary basis.

Investments by Fund Clients typically are made through a master-feeder structure, with an affiliate of AssuredIM serving as general partner of Fund Clients organized as limited partnerships, and AssuredIM serving as investment adviser to both the Fund Client that invests through the master fund and the master fund itself. With respect to Fund Clients organized as foreign companies, in some cases a majority of the board of directors of such entities are AssuredIM personnel.

Institutional Accounts are generally organized as limited partnerships with an affiliate of AssuredIM serving as the general partner of the Institutional Account, or as foreign companies with a majority of the board of directors of such entity comprised of AssuredIM personnel, and may be structured as separately managed accounts (“SMAs”). Such Institutional Accounts include other subsidiaries of AGL (as defined below). Advisory Clients are generally neither registered under the Securities Act of 1933, as amended, nor registered under the Investment Company Act of 1940, as amended. Accordingly, interests in such Advisory Clients are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. No offer to sell interests in these Advisory Clients is made by the descriptions in this Brochure. Please see Item 7 of this Brochure for more information with respect to AssuredIM’s clients.

Assured Investment Management (London) LLP (“AssuredIM London”) is an affiliate of AssuredIM and serves as adviser to AssuredIM, primarily with respect to issuers based in Europe, and is compensated by AssuredIM for its services. AssuredIM London was formerly known as Blue Mountain Capital Partners (London) LLP. AssuredIM London is registered with the Financial Conduct Authority.

AHP, a Delaware limited liability company, was formed in September 2020 in order to provide investment advisory services primarily focused on private investments in the healthcare sector. AHP serves as an investment adviser to certain funds, pooled investment vehicles or accounts (“AHP Funds”) which are its advisory clients. AssuredIM and AHP have entered into a services agreement and a secondment agreement pursuant to which AssuredIM provides certain services associated with the management of the AHP Funds in exchange for a services fee and a secondment fee. AHP generally provides investment management services to the AHP Funds on a discretionary basis.

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<sup>1</sup> Calculated as of December 31, 2019.

Each of AssuredIM London and AHP is a “relying adviser” (“Relying Adviser”), and, as such, neither is, and neither is required to be, independently registered with the SEC. Please refer to Items 10.B and 10.C for additional information related to AssuredIM’s Relying Advisers.

AssuredIM has a sub-advisory agreement with BlueVirgo Capital Management, LLC (“BlueVirgo”), pursuant to which BlueVirgo serves as an adviser to AssuredIM with respect to a limited number of tax liens and related investment products. BlueVirgo was previously a relying adviser of AssuredIM.

BlueMountain CLO Management, LLC (“BMCLO”) serves as the collateral manager to certain collateralized loan obligations (the “BMCLO CLOs”). AssuredIM has entered into a services agreement and a secondment agreement with BMCLO whereby AssuredIM provides certain services associated with the management of BMCLO CLOs in exchange for a services fee. BMCLO is registered as an investment adviser with the SEC.

BlueMountain Fuji Management, LLC (“BlueMountain Fuji”) serves as the collateral manager to certain collateralized loan obligations (each, a “Fuji CLO”) and is wholly owned (directly or indirectly) by Advisory Clients. AssuredIM has entered into a services agreement and a secondment agreement with BlueMountain Fuji pursuant to which AssuredIM provides certain services associated with the management of Fuji CLOs in exchange for a services fee and a secondment fee. BlueMountain Fuji is registered as an investment adviser with the SEC.

### **Principal Ownership**

In October 2019, Assured Guaranty US Holdings Inc., a Delaware corporation (“AGUS”), purchased 100% of the outstanding equity interests of the AssuredIM Companies (other than AHP (which was formed in September 2020)). AHP is also wholly owned by AGUS. AGUS is a wholly-owned subsidiary of publicly traded Assured Guaranty Ltd. (NYSE: AGO), a limited company organized under the laws of Bermuda (“AGL” and, together with its subsidiaries other than the AssuredIM Companies and their subsidiaries, “Assured Guaranty”).

Further information related to Assured Guaranty is provided in Item 10.

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

AssuredIM is a diversified asset manager specializing in providing advisory services with respect to investments in a broad array of instruments, among them corporate, government and municipal bonds, credit derivatives (including credit default swaps), public equities (including “new issues” as described, and subject to the limitations set forth, in Rules 5130 and 5131 of the Financial Industry Regulatory Authority), private equities, loans (both publicly and privately traded, including private non-recourse loans supported by publicly traded collateral or project financings), real estate related assets, privately negotiated investments in various industries including healthcare, specialty finance and infrastructure, equity derivatives, collateralized debt obligations, collateralized loan obligations, appraisal claims, insurance-linked securities, mortgages, forex, interest rate derivatives, commodities, convertible bonds and other asset-backed securities and asset-backed financing arrangements. Credit and equity derivatives relate either to individual reference entities or to baskets or portfolios of reference entities (including levered or de-levered tranches of such portfolios or baskets). AssuredIM’s advisory services also include advice regarding using interest rate derivatives (including futures, swaps and swaptions) and government

securities to hedge interest rate risk and spot and forward foreign currency contracts to hedge currency exposures.

AssuredIM generally provides such advisory services on a discretionary basis.

AHP specializes in providing advisory services with respect to private investments in healthcare-related and/or healthcare-adjacent companies. AHP generally provides such advisory services on a discretionary basis.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of *clients*. Explain whether *clients* may impose restrictions on investing in certain securities or types of securities.**

The advisory services provided by AssuredIM and AHP to their respective Advisory Clients are tailored to the investment objectives, investment strategy and investment restrictions, if any, as set forth in the governing documents of Advisory Clients and/or the investment management agreement entered into by AssuredIM or AHP, as applicable, with such clients. With respect to Fund Clients, except as noted below, AssuredIM typically does not tailor its advisory services to the individual needs of investors in the Fund Client; accordingly, it typically does not accept material investment restrictions imposed by such Fund Client investors. With respect to Institutional Accounts, the terms of such relationship, including any investment restrictions, are individually negotiated. AHP does not tailor its advisory services to the individual needs of investors in AHP Funds. The offering documents of the AHP Funds and certain agreements with one or more investors (“Side Letters”) permit the excuse and/or exclusion of a particular investor from participating in a particular investment in certain limited circumstances, but AHP generally does not otherwise accept investment restrictions imposed by AHP Fund investors.

Each Advisory Client from time to time enters into Side Letters with one or more of its investors whereby in consideration for agreeing to invest certain amounts in an Advisory Client and/or other consideration deemed sufficiently material, such investors may be granted favorable rights not afforded other investors in such Advisory Client. Such rights may include one or more of the following: rights to receive reports from the Advisory Client on a more frequent basis or that include information not typically provided to other investors that AssuredIM believes are not prejudicial to other investors; rights to receive reduced rates of performance fees/allocations and/or management fees earned by AssuredIM, each Advisory Client’s general partner and/or other affiliates; application of a restricted securities list; and such other rights as are negotiated between the Advisory Client, AssuredIM and such investors. Such agreements may be entered into by the Advisory Client and AssuredIM or AHP, as applicable, without the consent of other investors in such Advisory Client; additionally, except as may be required by “most-favored-nations” clauses, such agreements usually need not be disclosed to other investors in such Advisory Client.

**D. If you participate in *wrap fee programs* by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

AssuredIM does not participate in “wrap fee arrangements,” whereby clients select AssuredIM to manage funds through an investment program presented to the clients by a third-party program sponsor. AHP does not participate in “wrap fee arrangements”.

**E. If you manage *client* assets, disclose the amount of *client* assets you manage on a *discretionary basis* and the amount of *client* assets you manage on a *non-discretionary basis*. Disclose the date “as of” which you calculated the amounts.**

As of December 31, 2019, AssuredIM has \$14,806,543,000 in regulatory assets under management. All of such assets are managed by AssuredIM on a discretionary basis; provided that, with respect to certain Institutional Accounts, one or more investors therein may have consent rights in respect of certain investments. As of December 23, 2020, AHP has \$835,425,000 in regulatory assets under management.

## **Item 5 – Fees and Compensation**

### **A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

AssuredIM is compensated for its advisory services generally through a management fee charged to Advisory Clients. AssuredIM typically receives a monthly management fee from Fund Clients – 1/12 of a per annum fee of typically 1%-2%, of the net assets of each Fund Client (although in certain cases such management fee is paid on a quarterly basis). With respect to the CLOs, AssuredIM typically receives a management fee made up of two components (i.e., a “Senior Investment Management Fee” of 0.15% (or 0.20%) as well as a “Subordinated Investment Management Fee” of 0.35% (or 0.30%), in each case, of the net assets<sup>2</sup> of the CLO, per annum), which fee is typically payable quarterly in arrears (i.e., 1/4 of the aggregate annual management fee of 0.50% of the net assets of each CLO becomes payable to AssuredIM following the end of each calendar quarter). For those Fund Clients that are part of a master-feeder structure, the management fee is typically paid to AssuredIM by the respective master fund on behalf of the feeder funds.

In addition, with respect to certain Advisory Clients, AssuredIM (or affiliates of AssuredIM acting as general partners or managing members of the Advisory Clients) receives performance compensation with respect to each calendar year or lock-up period, typically 20%-30% of net profits allocated to each investor on an annual basis, payable at the end of each year or lock-up period, as the case may be. With respect to other Advisory Clients, AssuredIM (or affiliates of AssuredIM acting as general partners or managing members of the Fund Client), as applicable, receives performance compensation based on an internal rate of return calculation by reference to distributions made to investors in such Advisory Clients (calculated on an aggregate basis or an investment-by-investment basis); provided that with respect to certain Advisory Clients, performance compensation is payable only if and to the extent a certain minimum rate of return (a “hurdle”) is exceeded. In certain cases, performance compensation is reduced by the amount of management fees paid over a specified period or subject to a “high water mark” or loss carry forward provisions. See Item 6 for further information with respect to performance compensation.

AHP is compensated for its advisory services generally through a management fee charged to its Advisory Clients. Such management fees are typically payable by the Advisory Client in advance on a quarterly basis and are calculated as a percentage (typically 1.25% to 2% per annum) of (i) capital commitments or (ii) the cost of portfolio investments (subject to write-down), depending on the Advisory Client’s stage in the investment and harvest cycle. AHP receives performance compensation based on internal rate of return calculations by reference to distributions made to investors in Advisory Clients, subject to various hurdles.

With respect to the BMCLO CLOs, BMCLO typically receives management fees and performance compensation. AssuredIM typically rebates these fees to Advisory Clients to the extent such fees are attributable to the Advisory Client’s holdings of BMCLO CLOs.

With respect to the Fuji CLOs, BlueMountain Fuji typically receives management fees and performance compensation. AssuredIM typically rebates these fees to Advisory Clients to the extent such fees are attributable to the Advisory Client’s holdings of Fuji CLOs.

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<sup>2</sup> The net assets of a CLO generally include the aggregate value of the CLO’s collateral plus available cash. The management fee is paid from interest revenue, which is segregated from other CLO cash at the time of such management fee payment.



Depending on the characteristics of the Advisory Client, fees may be higher or lower and may be subject to various reductions and offsets, in each case, as set forth in each Advisory Client's offering documents. AssuredIM or AHP, as applicable, reserves the right to waive some or all fees for certain investors in Advisory Clients, including for investors who are affiliated with AssuredIM or AHP, as applicable. Except as described in the following paragraph, the management fee and performance compensation for Fund Clients are generally not negotiable. Fee arrangements for Institutional Accounts are individually negotiated.

As explained above in Item 4, AssuredIM enters into Side Letters with certain Fund Client investors, typically those with the largest aggregate investments in Fund Clients, whereby such investors are granted favorable rights not granted to other investors in the Fund Client including, among other things, rights to receive reduced rates of performance fees and/or management fees earned by AssuredIM, each Fund Client's general partner and/or other affiliates. AHP similarly enters into Side Letters with investors in AHP Funds from time to time.

To calculate advisory fees, AssuredIM generally relies on prices provided by third parties (whether dealer quotes or third-party data feeds) for purposes of valuing portfolio securities held in Advisory Client accounts. AssuredIM's third-party administrator (the "Administrator") verifies the third-party values that AssuredIM receives. In the event of a disagreement between AssuredIM and the Administrator, AssuredIM works with the Administrator to investigate and resolve any differences. Although it is extremely rare for discrepancies to persist after an investigation by AssuredIM and the Administrator, in the event that AssuredIM and the Administrator ultimately disagree on the valuation of a position, the Administrator can withhold the net asset value if it is unsatisfied with the valuation. AssuredIM and AHP maintain policies and procedures relating to the pricing process.

Except to the extent that better performance increases assets under management and thus the amount of the management fee (in cases where the management fee is calculated with respect to assets under management), management fees are payable without regard to the overall success or income earned by Advisory Clients and therefore may create an incentive on the part of AssuredIM or AHP, as applicable, to raise or otherwise increase assets under management to a higher level than would be the case if AssuredIM or AHP, as applicable, were receiving a lower or no management fee.

Other fees payable by investors in Advisory Clients are described below.

*Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to the fees associated with such Advisory Client. The information contained herein is a summary only and is qualified in its entirety by such documents.*

**B. Describe whether you deduct fees from *clients'* assets or bill *clients* for fees incurred. If *clients* may select either method, disclose this fact. Explain how often you bill *clients* or deduct your fees.**

AssuredIM or AHP, as applicable (or an affiliate), deducts fees (or directs the payment of fees) from Advisory Clients' assets. Management fees are generally paid by Advisory Clients to AssuredIM or AHP, as applicable (or an affiliate), pursuant to a management agreement between the parties.

Performance compensation typically is deducted from Advisory Client assets and allocated to an affiliate of AssuredIM or AHP, as applicable, pursuant to the governing documents of the Advisory Client, or paid directly out of Advisory Client assets to AssuredIM or AHP, as applicable, pursuant to a management agreement between the parties.

Management fees are generally paid by Advisory Clients monthly or quarterly in arrears or in advance. Performance compensation is generally payable at the end of each year or other pre-defined period, at the

time distributions are made to an investor and/or at the time an investor withdraws or redeems, as the case may be, from an Advisory Client, in each case, as set forth in the governing fund documents of Advisory Clients.

Management fees and performance compensation may be (and have been) waived or modified in the sole discretion of AssuredIM, AHP and/or their respective affiliates, as applicable, including for investors who are affiliated with AssuredIM or AHP, as applicable.

*Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to how fees are paid with respect to their assets. The information contained herein is a summary only and is qualified in its entirety by such documents.*

**C. Describe any other types of fees or expenses *clients* may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that *clients* will incur brokerage and other transaction costs, and direct *clients* to the section(s) of your *brochure* that discuss brokerage.**

AssuredIM's or AHP's fees are exclusive of Advisory Clients' own organizational (which generally are amortized over a period of time), operating and other expenses including, without limitation: indemnification expenses; organizational expenses of an Advisory Client's general partner; expenses of an anchor investor subject to a cap; commissions; clearing fees; fees, interest and other costs on margin accounts, subscription facilities or other financings or re-financings; any taxes and duties payable in any jurisdiction in connection with the operation of Advisory Clients and any investment vehicles thereof; accounting and legal fees and disbursements (including legal fees related to the acquisition, protection and distribution of the Advisory Clients' investments and counterparty negotiation and documentation following commencement of trading operations); accounting, audit and tax preparation expenses; third party administrator fees; investment-related expenses, including research, subscriptions, quotation services and data feeds; borrowing charges on securities sold short; custodial fees; bank service fees; third party servicing agents; expenses in connection with transactions directed to broker-dealers in part in recognition of investment research and information furnished or expenses for services rendered by broker-dealers in the execution of such orders and the use of such research and other services provided by such broker-dealers; investment and trading consultant (including consultants providing market research, new investment identification, pre-investment business diligence, post-investment value creation and investment disposition services) fees and expenses; investment-related travel and entertainment expenses; expenses in connection with proposed transactions (including transactions that fail to close); expenses related to reporting to and communicating with investors; liability insurance premiums with respect to the board of directors or board of managers of the Advisory Client, such Advisory Client's general partner, AssuredIM or AHP; registered office expenses; and any other expenses related to the purchase, sale, holding or transmittal of Advisory Client assets or liabilities or the business or affairs of Advisory Clients. For those Fund Clients that are part of a master-feeder structure, each feeder fund will indirectly bear the administrative and other expenses of the master fund *pro rata* based on its interest in the master fund.

From time to time AHP engages third-party consultants to provide assistance with deal sourcing, industry insight or due diligence, offer financial and structuring advice and perform other services for the AHP Funds and their respective portfolio companies ("Senior Advisors"). Senior Advisors assist with a variety of activities including market research, new investment identification, pre-investment business diligence and post-investment value creation in their areas of expertise. Senior Advisors are not employees or affiliates of AHP but consultants who work with AHP on an exclusive or non-exclusive basis. Certain Senior Advisors receive a deal fee in the event that a transaction in which they are directly involved is consummated, and certain Senior Advisors receive ongoing monitoring or consulting fees. Deal success fees are typically included in the closing costs payable by the portfolio company and any other fees are

typically borne by the portfolio company. In addition, certain Senior Advisors have the opportunity to co-invest in a particular portfolio company on substantially the same terms and conditions as the AHP Funds (*provided* that they may not be required to pay carried interest or management fees, and may be entitled profits interests and participate (directly or indirectly) in option plans, incentive compensation arrangements or other similar programs of the subject portfolio company (which plans or arrangements may be through an investment vehicle formed for such purpose)). From time to time, certain Senior Advisors are also entitled to participate in the carried interest paid by the AHP Funds, and from time to time, certain Senior Advisors serve on the board of portfolio companies and provide additional services directly to such portfolio companies. In either case, such Senior Advisor may receive direct compensation from a portfolio company under terms agreed to by the portfolio company and the Senior Advisor. In addition, the AHP Funds generally bear their share of any travel costs or other out-of-pocket expenses incurred by Senior Advisors in connection with the provision of their services (whether or not a transaction is consummated). Neither AHP nor any of its related persons is entitled to any portion of the fees or other compensation payable by a portfolio company to a Senior Advisor (including without limitations, fees, options, incentive compensation grants and other compensation) and such amounts will not offset management fees. From time to time, AssuredIM and AHP transition former employees to become Senior Advisors.

From time to time current employees of AssuredIM (including AssuredIM employees seconded to AHP) are also temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. Those companies pay such persons directors' fees, salaries, consultant fees, other cash compensation, stock options or other compensation and incentives and may reimburse such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Compensation is advanced by AssuredIM and/or AHP, as applicable, to their respective seconded employees and subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by AssuredIM and/or AHP, as applicable, to such persons is typically reduced to reflect amounts paid directly or indirectly by the portfolio company even though the management fees paid or carried interest distributed by an Advisory Client are not reduced. All or a portion of any such compensation and incentives is borne by the applicable Advisory Client, directly or indirectly, via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be characterized as a Senior Advisor, an employee or former employee of AssuredIM or AHP, or a seconded employee may be unclear. In such cases, AssuredIM or AHP, as the case may be, will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

A number of Advisory Clients, directly or indirectly, own BlueMountain Fuji, a portfolio company which shares certain personnel with AssuredIM. As a result, such Advisory Clients bear the expenses incurred by BlueMountain Fuji's operations, including without limitation, payroll and operational expenses. BlueMountain Fuji has entered into a services agreement and a secondment agreement with AssuredIM pursuant to which AssuredIM provides certain services associated with the management of Fuji CLOs, including access to a team of research analysts, office space, back office services, legal and compliance services, and performance of trade executions. Pursuant to these agreements, AssuredIM receives a services fee and a secondment fee from BlueMountain Fuji. It is the intention of AssuredIM and BlueMountain Fuji that such fees shall be agreed on a commercial and arm's length basis. AssuredIM rebates these fees to Advisory Clients to the extent such fees are attributable to the Advisory Client's holdings of Fuji CLOs.

In certain cases, Advisory Clients also invest directly in Fuji CLOs. In such cases, Advisory Clients will pay to BlueMountain Fuji the collateral management fee and performance compensation otherwise payable in connection with an investment in such Fuji CLO.

BMCLO serves as the collateral manager to the BMCLO CLOs. AssuredIM has entered into a services agreement and a secondment agreement with BMCLO whereby AssuredIM provides certain services associated with the management of BMCLO CLOs, including access to its full team of research analysts and portfolio managers employed by AssuredIM; office space; back office services such as loan settlement, and legal and compliance services; and performance of trade executions upon instruction from AssuredIM. By way of compensation for these services, AssuredIM receives a services fee from BMCLO. AssuredIM typically rebates these fees to Advisory Clients to the extent such fees are attributable to the Advisory Client's holdings of BMCLO CLOs.

Execution of Advisory Client transactions typically requires payment of a bid/ask spread or brokerage commissions by the Advisory Client. Item 12 below describes the factors that AssuredIM or AHP, as applicable, considers in selecting or recommending broker-dealers for the execution of transactions and determining the reasonableness of their compensation (e.g., commissions). Investment activity also involves other transaction fees payable by Advisory Clients, such as sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, Advisory Clients incur certain charges imposed by custodians, broker-dealers, third-party investment consultants, and other third parties, such as custodial fees, prime brokerage fees, consulting fees, administrative fees and transfer agency fees.

*Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to the fees and expenses they may pay in connection with an investment in such Advisory Client. The information contained herein is a summary only and is qualified in its entirety by such documents.*

**D. If your *clients* either may or must pay your fees in advance, disclose this fact. Explain how a *client* may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Management fees applicable to certain Advisory Clients are paid monthly or quarterly, as applicable, in advance as described in the investment management agreement between such Advisory Client and AssuredIM or AHP, as applicable, and/or the governing documents of such Advisory Client. With respect to fee refunds, information about how investors in Advisory Clients withdraw or redeem interests or shares in an Advisory Client is set forth in the respective Advisory Client's governing documents.

**E. If you or any of your *supervised persons* accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

- 1. Explain that this practice presents a conflict of interest and gives you or your *supervised persons* an incentive to recommend investment products based on the compensation received, rather than on a *client's* needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to *clients*. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.**
- 2. Explain that *clients* have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.**
- 3. If more than 50% of your revenue from advisory *clients* results from commissions and other compensation for the sale of investment products you recommend to your *clients*, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.**

**4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.**

Neither AssuredIM, AHP nor AssuredIM's employees receive, directly or indirectly, any compensation from the sale of securities or investments that are purchased or sold for Advisory Client accounts. Each of AssuredIM and AHP is compensated through the stated management fee and performance compensation agreed upon in the governing documents of the respective Advisory Client. Accordingly, each of AssuredIM and AHP believes that it does not have any conflicts of interest regarding the receipt of additional compensation for the sale of investment products.

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

**If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.**

As described in Item 5, AssuredIM, AHP or their respective affiliates receive performance-based compensation for investment management services provided to Advisory Clients. Performance-based compensation represents an asset manager's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. AssuredIM's or AHP's, as applicable, performance-based compensation arrangements are typically a percentage of net profits allocated to an investor in an Advisory Client on an annual basis or based on an internal rate of return calculation by reference to distributions made to investors and, in certain cases, is subject to a hurdle or a reduction based on the amount of management fees paid.

Performance-based compensation creates certain inherent conflicts of interest with respect to the management of assets by AssuredIM and AHP. Specifically, their entitlement to performance-based compensation in managing one or more accounts may create an incentive for such adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation.

Neither AssuredIM nor AHP currently manages any accounts that are charged only asset-based fees (i.e., fees based simply on the amount of assets under management in an account). Accordingly, neither AssuredIM nor AHP considers its fee structure, pursuant to which it receives performance-based fees, to present any conflicts of interest in this respect currently. As a general matter, since performance-based fees reward an adviser for strong performance in accounts subject to such fees, an adviser may have an incentive to favor these accounts over those that have only asset-based fees with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. To the extent AssuredIM or AHP enters into advisory relationships subject only to asset-based fees, such adviser may have an incentive to favor the accounts which pay performance-based compensation over those that do not.

To maintain fair and equitable treatment of all of its Advisory Clients' accounts, each of AssuredIM and AHP have implemented controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure. Both AssuredIM and AHP maintain and adhere to written guidelines on the allocation of investment opportunities that apply to the Advisory Clients, the BMCLO CLOs and the Fuji CLOs. Such allocation guidelines are part of the compliance program that governs the conduct of AssuredIM, the Relying Advisers, BMCLO, BlueMountain Fuji and their respective employees. As explained below, AssuredIM and AHP believe that their allocation guidelines, along with other existing controls, provide an environment that fosters the fair and equitable treatment of all accounts managed by AssuredIM, regardless of fee structure.

### **Side-by-Side Management**

AssuredIM's or AHP's, as applicable, investment professionals simultaneously manage portfolios for Fund Clients, AHP Clients and Institutional Accounts that implement comparable investment strategies

(i.e., side-by-side management). In addition to managing the Advisory Clients' portfolios, such professionals manage the portfolios of Fuji CLOs and BMCLO CLOs. The simultaneous management of these different investment products creates certain potential conflicts of interest and the possibility of favorable or preferential treatment of a portfolio or a group of portfolios, as the fees for the management of certain types of products are higher than others or the investors in a certain portfolio or group of portfolios are subsidiaries of Assured Guaranty. Because side-by-side management raises such issues, and because each of AssuredIM and AHP has an affirmative duty to treat their respective Advisory Clients fairly and equitably over time, each has instituted controls, including its allocation guidelines, in an effort to ensure that it fulfills this duty.

AssuredIM's and AHP's allocation guidelines are written guidelines intended to ensure that investment opportunities are allocated on a fair and equitable basis among Advisory Clients (as well as the BMCLO CLOs and the Fuji CLOs). Such allocation guidelines set forth (i) methods of investment opportunity purchase and sale allocations which vary according to the liquidity profile of each investment opportunity and certain risk parameters applicable to each Advisory Client and (ii) allocation methods which determine how partially-filled orders are divided among Advisory Clients (and BMCLO CLOs and Fuji CLOs). AssuredIM and AHP periodically perform a series of tests to ensure that investment opportunities are allocated in conformity with these guidelines. Although each of AssuredIM and AHP has a duty to treat all portfolios employing an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that AssuredIM or AHP use the same investment practices consistently across all portfolios. In general, investment decisions for each Advisory Client will be made independently from those of other Advisory Clients (or the BMCLO CLOs or Fuji CLOs), and will be made with specific reference to the individual needs and objectives of each Advisory Client. In fact, different Advisory Client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for portfolios employing a similar investment strategy. In addition, AssuredIM or AHP, as applicable, will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, particularly if different portfolios have materially different amounts of capital under management by AssuredIM or AHP, different idiosyncratic risk concentration limits or different amounts of investable cash available. As a result, although AssuredIM manages (and the Relying Advisers, BMCLO and BlueMountain Fuji manage) numerous portfolios with comparable investment objectives, or manages accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, differ from portfolio to portfolio.

AssuredIM or AHP, as applicable, may, from time to time, offer certain investors in Advisory Clients and/or other third parties ("Co-Investors") the right or opportunity to co-invest with other investors and/or Advisory Clients in certain portfolio investments, whether as a direct investment by the Co-Investor or as an indirect investment via a special purpose vehicle or other co-investment vehicle established by AssuredIM or AHP, as applicable, to hold such co-investment (in each case, a "Co-Investment Opportunity"). Any such Co-Investment Opportunity would only be offered following a determination by AssuredIM or AHP, as applicable, that all Advisory Clients (and the BMCLO CLOs and Fuji CLOs) have received the full amount of their respective desired allocations of a particular investment in accordance with AssuredIM's or AHP's, as applicable, allocation guidelines.

Neither AssuredIM nor AHP is generally obligated to arrange Co-Investment Opportunities for all investors in an Advisory Client, and investors and Advisory Clients generally will not be entitled or have any right to participate in such an opportunity solely by reason of being an Advisory Client or an investor in an Advisory Client. AssuredIM's or AHP's, as applicable, decision to offer (or not to offer) Co-Investment Opportunities to any investor generally will be made in its sole discretion, with due consideration for, among other factors, (i) special rights previously offered to particular large or strategic

investors (including “most-favored-nations” rights), (ii) the size of the Co-Investment Opportunity, (iii) the capacity of the prospective Co-Investor to make the investment, (iv) the extent to which previous Co-Investment Opportunities were offered to the prospective Co-Investor (and whether such prospective Co-Investor participated in such previous Co-Investment Opportunities); (v) whether the prospective Co-Investor will represent a good syndicate partner in connection with the Advisory Client’s investment; (vi) how quickly a prospective Co-Investor will be able to consummate its co-investment (including completion of due diligence and obtaining all required internal approvals); (vii) AssuredIM’s or AHP’s, as applicable, evaluation of whether the Co-Investment Opportunity would subject the potential Co-Investor to legal, regulatory, reporting, public relations, media, or other burdens that make it less likely that the prospective Co-Investor would act upon the Co-Investment Opportunity, if offered; (viii) the ability of such prospective Co-Investor to generate future investment opportunities or provide other benefits to Advisory Clients; (ix) the ability of such prospective Co-Investor to provide analytical and market advice or other expertise that may be valuable to Advisory Clients; and (x) tax, legal, regulatory or confidentiality considerations. In certain cases, Co-Investment Opportunities are structured to entitle AssuredIM or AHP to receive performance-based compensation and/or management fees.

BlueMountain Fuji serves as the collateral manager to the Fuji CLOs and is wholly owned (directly or indirectly) by Advisory Clients. AssuredIM has entered into a services agreement and a secondment agreement with BlueMountain Fuji whereby AssuredIM provides certain services associated with the management of Fuji CLOs, including access to its full team of research analysts employed by AssuredIM; office space; back office services such as loan settlement, and legal and compliance services; and performance of trade executions upon instruction from AssuredIM. By way of compensation for these services, AssuredIM receives a services fee and a secondment fee from BlueMountain Fuji. BMCLO serves as the collateral manager to the BMCLO CLOs. AssuredIM has entered into a services agreement and a secondment agreement with BMCLO whereby AssuredIM provides certain services associated with the management of the BMCLO CLOs, including access to its full team of research analysts and portfolio managers employed by AssuredIM; office space; back office services such as loan settlement, and legal and compliance services; and performance of trade executions upon instruction from AssuredIM. By way of compensation for these services, AssuredIM receives a services fee from BMCLO. As a result of these arrangements, AssuredIM, BlueMountain Fuji and BMCLO share certain personnel. Investment professionals associated with AssuredIM are actively involved in other investment activities not concerning its Advisory Clients and therefore are not able to devote all of their time to its Advisory Clients’ business and affairs.



## **Item 7 – Types of Clients**

**Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

### **Types of Clients**

AssuredIM provides investment advisory services to pooled investment vehicles operating as private investment funds and institutional accounts.

AHP provides investment advisory services to pooled investment vehicles operating as private investment funds.

### **Conditions for Managing Accounts**

The minimum initial investment amount for investors in Fund Clients is generally at least \$1,000,000. The minimum initial investment amount for investors in CLOs is generally at least \$250,000. In general, the minimum investment required for an Institutional Account depends on the type, number, and complexity of the strategies and instruments to be managed in the vehicle and the time horizon of the investment.

These requirements generally can be waived at the discretion of the general partner or the board of directors of the Advisory Client, or their respective delegates, subject to minimum requirements for Fund Clients organized in certain offshore jurisdictions.

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

**A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that *clients* should be prepared to bear.**

AssuredIM is an asset management firm that follows a comprehensive, multi-strategy approach to investing; AHP is an asset management firm that focuses on investments in the healthcare sector. Notwithstanding the emphasis intended by references to either AssuredIM or AHP below, the following methods of analysis and investment strategies in this Item 8.A generally apply to the Advisory Clients of AssuredIM and AHP. Each Advisory Client's investment strategy is generally set forth in a confidential private placement memorandum or other offering documents of such Advisory Client.

AssuredIM's investment process generally consists of identifying trading and investment strategies within and across asset classes and markets by combining one or more of the following methods of analysis:

1. Fundamental research by AssuredIM's research team;
2. Quantitative analysis of price relationships within market segments and across different markets by the quantitative strategy team;
3. An understanding of the technical dynamics in the various credit, fixed income, equity and volatility markets (by the trading desk and portfolio managers); and
4. Market insights, macroeconomic views, judgment, and discretion of the portfolio managers.

AssuredIM's analysts undertake in-depth financial analysis of individual names and monitor market developments across the sector. They combine a fundamental, cash flow approach with an understanding of the company's capital structure and specific securities to facilitate absolute and relative value judgments on individual names. Analysts make recommendations on outright long or short positions in particular positions, capital structure trades and opportunities that arise between names. Research specialists provide expertise in particular areas of fundamental research to complement sector and name coverage and use quantitative models that generate fundamental, technical and flow-based signals.

AssuredIM's portfolio managers oversee the portfolio management team, the members of which are organized by sub-strategy. The portfolio managers analyze trade ideas, monitor the portfolio, perform risk and scenario analyses, and look for investment opportunities within their strategy. The portfolio management team is ultimately responsible for deciding which investment ideas to implement. The team makes these determinations based on the current exposures in the portfolio, the market environment, the relative attractiveness, risk profile, and liquidity of the new position, and the judgment of its members.

AssuredIM's investment strategies and investment themes can be broadly grouped into the following categories:

Credit: fundamentally and technically based relative value investments (long and short) (i) between or among different issuers, groups of issuers, or sectors, (ii) in instruments with differing levels of seniority within the capital structure of one issuer, (iii) in credit instruments along the term structure curve of single name credits or indices (curve flatteners and steepeners), (iv) between indices and in indices versus their constituents, and (v) between cash bonds and credit default swaps of the same issuer. Investments are expressed in debt, convertible debt, option and equity positions, as well as in derivative form.

Distressed and Special Situations: long and short positions in equity and debt instruments of stressed and distressed issuers, issuers undergoing extraordinary transactions and issuers in industries experiencing transitional changes.

CLOs: positions across the capital structure of collateralized loan obligations advised by AssuredIM, BMCLO and BlueMountain Fuji as well as other advisors.

ABS: long and short positions in individual asset backed securities, including, but not limited to, specialty finance companies, student loans, credit card receivables and auto financings, as well as debt and equity positions in consumer and commercial finance companies.

Synthetic Structured Credit: long and short positions in portfolios of credits pooled together and then tranching into classes with varying priorities and risk/return profiles. The credits underlying these transactions are derivative or cash instruments and the investments themselves are in derivative or cash form.

Mortgages: long and short positions in non-agency mortgage bonds, mortgage backed securities, mortgage REITs, debt and equity positions in mortgage originators, whole loans, home equity conversion mortgages and other mortgage related assets.

Commercial Real Estate: debt and equity positions in real estate and real estate related assets, including commercial real estate, project finance transactions and tax-lien investments.

Volatility and Cross Markets: long and short positions of volatility and other derivative assets, both within the same and across varying markets.

Municipal Bonds: positions in taxable, tax-exempt, investment grade and high-yield municipal bonds.

Insurance-Linked Securities: investments in catastrophe bonds and other instruments with performance linked to realization of insured and other triggering events.

Appraisal Claims: utilize corporate law to seek judicial review of M&A transactions that undervalue the target company.

Private Capital: privately negotiated investments across debt, equity and structured/hybrid instruments in various industries including healthcare, specialty finance and infrastructure.

In evaluating securities, the main sources of information used by AssuredIM include, but are not limited to: quantitative data provided by third-party vendors; financial newspapers and magazines; research materials prepared by third parties; corporate rating services; annual reports, prospectuses and filings with the SEC; and company press releases. However, AssuredIM relies on its traders, portfolio managers, research analysts and quantitative strategists for generating and vetting trade ideas. AssuredIM typically generates internally the research that it ultimately relies upon to make investment decisions.

Investors in Advisory Clients should be aware that investing in securities involves risk of loss that investors should be prepared to bear.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

All securities investments risk the loss of capital. No guarantee or representation is made that an Advisory Client will achieve its investment objective or that investors will not lose all or substantially all of their investment in the Advisory Client. Purchases of interests in Advisory Clients are suitable only for

investors of substantial financial means who can make a long-term investment, can bear the risk of loss of their entire investment in the Advisory Client and have no need for liquidity of their investment.

Each of AssuredIM's and AHP's, as applicable, strategies has the potential for Advisory Clients' assets to decline in value. The nature of Advisory Clients' investments involves certain risks, and the use of investment techniques (such as hedging, leverage and short selling) carries additional risks.

Notwithstanding the emphasis intended by references to either AssuredIM or AHP below, the following risk factors in this Item 8.B generally apply to the Advisory Clients of AssuredIM and AHP. Some of the specific risks to which Advisory Client assets are susceptible are as follows:

#### Concentration of Investments

AssuredIM generally seeks to maintain a diversified portfolio of investments. However, Advisory Clients may at certain times hold relatively few investments. AHP does not seek to maintain a diversified portfolio of investments in the AHP Funds. Advisory Clients could be subject to significant losses if they hold a large position in a particular investment that declines in value or is otherwise adversely affected.

#### Volatility

The market value of certain of an Advisory Client's investments may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, the macro business and economic environment, specific developments or trends within a company or in any particular industry, the market's overall perception of risk, general economic conditions, the condition of certain financial markets, domestic and international economic or political events, prevailing credit spreads, changes in prevailing interest rates and the financial condition of counterparties.

#### Illiquidity of Investments

In some circumstances, investments (including the large majority of investments by AHP Funds) are relatively illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. Accordingly, AssuredIM's or AHP's, as applicable, ability to respond to market movements may be impaired, and Advisory Clients may experience adverse price movements upon liquidation of its investments.

In addition, the Advisory Clients may make private investments that are subject to liquidity-related risks, particularly the risk that an Advisory Client will be unable to dispose of such investments by sale or other means at attractive prices or will otherwise be unable to complete any exit strategy. Among others, these risks include changes in the financial condition or prospects of the entity in which the investment is made. It is not generally expected that private securities acquired by an Advisory Client will eventually be registered and listed on a securities exchange. Absent registration, such Advisory Client will not be able to sell such securities unless an exemption from such registration requirements is available. In addition, in some cases an Advisory Client may be prohibited by contract or regulatory restrictions from selling such securities for a period of time. To the extent that there is no liquid trading market for an investment, an Advisory Client may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers for an Advisory Client's investments will be found.

#### Financial Model Risk

Most, if not all, of Advisory Clients' investments and investment strategies require the use of quantitative and qualitative valuation models developed by AssuredIM, AHP and third parties. As market dynamics shift (for example, due to changed market conditions and participants) over time, a previously highly successful model may become outdated or inaccurate, perhaps without AssuredIM or AHP, as applicable,

recognizing the change before significant losses are incurred. An Advisory Client's model risk extends to the valuation of its investments, most of which will be made on the basis of internal AssuredIM or AHP, as applicable, models in the absence of any readily determinable market value. The valuations so determined may differ materially from values that are actually realized.

### Quantitative Analysis

Use of Systems. AssuredIM relies extensively on the use of computer systems, hardware, software, and telecommunications equipment. AssuredIM makes use of its own equipment as well as equipment, systems and services (including so-called "cloud" based storage and other services) provided by third parties. Accordingly, the Advisory Clients are exposed to the risk that computer hardware, software, electronic equipment and other services used by AssuredIM may cease to be available, for example, due to the insolvency of the provider, the discontinuation of services or software updates, or the interruption of communication access. In such circumstances, AssuredIM would seek to obtain equivalent hardware, software and services from an alternative supplier, which could take time to accomplish and which could be costly.

Risk of Programming Implementation Error or Logical Error. Given the reliance of AssuredIM upon the operation of its models and other software trading and analysis systems, it follows that the Advisory Clients are therefore at risk of errors of implementation (colloquially known as "bugs") and errors of design that may exist or arise in the software or models, and which may cause inappropriate or aberrant behavior under certain market conditions. While reasonable steps have been taken to ensure that the software is adequate in design and free from bugs, formal proof of bug-free code has not been undertaken, nor can the underlying logical and/or mathematical models be certified as free from error; investors should expect that – at any given time – AssuredIM's code will contain errors of design and bugs.

As with any software, upgrades, "bug fixes" and various other improvements may be introduced over time and the risk therefore exists that such changes may detrimentally affect the performance of the Advisory Clients, rather than improve it.

Furthermore, without limitation, while the software has been tested, no guarantee can be given that a combination of input conditions experienced when running the system "live" will not cause the system to fail, perform aberrantly, or take positions that were not anticipated.

These failures may occur in a complex, interdependent environment where different elements of code are all functioning correctly, but their interaction gives rise to unanticipated or unintended errors. Given the fact that AssuredIM will be utilizing proprietary and third-party code (some of which may be open-source or without any warranties), it is possible or likely that errors will arise from such interactions, and that such errors and any related losses would not constitute reimbursable Trade Errors.

Risks Inherent in Computer-Driven and Intellectual Property Based Systems. AssuredIM relies to a material extent on a wide range of intellectual property systems, including computer hardware and software systems and telecommunications systems, in substantially all phases of its operations, including research, valuation, trade identification and construction, trade execution, clearing, risk management, back office functions and reporting.

As described above, intellectual property systems are subject to a number of inherent and unpredictable risks. For example: there may be material undiscovered errors in software programs; software and/or hardware may malfunction and/or degrade; electronic and telecommunications delivery may fail; security breaches may lead to unauthorized trades or stolen intellectual property; services provided by third-party vendors to support the intellectual property systems may be interrupted; and computer-driven trading errors may occur. For the sake of clarity and without limitation, though losses arising from computer-

driven and intellectual property-based systems could adversely affect the Advisory Clients' performance, such losses would likely not constitute reimbursable Trade Errors.

### Trade Errors

As a fiduciary, AssuredIM has an obligation to seek to ensure that orders it places for the account of Advisory Clients are accurate; nevertheless, Advisory Clients may experience errors with respect to the execution of trades placed on its behalf by AssuredIM. Such "Trade Errors" include, for example: (i) an unintended or inaccurate execution of an actionable order generated by AssuredIM's trading system; (ii) an erroneous voice instruction or an erroneous keystroke order entry relating to an actionable order generated by AssuredIM's trading system; (iii) an error in AssuredIM's trade execution routing systems, software or protocols; and (iv) an error during the clearance and settlement processes that results in an unintended transaction. Delays in executions of orders that are attributable to AssuredIM and trading errors that do not result in transactions (such as erroneous trade instructions that are withdrawn or corrected prior to execution and erroneous cancellations of actionable orders generated by AssuredIM's trading system) will not be viewed as "Trade Errors."

While the identification of Trade Errors and the proper method for resolving Trade Errors in any particular circumstance can be complicated, particularly in a model-driven trading environment (which comprises part of AssuredIM's investment program), it is AssuredIM's general policy to identify Trade Errors and, where feasible and appropriate, to ensure that each Trade Error is corrected in an expeditious manner. However, there are situations—particularly where a quantitative model is involved or where the discovery of the trade error follows the settlement of the erroneous trades by some period of time—where it will be in the best interests of AssuredIM's Advisory Clients to allow a trade placed in error to stand, and for the portfolio (including the position resulting from a trade error) to serve as the basis for subsequent trading decisions.

Neither AssuredIM nor any other person indemnified pursuant to an Advisory Client's governing documentation (each, an "Indemnified Person") will be liable to the Advisory Clients for losses resulting from any Trade Error, absent the actual fraud, bad faith, gross negligence (as determined under New York law) or willful misconduct of AssuredIM or of any such Indemnified Person. As a result of these provisions, the Advisory Clients (and not AssuredIM) will benefit from any gains resulting from Trade Errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors, absent actual fraud, bad faith, gross negligence (as determined under New York law) or willful misconduct on the part of AssuredIM or any other Indemnified Person, in which case AssuredIM will reimburse the Advisory Clients for any losses resulting from such covered Trade Errors. Profits from Trade Errors may not offset losses from Trade Errors, unless the underlying transactions constitute a single transaction.

Given the potentially large volume of transactions executed by AssuredIM on behalf of the Advisory Clients, investors should assume that Trade Errors will occur and that, to the extent permitted by applicable law and under the applicable Advisory Client's governing documents and/or investment management agreement, the Advisory Client will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of AssuredIM and its personnel.

Hardware Failures. Similarly, with regard to trading, communication, development, programming and other systems or equipment that AssuredIM operates, utilizes or relies upon, any or all of the following events may occur, even where AssuredIM, acting as a fiduciary, takes steps to select secure and satisfactory equipment and service providers: (i) failures of such systems or equipment; (ii) interruptions in access to or the operations of such systems or equipment; (iii) loss of functionality of such systems or equipment; (iv) degradation or corruption of such systems or equipment; (v) compromises in the security or integrity of such systems or equipment; (vi) loss of power to such systems or equipment; and

(vii) other situations that adversely affect such systems or equipment, however caused or occurring. These sorts of problems can result in losses for the Advisory Clients and are collectively termed “Hardware Failures.” Hardware Failures also are not deemed to be “Trade Errors.”

Pursuant to the “general exculpation and indemnity standard” described above, none of AssuredIM or any other Indemnified Person will generally be liable to the Advisory Clients for losses resulting from any Hardware Failure, absent the actual fraud, bad faith, gross negligence (as determined under New York law) or willful misconduct of AssuredIM or of any such Indemnified Person. As a result of these provisions, the Advisory Clients (and not AssuredIM) will be responsible for any losses resulting from Hardware Failures, absent actual fraud, bad faith, gross negligence (as determined under New York law) or willful misconduct on the part of AssuredIM or any other Indemnified Person, in which case AssuredIM will reimburse the Advisory Clients for losses resulting from such covered Hardware Failures. Investors should weigh the risk that Hardware Failures result in losses for the Advisory Clients, which will be responsible for such losses, even if they result from the negligence (but not gross negligence) of AssuredIM and its personnel.

### Currency Exposure

Interests in Advisory Clients are issued and withdrawn primarily in U.S. Dollars, and a limited amount of interests in Advisory Clients are issued and withdrawn in either Euro, British Pound Sterling or Japanese Yen. In certain cases, the assets of Advisory Clients are, however, invested in securities and other investments which are denominated in currencies other than U.S. Dollars, Euro, British Pound Sterling and Japanese Yen. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. AssuredIM usually seeks to hedge the foreign currency exposure of Advisory Clients, but Advisory Clients are not required to hedge and there can be no assurance that an Advisory Client’s hedging activities, even if undertaken, will be effective. However, Advisory Clients are necessarily subject to foreign exchange risks. In addition, prospective investors in Advisory Clients whose assets and liabilities are predominately in other currencies should take into account the potential risk of loss arising from fluctuations in value between the U.S. Dollar and other currencies.

### Possible Positive Correlation

One of the goals in incorporating non-traditional investment strategies such as those to be utilized by Advisory Clients into a portfolio or series of portfolios is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress, when the risk control benefits of diversification may be most important, that an Advisory Client will, in fact, be negatively- or non-correlated with a traditional portfolio of stocks or bonds.

### Short Selling

AssuredIM engages in short selling. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. Additionally, there can be no assurance that securities necessary to cover a short position will be available for purchase.

### Leverage

Advisory Clients employ leverage for the purpose of making investments and to hedge their exposure to market and credit risk. The use of leverage creates special risks and may significantly increase the Advisory Client’s investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, increases the Advisory Client’s exposure to capital risk and interest costs. Any

investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the value of interests in the Advisory Client to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the value of the interests in the Advisory Client may decrease more rapidly than would otherwise be the case.

#### Spread Trading Risks

A part of an Advisory Client's trading operations may involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. In addition, such positions entail substantial risk that the price differential could change unfavorably, causing a loss to the spread position. In periods of trendless, stagnant markets and/or deflation, many alternative investment strategies have materially diminished prospects for profitability.

#### Arbitrage Transaction Risks

Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. From time to time, AssuredIM employs these arbitrage strategies for certain Advisory Clients. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent an Advisory Client is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

#### Hedging Transactions

The success of an Advisory Client's hedging strategy is subject to AssuredIM's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of an Advisory Client's hedging strategy is also subject to AssuredIM's ability to recalculate, readjust, and execute hedges continually and in an efficient and timely manner.

From time to time, an Advisory Client may enter into hedging transactions to seek to reduce risk; however, such transactions may result in a poorer overall performance for the Advisory Client than if it had not engaged in any such hedging transactions. For a variety of reasons, AssuredIM may not seek to establish a perfect correlation between such hedging instruments and the risks being hedged. Such imperfect correlation may prevent the Advisory Client from achieving the intended hedge or expose the Advisory Client to risk of loss. In addition, AssuredIM may not hedge a risk inherent in the Advisory Client because a hedge may not be available or is too costly in light of the likelihood of the possible risk actually occurring, or because the risk simply was not anticipated.

#### Counterparty Risk

An Advisory Client is subject to the risk of the inability of any counterparty (including prime brokers) to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. The stability and liquidity of swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that AssuredIM will monitor on an ongoing basis the creditworthiness of firms with which it will enter into swaps or other over-the-counter derivatives on behalf of the Advisory Clients. If there is a default by the counterparty to such a transaction, the Advisory Client will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in losses. Furthermore, there is a risk



that any of such counterparties could become insolvent. If one or more of the Advisory Client's counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of that portion of such Advisory Client's portfolio held by such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, Advisory Clients use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Advisory Clients' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on an Advisory Client and its assets. Investors should assume that the insolvency of any counterparty would result in a loss, which could be material, to the affected Advisory Client.

#### Reliance on Corporate Management and Financial Reporting

AssuredIM relies on the financial information made available by the issuers in which Advisory Clients invest. AssuredIM typically does not independently verify the financial information disseminated by the numerous issuers in which Advisory Clients may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to the issuers of investments held by Advisory Clients may result in material losses. Equity prices are particularly vulnerable to corporate mismanagement.

#### Litigation

From time to time, in the ordinary course of their operations, AssuredIM and its affiliates may be subject to litigation and arbitration, which can be costly and divert significant portions of available staff time and resources. In addition, from time to time AssuredIM uses litigation as part of an investment tactic. An Advisory Client could be party to lawsuits either initiated by it, or by a company in which such Advisory Client invests, other shareholders, or state, federal and foreign governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the applicable Advisory Client. Any litigation or arbitration could have a materially adverse effect on the involved Advisory Client.

#### Exposure to Material, Non-Public Information

From time to time, AssuredIM receives material, non-public information with respect to an issuer of publicly traded securities. In such circumstances, Advisory Clients may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

#### Reliance on Management

Investors generally do not have an opportunity to select or evaluate any Advisory Client's investments, or to review an Advisory Client's securities and other investment positions. AssuredIM selects all Advisory Client investments, and the quality of AssuredIM's decisions dictates the Advisory Clients' success or failure. In addition, the business and prospects of AssuredIM (and by extension, the Advisory Clients) might be materially and adversely affected by the death or incapacity of any senior personnel of AssuredIM. Further, if the Advisory Clients managed by AssuredIM were to incur substantial losses, the

revenues of AssuredIM may decline substantially. Such losses may impair AssuredIM's ability to retain employees, provide the same level of service to the Advisory Clients and continue operations.

#### Reliance on Certain Third Parties

Advisory Clients are dependent upon their counterparties and certain service providers, such as the administrators of the Advisory Clients. Errors are inherent in the operations of any business (including the business of the Advisory Clients), and although AssuredIM has adopted measures to prevent and detect errors by, and misconduct of, counterparties and service providers, and to transact with counterparties and service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct by such service providers could have a material adverse effect on the Advisory Clients.

#### Incentive Fees of Service Providers and Third-Party Managers

Service providers and managers of special purpose vehicles (each, an "SPV") through which Advisory Clients may invest ("Third-Party Managers") receive compensation based on, among other things, the performance of the assets that they service or in which such SPVs invest. Therefore, it is possible that certain service providers or Third-Party Managers receive incentive compensation from an Advisory Client, even though such Advisory Client, as a whole, does not achieve net capital appreciation. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation may be calculated on a basis which includes unrealized appreciation of an Advisory Client's assets, such performance-based compensation may be greater than if such compensation were based solely on realized gains. In addition, the existence of such incentive fees and other fees, such as management fees based, for example, on the value of assets managed, result in Advisory Clients paying fees twice, once to the AssuredIM or its affiliate and once to the service provider or Third-Party Manager to service or manage the same assets.

In certain cases, Third-Party Managers also receive compensation from investments in the form of transaction, director, monitor and other similar fees or in connection with any investment not completed (e.g., break-up fees). An Advisory Client is responsible for the payment of such transaction fees and conflicts of interest may arise in connection with the payment of such transaction fees.

#### Co-Investments by Advisory Clients and Other Third Party Investors

An Advisory Client may co-invest initially in a particular loan, security or other investment at substantially the same time as other Advisory Clients, in which case they would invest at substantially the same price. Though Advisory Clients often invest in tandem with other Advisory Clients, each Advisory Client will not necessarily invest through the same entity or use the same counterparties. This may result in differences in price, terms and amount of leverage (if any), and associated transaction costs. In addition, there can be no assurance that each Advisory Client would dispose of such an investment at substantially the same price or time as other Advisory Clients due to many factors that may or may not be foreseeable at the time of investment, including availability of capital for follow-on investment and other needs, differing basis in the investment, differing financing terms applicable to different investments, time horizons applicable to different Advisory Clients (including different investment periods) and their differing investment objectives and investment programs. Further, one Advisory Client's determination to dispose of an investment could affect the timing of another Advisory Client's disposal of that same investment. For example, such disposal could forfeit or diminish altogether certain rights or benefits (e.g., voting or other consent and control rights, board or committee representation, other rights attendant to superior equity or debt positions, etc.) held directly or indirectly by all Advisory Clients participating in the investment due to aggregate holdings size requirements or other considerations or otherwise affect

the long-term viability of the investment, resulting in the determination by the other Advisory Clients that it is in their respective best interests to liquidate their positions as well even if the timing of such liquidation would not otherwise have been considered optimal. Further, to the extent an Advisory Client is required to liquidate its interest in such investment to meet liquidity demands of its investors, such liquidation may have an adverse effect on the market value of the underlying investment.

In addition, Advisory Clients may co-invest with third parties that are not Advisory Clients through joint ventures or other SPVs. Such investments involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of an Advisory Client may at any time have economic or business interests or goals which are inconsistent with those of such Advisory Client, or may be in a position to take action contrary to such Advisory Client's investment objectives. In addition, an Advisory Client in certain circumstances will be liable for actions of its co-venturers or partners. Furthermore, if a co-venturer defaults on its funding obligations, in certain circumstances such Advisory Client will be required to make up the shortfall. Investments made with third parties in partnerships, joint ventures or other SPVs involve carried interest and/or other fees payable to such third-party co-venturers or partners. In those circumstances where such third parties involve a management group, such third parties receive compensation arrangements relating to such investments, including incentive compensation arrangements.

#### Co-Investment Opportunities

As discussed above under *Side-by-Side Management*, AssuredIM, from time to time, offers certain investors in Advisory Clients and/or other third parties the right or opportunity to co-invest with other investors and/or Advisory Clients in certain portfolio investments, whether as a direct investment or as an indirect investment via a special purpose vehicle or other co-investment vehicle established by AssuredIM to hold such co-investment. AssuredIM generally is not obligated to arrange Co-Investment Opportunities for investors in any Advisory Client, and investors and Advisory Clients generally will not be entitled or have any right to participate in such a Co-Investment Opportunity solely by reason of being an Advisory Client or an investor in an Advisory Client.

#### Investing in Pre-Existing Investments

In certain cases, Advisory Clients invest in entities or assets in which other Advisory Clients hold an investment. Such transactions may have an effect (positive or negative) on the market price of such investment. In circumstances in which an Advisory Client makes an investment in an entity in which other Advisory Clients have a pre-existing investment, the investing Advisory Client would be expected to make business decisions relating to such investment (such as, for example, financing or hedging interest rate or currency risk) independently of the analogous decisions made with respect to such investment by such other Advisory Clients. This may result in situations where an Advisory Client may choose not to hedge certain risks that other Advisory Clients do hedge, or the possibility that an Advisory Client is exposed to risks of financing (for example, possible margin calls) on an investment when other Advisory Clients are not.

#### Investing in Different Levels of the Capital Structure

It is expected that Advisory Clients will hold interests in an entity that are of a different class, type or seniority than, or otherwise adverse to, the class, type or seniority of interests held by other Advisory Clients. Similarly, from time to time Advisory Clients will hold multiple investments across the capital structure of an issuer of varying classes, types or seniorities, but will hold different proportions of each such investment. It is possible that the trading and investment activities of any Advisory Client could conflict with the activities and strategies employed in managing the assets of any other Advisory Client and affect the prices and availability of the securities and instruments in which an Advisory Client

invests. For example, one Advisory Client may hold unsecured debt of an issuer while another Advisory Client holds secured debt of the same issuer. This would potentially result in one Advisory Client being senior or junior to another Advisory Client in the capital structure of such entity, which could mean that in a restructuring, workout or other distressed scenario the interests of such Advisory Clients might be adverse to one another, and one such Advisory Client might recover all or part of their investment while the other does not. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest.

In addressing certain of the potential conflicts of interest described herein, AssuredIM may, but shall not be obligated to, take one or more actions on behalf of an Advisory Client, including any one or more of the following: (i) causing an Advisory Client to remain passive in a situation in which it is otherwise entitled to vote or take other action, which may result in the outcome of such vote or action being determined by (x) other investors or decision-makers in the same class of equity or debt securities (or another class of equity or debt) or (y) the vote or other action taken by another Advisory Client; (ii) referring the matter to one or more persons that is not affiliated with AssuredIM to review or approve of an intended course of action with respect to such matter; (iii) consulting with the Advisory Client on such matter or otherwise requesting that the underlying investors (or an advisory board) approve such matter; (iv) establishing ethical screens or information barriers to separate AssuredIM investment professionals or assigning different teams of AssuredIM investment professionals, supported by legal counsel and other advisers, as AssuredIM deems appropriate, to act independently of each other in representing different Advisory Clients or Advisory Clients that hold different classes, series or tranches of an issuer's capital structure; (v) as between two Advisory Clients, ensuring (or seeking to ensure) that the underlying investors therein own interests in the same securities or financial instruments and in the same proportions so as to preserve an alignment of interest; or (vi) causing an Advisory Client to divest itself of a security or financial instrument or particular class, series or tranche of an issuer's capital structure it might otherwise have held on to, including causing an Advisory Client to sell a security or financial instrument to one or more other Advisory Clients (or vice versa), or underlying investors in such other Advisory Client. There can be no assurance that any of these measures will be feasible or effective in any particular situation, and it is possible that the outcome for the Advisory Client will be less favorable than might otherwise have been the case if AssuredIM had not had duties to other Advisory Clients.

AssuredIM recognizes that conflicts arise when Advisory Clients invest in different levels of the capital structure of the same entities and will endeavor to treat all Advisory Clients fairly and equitably under such circumstances. The actions taken by AssuredIM on behalf of an Advisory Client are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Advisory Clients in different classes, series or tranches of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, investors should expect some degree of variation, and potentially inconsistency, in the manner in which potential or actual conflicts are addressed. While AssuredIM seeks to resolve the conflicts in an impartial manner, there can be no assurance that AssuredIM's own interests will not influence its conduct.

### Dissolution Risks

Advisory Clients may be required to liquidate their investments pursuant to the liquidity rights of their investors. In the case of a dissolution of an Advisory Client, dissolution may require the selling of such Advisory Client's investments under circumstances which may negatively affect the Advisory Client's returns. Where an Advisory Client is liquidated pursuant to its dissolution provisions, this may also negatively affect the value of other Advisory Clients' investments and/or the circumstances of their disposition and accordingly the Advisory Clients' returns.

## Cybersecurity and Systems Risks

AssuredIM relies extensively on computer programs, networks, devices and systems (and may rely on new systems and technology in the future) in connection with the Advisory Clients' investment activities, including, without limitation, to trade, clear and settle securities transactions, to evaluate certain investments based on real-time information, to engage in automated trading, to monitor each Advisory Client's portfolio and net capital, and to generate risk management and other reports that are critical to oversight of each Advisory Client's activities. In addition, certain of the Advisory Clients', AssuredIM's and their affiliates' operations interface with or depend on computer programs, networks, devices and systems operated by third-parties, service providers and market counterparties and their sub-custodians and other service providers, and AssuredIM may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures, interruptions or security breaches, including, but not limited to, those caused by computer "worms," viruses, power failures and social engineering schemes such as "phishing."

Cybersecurity and information security breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. AssuredIM's operations are highly dependent on each of these systems and the successful operation of such systems is often out of AssuredIM's control. Any such defect, failure or breach could have a material adverse effect on the Advisory Clients, AssuredIM and their affiliates. For example, systems failures, information security incidents or cybersecurity breaches could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of AssuredIM to accurately monitor the Advisory Clients' investment portfolios and risks. Cybersecurity breaches may cause (i) disruptions and impact business operations, potentially resulting in financial losses to the Advisory Clients; (ii) interference with AssuredIM's ability to calculate the value of an Advisory Client's investment; (iii) impediments to trading; (iv) the inability of AssuredIM and other service providers to transact business; (v) violations of applicable privacy and other laws; (vi) regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as (vii) the inadvertent release of confidential information. Similar adverse consequences could result from system failures and cybersecurity breaches affecting (i) issuers of securities in which the Advisory Clients invest; (ii) counterparties with which the Advisory Clients engage in transactions; (iii) governmental and other regulatory authorities; (iv) exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions; and (v) other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

## Automated Trading Systems

AssuredIM implements investment strategies through automated trading programs. These automated trading programs execute trades by issuing and canceling electronic orders, all without the direct approval of any person. Although AssuredIM has implemented software risk management systems, there can be no guarantee that AssuredIM's software systems are error free. Potential flaws in these software systems include but are not limited to flaws in design, implementation, configuration, communication, testing, compiling, or linking. These potential flaws create a risk that one or more automated trading programs could trade out of control, possibly subjecting Advisory Clients to material loss of capital. Furthermore, because of the rapid speed of these automated trading programs, such losses could occur in a very short period of time.

## **AHP-Focused Risks**

Given the particular investment focus of AHP's Advisory Clients in the healthcare industry, and the long-term investment structure of its Advisory Clients, such Advisory Clients have particular exposure to a number of risks.

### **Risks Related to Investments in the Healthcare Industry**

AHP's Advisory Clients make investments in the healthcare industry, which is subject to regulatory controls by one or more U.S. federal agencies and by various agencies of the states, localities, counties and countries in which they operate.

The nature and scope of healthcare regulations are generally subject to political forces and market considerations, and recently, the U.S. government and other governments have shown significant interest in pursuing healthcare reform. New laws, regulations and judicial decisions, or new interpretations of existing laws, regulations and decisions that relate to healthcare availability, methods of delivery or payment for products and services, or sales, marketing or pricing, may have a material negative impact on the performance of portfolio companies that operate in this industry. AHP cannot predict whether new legislation or regulations governing the healthcare industry will be enacted by legislative bodies or governmental agencies, or what effect such legislation or regulations might have. In addition, obtaining any necessary regulatory approval may be a lengthy and expensive process with an uncertain outcome. AHP and existing or prospective portfolio companies may be unable to obtain necessary regulatory approvals on a timely basis, if at all, and the failure to obtain approval could have an adverse effect on the success of the portfolio companies.

In the United States, healthcare providers often rely on governmental and other third-party payers, such as federal Medicare, state Medicaid and private health insurance plans to pay for all or a portion of the cost of the products and services they provide. Their ability to obtain appropriate coverage and reimbursement for their products and services from governmental and other third-party payers is critical to their success. The introduction of cost-containment incentives has and will continue to result in increased discounts and contractual adjustments to charges for products and services in the healthcare industry. Future legislative or administrative changes to the payment system in the United States could significantly reduce the amount of reimbursement available for the products and services provided by portfolio companies from governmental and other third-party payers or result in a denial of coverage entirely. There can be no assurance that a company's proposed services will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment.

There can be no guarantee that government's role in the healthcare industry will not adversely impact the performance of AHP's Advisory Clients.

Further, companies in the healthcare industry are often subject to significant risks related to litigation and liability for damages in connection with their operations, or products and services offered. The litigation and liability environment in the healthcare industry is constantly evolving, and new judicial decisions and legislative activity may increase exposure to any of these types of claims. Even if liability insurance is maintained by a portfolio company, it may not be adequate to cover potential liabilities.

### **Risks Related to Investments in Real Estate Related to the Healthcare Industry**

*Nature of Real Estate Investments Generally.* AHP's Advisory Clients may make direct or indirect investments in real estate or real-estate related business and assets related to the healthcare industry. Such investments will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. The real estate industry is cyclical in nature, and a deterioration of

real estate fundamentals may negatively impact the performance of AHP's Advisory Clients. Additional risks include, but are not limited to, those associated with the burdens of ownership of real property, general and local economic conditions, changes in environmental and zoning laws, uninsured or uninsurable losses, regulatory limitations on rents, decreases in property values, changes in tenant demand, changes in supply of and demand for competing properties in a particular area, changes in housing policy, the financial resources of tenants, changes in availability of debt financing which may render the sale or refinancing of properties difficult or impracticable, changes in building and similar laws, energy and supply shortages, terrorist attacks, war, severe weather patterns, natural disasters and other "acts of God", changes in real property tax rates and operating expenses, changes in interest rates, and the availability of mortgage funds, which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, environmental liabilities, contingent liabilities on disposition of assets, and other factors that are beyond the control of AHP. Most of such investments will be difficult to value, and if AHP's opinion as to the value of such an investment is incorrect or not shared by other market participants, AHP's Advisory Clients' returns will be adversely affected.

*Risks of Acquiring Real Estate Property.* AHP's Advisory Clients real estate-related investments are subject to various risks that may cause fluctuations in occupancy, rental rates, operating income and expenses or which may render the sale or financing of such investments' properties difficult or unattractive, which could adversely impact the investment returns.

*All Development Stages.* AHP's Advisory Clients invest in securities representing projects in all stages of development, early stage investments in undeveloped sites to late-stage conversion, renovation and operating projects. Each such stage has its own particular risks. While later-stage projects are often considered less speculative than earlier-stage investments, that is by no means always the case, and the reward/risk profiles of earlier-stage projects may be materially greater than later-stage transactions.

*Risks Related to the Specific Use of the Property.* Additional risks may be presented by the type and use of a particular commercial property. Furthermore, a commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures.

*Environmental and Similar Liabilities.* AHP's Advisory Clients may be exposed to substantial risk of loss from claims arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or problems with inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified.

*Real Estate Securities.* The real estate equity securities in which AHP's Advisory Clients invest are subject to specific risks relating to the particular issuer of the securities and may be subject to the general risks of investing in subordinated real estate securities and the general risks of the real estate industry (described above). Developments in global and local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the current value of real property interests.

AHP's Advisory Clients may purchase real estate securities in connection with privately negotiated transactions that are not registered under the relevant federal and state securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the securities registration requirements of, or is otherwise in accordance with, those laws. As a result, AHP's ability to vary the Advisory Client's portfolio in response to changes in economic and other conditions may be relatively limited.

*Investment in Unregulated Investments.* As AHP's Advisory Clients may invest in shares or units or other assets of private equity real estate investment vehicles, such as joint ventures, operating companies and real estate investment trusts ("REITs", and such private equity real estate vehicles, "PERE Vehicles") which are not subject in their state of origin to regulatory oversight, investment in such assets will not necessarily afford the same level of investor protection as a regulated investment. Although the risks inherent to investments in PERE Vehicles (whether regulated or unregulated) are limited to the loss of the initial investment contributed by the relevant Advisory Client, investors should nevertheless be aware that investments in unregulated PERE Vehicles are more risky than investments in regulated PERE Vehicles. AHP generally has no power to control the management of PERE Vehicles including investments, valuation, brokerage policies, and conflicts of interest.

*Investing in REITs.* The risks that Advisory Clients' investments in REITs subject AHP's Advisory Clients to are similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses.

*Accumulation of Fees.* As a result of AHP's Advisory Clients investing in PERE Vehicles, investors therein may incur a duplication of fees and commissions (such as management fees, performance fees and all other custody and transaction fees, central administration fees and audit fees).

*Inability to Realize Cash Flow.* Although AHP's Advisory Clients expect the PERE Vehicles to generate cash flow, any particular PERE Vehicles may not generate distributable cash flow until several years after its acquisition. It is also possible that a PERE Vehicle may never generate cash flow, and therefore any increase in value would only be realized by the Advisory Client upon the disposition of the PERE Vehicle.

*Ability to Exit PERE Vehicles.* AHP's Advisory Clients' ability to exit PERE Vehicles is dependent upon the ability of the manager of such PERE Vehicle to implement efficient and timely exit strategies, which may include a number of alternatives such as (i) publicly listing the PERE Vehicle or a portion of its underlying investments, (ii) disposing of or distributing investments, including individual assets, in a transaction or series of transactions, and (iii) merging or otherwise combining the PERE Vehicle, certain investments or individual assets with another entity.

*Commercial/Business Risks related to PERE Vehicles.* Investments by AHP's Advisory Clients in certain PERE Vehicles may involve a high degree of business and financial risk. Such companies may be in an early stage of development, may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial condition.

*Investments in Distressed PERE Vehicles.* AHP's Advisory Clients may make investments in nonperforming, underperforming or other distressed PERE Vehicles (including PERE Vehicles involved in bankruptcy or other reorganization and liquidation proceedings) or undercapitalized PERE Vehicles, which may involve a high degree of financial risk, including loss of all or part of the investment.

*Indemnification Obligations to PERE Vehicles.* Subsequent to its withdrawal from PERE Vehicles, the investing Advisory Client may have indemnification or reimbursement obligations to PERE Vehicles that survive beyond its withdrawal and exceed any unpaid holdback, with respect to liabilities, expenses, or other adjustments to the withdrawal value which relate to the period during which the Advisory Client was invested in such PERE Vehicles (or, with respect to a partial withdrawal, that portion which has been withdrawn).



## Risks Related to Debt Investments and Other Debt-Like Investments

Investments in Debt Securities Generally. AHP's Advisory Clients may invest in debt securities and obligations which entail the typical credit risks (i.e., the risk of non-payment of interest and principal) and market risks (i.e., the risk that interest rates and other factors will cause the value of the instrument to decline).

Nature of Junior, Unsecured Investments. AHP's Advisory Clients may invest in debt instruments that are unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured.

Sub-Investment Grade and Unrated Debt Obligations. AHP's Advisory Clients may make investments in instruments that may include capital leases or sub-investment grade debt obligations. Investments in the sub-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated instruments and may be considered to be predominantly speculative with respect to the obligor's capacity to pay interest and repay principal. Such investments may also be considered to be subject to greater risk than those with higher ratings in the case of deterioration of general economic conditions.

Pay-in-Kind Bonds. AHP's Advisory Clients may invest in pay-in-kind, or PIK, bonds. PIK bonds are bonds which pay interest through the issuance of additional debt or equity securities. Similar to zero coupon obligations, pay-in-kind bonds also carry additional risk as holders of these types of securities realize no cash until the cash payment date unless a portion of such securities is sold and, if the issuer defaults, the Advisory Client may obtain no return at all on its investment.

Interest Rate and Extension Risk. The value of fixed rate debt and preferred stock securities can be expected to vary inversely with changes in prevailing interest rates. Fixed rate debt and preferred stock securities with longer maturities, which tend to produce higher yields, are subject to potentially greater capital appreciation and depreciation than securities with shorter maturities.

During periods of rising interest rates, the average life of certain fixed rate debt and preferred stock securities is extended because of slower than expected principal payments. This may lock in a below-market interest rate and extend the duration of these securities, especially mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, these securities may exhibit additional volatility and additional loss in value. This is known as extension risk.

Convertible Securities. AHP's Advisory Clients may invest in convertible securities. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock or other equity security of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest paid or accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to non-convertible income securities in that they ordinarily provide a stable stream of income with generally higher yields than those of common stocks of the same or similar issuers, but lower yields than comparable nonconvertible securities. The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. Convertible securities rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument.

The value of convertible securities is influenced by both the yield on nonconvertible securities of comparable issuers and by the value of the underlying equity securities. The value of a convertible security viewed without regard to its conversion feature (i.e., strictly on the basis of its yield) is sometimes referred to as its “investment value.” To the extent interest rates change, the investment value of the convertible security typically will fluctuate. At the same time, however, the value of the convertible security will be influenced by its “conversion value,” which is the market value of the underlying equity securities that would be obtained if the convertible security were converted. Conversion value fluctuates directly with the price of the underlying equity securities. If the conversion value of a convertible security is substantially below its investment value, the price of the convertible security is governed principally by its investment value. To the extent the conversion value of a convertible security increases to a point that approximates or exceeds its investment value, the price of the convertible security will be influenced principally by its conversion value. A convertible security will sell at a premium over the conversion value to the extent investors place value on the right to acquire the underlying common stock while holding a fixed income security.

Holders of convertible securities generally have a claim on the assets of the issuer prior to the common stockholders but may be subordinated to other debt of the same issuer. A convertible security may be subject to redemption at the option of the issuer at a price established in a charter provision, indenture or other governing instrument pursuant to which the convertible security was issued. Certain convertible debt securities may provide a put option to the holder, which entitles the holder to cause the security to be redeemed by the issuer at a premium over the stated principal amount of the debt security under certain circumstances.

*Preferred Stock.* AHP’s Advisory Clients may make invest in preferred stock which may have characteristics of both debt and equity. Dividend payments to preferred stockholders may be suspended or cancelled if the issuer experiences liquidity difficulties and the principal paid for preferred stock is generally subordinate to the debt obligations of the issue. Preferred stocks are generally not entitled to meaningful covenant protection. Some preferred stocks may be non-cumulative, which means that the issuer does not ever have to declare or pay dividends on the stock or make up any missed dividends. Consequently, investments in preferred stock carries significant risk of loss of principal and current income.

AHP’s Advisory Clients may also invest in leveraged loans, high yield securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans.

*High Yield Debt.* AHP’s Advisory Clients may invest in debt securities that may be classified as “higher-yielding” (and, therefore, higher-risk) debt securities. In most cases, such debt will be rated below “investment grade” or will be unrated and will face both ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer’s failure to make timely interest and principal payments.

*Credit Ratings.* Credit ratings of assets represent the rating agencies’ opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation.

*Prepayment Risk.* The value of AHP’s Advisory Clients’ assets may be affected by prepayment rates on loans. Pre-payment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond AHP’s control.

*Lender Liability Considerations and Equitable Subordination.* Holders of debt securities may also be subject to so-called “lender liability” claims by the issuer of the obligations. Such claims may be deemed to arise when an institutional lender has assumed a duty to the borrower (whether implied or contractual) of good faith and fair dealing or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty to the borrower or the other creditors or shareholders of the borrower, and then violated such duty.

Under common law principles that, in certain circumstances, can form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of AHP’s Advisory Clients’ investments, such Advisory Clients could be subject to claims from creditors of an obligor that the Advisory Clients’ investments issued by such obligor that are held by the Advisory Clients should be equitably subordinated because of actions by the Advisory Clients that are deemed to be inequitable to other creditors.

#### Risks in Effecting Operating Improvements

In some cases, the success of AHP’s investment strategy depends, in part, on the ability of AHP 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. There can be no assurance that AHP will be able to successfully identify and implement such restructuring programs and improvements.

#### Limited Operating History of Portfolio Companies

The operations of the portfolio companies depend on the successful development and sales of each portfolio company’s respective product offerings and services and the customers’ experience. Certain portfolio companies may have limited operating histories with their respective products and services for which AHP can use to evaluate their performance and prospects.

#### Control Position Risk

Advisory Clients may acquire control or exercise influence over management and the strategic direction of a portfolio company. The exercise of control over a company imposes additional risks of liability in circumstances where the limited liability characteristic of business operations of the company may be ignored. In a U.S. court ruling, the court held that a private equity fund was liable for the pension withdrawal liabilities of one of its portfolio companies because the private equity fund was engaged in a “trade or business” through its management and operational control of its portfolio company. Thus, the exercise of control over a portfolio company by AHP’s Advisory Clients could expose the assets of the Advisory Clients to claims by such portfolio company and/or its executives, employees, pension beneficiaries, security holders and creditors and liability for environmental damage or clean-up obligations, product defects, failure to supervise management, pension and other fringe benefits, violation of laws and governmental regulations (including securities laws), violation of fiduciary duties to minority owners and other types of liability.

#### Investment Platforms

An Advisory Client, alone or co-investing alongside third parties may create or acquire companies that serve as a platform for investment in a particular sector, geographic area or other niche (such

arrangements, “Investment Platforms”). In other cases, AHP may recruit a management team to pursue a new Investment Platform expected to lead to the formation of a future Investment Platform. AHP’s Advisory Clients may also form a new portfolio company and recruit a management team to build the Investment Platform through acquisitions and organic growth. AHP’s Advisory Clients or the Investment Platform, as applicable, will bear the expenses of such management team, including any overhead expenses, employee compensation, diligence expenses or other related expenses in connection with backing the management team or building out the Investment Platform. Such expenses may be borne directly by the Advisory Clients as operating expenses (or broken-deal expenses, if applicable) or indirectly as the Advisory Clients bear the start-up and ongoing expenses of the newly formed Investment Platform. In certain cases the services provided by such management team may overlap with the services provided by AHP to the Advisory Clients.

### Pension Liabilities

AHP’s Advisory Clients could face risk of loss from employee pension-related liabilities arising from investments in portfolio companies that maintain or contribute to defined benefit pension plans in the United States and certain other jurisdictions. Under certain circumstances, U.S. courts have held (and certain non-U.S. laws provide) that certain shareholders may be responsible for satisfying certain pension liabilities incurred by their direct and indirect portfolio company investments (including liabilities associated with the portfolio company’s withdrawal from a pension plan). While U.S. law is unsettled regarding the circumstances under which an investment fund could be responsible for these types of pension liabilities and AHP considers (among many factors) potential pension liabilities in determining whether to invest in a particular portfolio company, it is possible that the Advisory Clients could become subject to pension-related liabilities of portfolio companies in which they invest and that such pension liabilities could exceed the value of such investment.

### Credit Support

AHP’s Advisory Clients may make contingent funding commitments to its portfolio companies and provide credit support for such obligations. Such credit support may take the form of guarantees, letters of credit or pledges of a portion of the capital commitments to a lender or other counterparty. Such funding commitments may be secured by an assignment of an Advisory Client’s general partner’s right to draw down capital from investors. Utilization of credit support will result in fees, expenses and interest costs to the Advisory Clients, and may result in an under-utilization of Advisory Clients’ capital.

### Risks Relating to Due Diligence and Conduct at Portfolio Companies; Fraud

Before AHP’s Advisory Clients make an investment, AHP conducts such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to the investment. Due diligence may entail marketing studies, business plan development, evaluation of important and complex business, financial, tax, accounting and legal issues as well as background investigations of individuals and feasibility and technical studies. Outside professionals, experts, consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. The involvement of such third-parties may present a number of risks primarily relating to reduced control of the functions that are outsourced and may entail significant third party expenses, which is borne by AHP’s Advisory Clients.

Instances of fraud, material misrepresentations or omissions, professional negligence and other deceptive practices committed by any seller of securities or assets of a portfolio company or such seller’s representatives, by a portfolio company or any of its affiliates, members of senior management, employees, officers or directors, or by any other third party may undermine AHP’s due diligence efforts with respect to such companies and, if such fraud or other action or omission occurs, AHP’s Advisory

Clients may suffer a material loss of capital and the value of the Advisory Clients' investments may be adversely impacted. AHP's Advisory Clients rely upon the accuracy and completeness of representations made by various persons in the due diligence process, and cannot guarantee such accuracy or completeness.

#### Expedited Transactions

Investment analyses and decisions by AHP may be undertaken on an expedited basis in order for AHP's Advisory Clients to take advantage of investment opportunities. In such cases, the information available to AHP's Advisory Clients at the time of an investment decision may be limited, and the Advisory Clients may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

#### Distributions in Kind

Although, under normal circumstances, AHP's Advisory Clients make distributions in cash, cash equivalents or marketable securities, it is possible that under certain circumstances (including upon the dissolution of such Advisory Clients) distributions may be made in kind and could consist of securities for which there is no readily available public market.

#### Reinvestment

Under certain circumstances as further described in the offering document of AHP's Advisory Clients, certain proceeds distributable (or previously distributed) to the investors may be retained and reinvested (or recalled for reinvestment) by the Advisory Client or used (or recalled for use) by the Advisory Client for any other proper purpose. Amounts available for recall will be restored to the investors' respective unfunded capital commitments. Accordingly, an investor may be required to fund for investments or expenses during the term of the Advisory client in an aggregate amount that significantly exceeds its capital commitment.

#### Risks upon Dispositions of Investments

In connection with the disposition of an investment in a portfolio company, each of AHP's Advisory Clients may be required to make representations about the business and financial affairs of itself or such portfolio company typical of those made in connection with the sale of a business. It may also be required to indemnify the purchasers of such investment to the extent that any such representation turns out to be inaccurate. These arrangements may result in contingent liabilities of such Advisory Clients, which might ultimately have to be funded by the investors (either out of unfunded capital commitments or a return of distributions) to the extent that such contingent liabilities exceed the reserves and other assets of such Advisory Client.

#### Recourse to the Advisory Clients' Assets

AHP's Advisory Clients' assets are available to satisfy all liabilities and other obligations of any such Advisory Client. If the Advisory Client itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Advisory Client's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

#### Need for Follow-On Investments

Following its initial investment in a given portfolio company, an Advisory Client may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Advisory Client will make follow-on

investments or that the Advisory Client will have sufficient funds to make all or any of such investments. Any decision by AHP not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Advisory Client to increase its participation in a successful operation.

#### Difficulty in Valuing Investment Portfolio

AHP or its affiliate values the investments of AHP's Advisory Clients from time to time at their fair market values. Any assets that are publicly traded securities for which market prices are readily available will be valued based on their trading prices; however, for almost every portfolio company, there will likely be no public market for its securities. Thus, the valuation of such positions inherently is highly subjective and imprecise and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value.

*Advisory Client investors and prospective investors in Advisory Clients are generally provided with a confidential private placement memorandum or other offering documents of the respective Advisory Client that provide a detailed description of the material risks related to an investment in the Advisory Client. Such investors are advised to review carefully all risk factors set forth in such documents.*

#### **C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

Notwithstanding the emphasis intended by references to either AssuredIM or AHP below, the following risks in this Item 8.C generally apply to the Advisory Clients of AssuredIM and AHP.

#### Fixed Income Obligations

An Advisory Client's investments in fixed income obligations are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). Changes in interest rates may cause a decline in the market value of an investment. With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. Bonds and other fixed income securities generally involve less market risk than stocks. However, the risk of bonds can vary significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. The bonds of some companies may be riskier than the stocks of others.

#### Foreign Securities

Advisory Clients invest in securities and other instruments of foreign corporations and foreign countries. Investing in such securities involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including, among other things: political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the smaller size of the securities markets in such countries and the lower volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; imposition of withholdings and other taxes; and certain government policies that may restrict the Advisory Client's investment opportunities. In addition, accounting and financial reporting standards that prevail in many foreign countries are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in many foreign countries, even developed countries, than in the U.S.

### Asset-Backed Securities

Advisory Clients invest in asset-backed securities including, but not limited to, interests in pools of receivables. These securities are in the form of pass-through instruments or asset-backed obligations. The securities, many of which are issued by non-governmental entities and carry no direct or indirect government guarantee, present certain risks primarily because these securities may not have the benefit of a security interest in the related collateral.

### Convertible Securities

Advisory Clients invest in convertible securities. Convertible securities provide higher yields than the underlying equity securities, but generally offer lower yields than non-convertible securities of similar quality. The value of convertible securities fluctuates, as do bonds, in relation to changes in interest rates and, in addition, fluctuates in relation to the underlying common stock.

### Derivatives

Advisory Clients invest in derivative financial instruments. Derivative financial instruments include futures, options, interest rate swaps, forward currency contracts and credit derivatives such as credit default swaps. In addition, Advisory Clients from time to time utilize both exchange-traded and over-the-counter futures, options and contracts for differences, as part of its investment strategy and for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that an Advisory Client may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

The trading of over-the-counter derivatives subjects an Advisory Client to a variety of risks including: (i) counterparty risk, (ii) basis risk, (iii) interest rate risk, (iv) settlement risk, (v) legal risk, and (vi) operational risk. Counterparty risk is the risk that one of an Advisory Client's counterparties might default on its obligation to pay or perform generally on its obligations. Basis risk is the risk that the normal relationship between two prices might move in opposite directions. Interest rate risk is the general risk associated with movements in interest rates. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Transactions in over-the-counter derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

### Options

Advisory Clients engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

## Debt Securities

Advisory Clients invest in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. Advisory Clients invest in debt securities which 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. Advisory Clients invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. Subsequent to its purchase by an Advisory Client, an issue of securities may cease to be rated or its rating may be reduced. Neither event will require sale of such securities by an Advisory Client, although AssuredIM will consider such event in its determination of whether an Advisory Client should continue to hold the securities. The market value of securities in lower-rated categories is more volatile than that of higher quality securities. In addition, an Advisory Client may have difficulty disposing of certain of these securities because there may be a thin trading market. The lack of a liquid secondary market for certain securities may have an adverse impact on an Advisory Client's ability to dispose of such securities and may make it more difficult for an Advisory Client to obtain accurate market quotations for purposes of valuing the Advisory Client and calculating its net asset value.

## Loan Participations and Assignments

Advisory Clients invest in fixed- and floating-rate loans, which investments generally are in the form of loan participations and assignments of portions of such loans. Participations and assignments involve credit risk, interest rate risk, liquidity risk, and the risks of being a lender. Participations in commercial loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a corporate borrower, and generally are offered by banks, other financial institutions, or lending syndicates. Advisory Clients invest in funded term loans through participations and assignments. When purchasing loan participations, an Advisory Client assumes the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary, and may only be able to enforce its rights through the lender, and may assume the credit risk of the lender in addition to the borrower. The participation interests in which an Advisory Client invests may not be rated by any nationally recognized rating service.

Investments in loans through a direct assignment of a financial institution's interests with respect to the loan may involve additional risks to an Advisory Client. For example, if a loan is foreclosed, an Advisory Client could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that, under emerging legal theories of lender liability, an Advisory Client could be held liable as a co-lender. It is unclear whether loans and other forms of direct indebtedness offer securities laws protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, an Advisory Client relies on AssuredIM's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Advisory Client.

## Insurance-Linked Securities

The performance of insurance-linked securities are tied to the occurrence of various triggering events, including weather and natural catastrophes (such as hurricanes, earthquakes, windstorms, fires and floods), non-natural catastrophes and other specified events that lead to physical or economic loss. If a triggering event occurs involving losses or other metrics exceeding a defined threshold, an invested Advisory Client may lose a portion or all of its investment in such security, including accrued interest and/or principal invested in such security. There is inherent uncertainty as to whether, when or where a triggering event will occur and, because of this uncertainty, insurance-linked securities carry a high



degree of risk, exposing Advisory Clients to potential losses. In addition, unexpected events such as natural disasters, pandemics or terrorist attacks could lead to government intervention within the insurance industry and/or the market for insurance-linked securities. Therefore, political, judicial and legal developments affecting the insurance industry and/or the market for insurance-linked securities could create new and expanded theories of liability or other requirements applicable to the holders of insurance-linked securities. Such developments could have an adverse effect on the performance of the Advisory Clients.

### Equity Investments

From time to time, an Advisory Client's investment portfolio will include long and short positions in equity securities of U.S. and non-U.S. listed companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism, pandemics and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect the Advisory Clients.

From time to time, Advisory Clients acquire (i) more than 5% of a class of securities of a single issuer which would require the filing of a Schedule 13D or 13G statement with the SEC or (ii) more than 10% of a class of securities of a single issuer which would impose certain limitations on the Advisory Clients' ability to trade in such securities, including the restrictions of Section 16 of the Securities Exchange Act of 1934, as amended ("Section 16") (*e.g.*, the requirement to disgorge any profits made from any purchase and sale (or sale and purchase) of such securities within any 6-month period ("Section 16 short swing profit restrictions")). The accumulation of such a significant position in the shares of a single issuer could lead to litigation or disputes in the event AssuredIM desires to influence the issuer. AssuredIM may also seek to challenge the management of a portfolio company through a proxy contest. Such litigation or a proxy contest may result in substantial expense to an affected Advisory Client. In addition, from time to time, senior personnel of AssuredIM serve on the board of directors of one or more companies in which Advisory Clients invest or on the board of directors of one or more companies in which Advisory Clients are not currently invested but which could be suitable as an investment for such Advisory Clients in the future. As a result, AssuredIM will obtain access to material nonpublic information affecting such companies, which may preclude Advisory Clients from acquiring shares or selling its position at a time when AssuredIM otherwise believes it would be appropriate to do so. Such board membership at a portfolio company could cause Advisory Clients to be deemed "insiders" by deputization and therefore to become subject to the trading restrictions of Section 16, including the Section 16 short swing profit restrictions. Moreover, Advisory Clients' ability to realize value from certain of its investments may depend upon the ability of AssuredIM to influence the management of a portfolio company to take certain actions, including, for example, a recapitalization, restructuring, spin off, sale of the business or change in management. If AssuredIM is incorrect in its assessment of the impact such action will have on the value of a portfolio company, or if it is unsuccessful in persuading the portfolio company's management to take the desired action, an affected Advisory Client may sustain a loss on its investment in the portfolio company.

### Structural Subordination of Equity Interests

Advisory Clients hold equity interests in SPVs, in some cases alongside other Advisory Clients or third party investors. In connection with such investments, the equity interests held by an Advisory Client may not be secured by the assets of the SPVs, and such an Advisory Client will rank behind all known or unknown creditors, whether secured or unsecured, of the SPVs. No person or entity other than the SPV will be required to make any distributions on the equity interests, and payments from the SPV on its common or preferred shares or other equity interests will be subordinate to payments on its debt.

Therefore, to the extent that any losses are incurred by the SPV in respect of any collateral, such losses will be borne first by the invested Advisory Client and its co-investors as holders of common or preferred shares or other equity interests.

#### Cross-Class Liabilities in Connection with Equity Investments

Advisory Clients invest in SPVs alongside other Advisory Clients or third party investors, where such investors hold different classes or series of equity interests that correspond to separate underlying investments. However, in most cases, the SPV will be a single legal entity and there will be no limited recourse protection for any class or series. Accordingly, all of the assets of the SPV will be available to meet all of its liabilities regardless of the class or series to which such assets or liabilities are attributable. In practice, cross-class or cross-series liability is only expected to arise where liabilities referable to one class or series are in excess of the assets referable to such class or series and it is unable to meet all liabilities attributed to it. In such a case, the assets of the SPV attributable to other classes or series may be applied to cover such liability excess and the value of the contributing classes or series will be reduced as a result.

#### Risk of Early Stage Companies

Advisory Clients invest in companies at an early stage of development, which involves a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, marketing and service capabilities, and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

*Advisory Client investors and prospective investors in Advisory Clients are generally provided with a confidential private placement memorandum or other offering documents of the respective Advisory Client that provide a detailed description of the material risks related to an investment in the Advisory Client. Such investors are advised to review carefully all risk factors set forth in such documents.*

## **Item 9 – Disciplinary Information**

**If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

AssuredIM is obligated to disclose legal or disciplinary events that would be material to a client's or prospective client's evaluation of AssuredIM's advisory business or the integrity of its management. AssuredIM does not have any such legal or disciplinary events to report.

In the interests of transparency regardless of materiality, AssuredIM has included the details of a violation charge it received from a Norwegian regulator immediately below.

Finanstilsynet, the Financial Supervisory Authority of Norway (FSA), decided to impose a violation charge on AssuredIM (which was known as BlueMountain Capital Management, LLC at such time) pursuant to section 4-3 and section 17-4 of the Norway Securities Trading Act (NSTA). The violation charge relates to the late notification of a purchase of a Norwegian-listed stock that resulted in the relevant aggregate holdings of such stock across AssuredIM-advised funds (20.06% of shares outstanding) exceeding the 20% reporting threshold. AssuredIM had previously timely made the appropriate filing when it crossed the 15% threshold; however, due to an internal oversight, it was delayed in making the appropriate filing upon crossing the 20% threshold. The 20% threshold was surpassed on December 9, 2014. AssuredIM identified its error on January 9, 2015 and made the requisite filing immediately thereafter. Due to filing after the close of trading on January 9, 2015, the notification was not published until Monday January 12, 2015. The penalty paid to the Norwegian Treasury was 200,000 Norwegian Krone (\$24,198 at the time of payment).

AHP has no relevant events to report.

## **Item 10 – Other Financial Industry Activities and Affiliations**

**A. If you or any of your *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither AssuredIM, AHP nor any of their management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. If you or any of your *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.**

AssuredIM is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator and is a member of the National Futures Association (“NFA”). AssuredIM London is registered as a commodity trading advisor (“CTA”) with the CFTC and is a member of the NFA. In connection with the CFTC registration and NFA membership of AssuredIM and AssuredIM London, certain employees of such entities are listed and/or registered, as appropriate, with the NFA as principals and/or associated persons of such entities and their affiliates.

**C. Describe any relationship or arrangement that is material to your advisory business or to your *clients* that you or any of your *management persons* have with any *related person* listed below. Identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how you address it.**

- 1. broker-dealer, municipal securities dealer, or government securities dealer or broker**
- 2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
- 3. other investment adviser or financial planner**
- 4. futures commission merchant, commodity pool operator, or commodity trading advisor**
- 5. banking or thrift institution**
- 6. accountant or accounting firm**
- 7. lawyer or law firm**
- 8. insurance company or agency**
- 9. pension consultant**
- 10. real estate broker or dealer**
- 11. sponsor or syndicator of limited partnerships.**

Affiliates of AssuredIM serve as general partner of Fund Clients organized as limited partnerships. With respect to Fund Clients organized as foreign companies, in some cases a majority of the board of directors of such companies are AssuredIM personnel. Institutional Accounts are typically organized as limited partnerships with an affiliate of AssuredIM serving as the general partner of the Institutional Account, or as foreign companies with members (and at times a majority) of the board of directors of such company being AssuredIM personnel.

Affiliates of AHP serve as general partners of AHP Funds organized as limited partnerships.

AssuredIM’s affiliates, principals and employees from time to time purchase interests in certain Fund Clients, and investments by such parties generally are not subject to the management fees or performance-based fees described in Item 5, above. The offering memorandum of each Fund Client and AHP Fund that is provided to each potential investor discloses this fact. In a certain limited number of cases, an Advisory Client holds an interest in another Advisory Client other than in the context of a master feeder relationship.

AssuredIM's and AHP's affiliates, principals and personnel from time to time purchase interests in certain AHP Funds, and in some situations investments by such parties are subject to, and in other situations investments by such parties are not subject to, the management fees and performance-based fees described in Item 5, above.

In certain cases, an Advisory Client (the "Investing Fund") will invest directly in another Advisory Client or the advisory client of a related investment adviser (including, without limitation, BMCLO or BlueMountain Fuji) (the "Investee Fund"). While such arrangements generally will not subject the Investing Fund to additional management fees, incentive fees or incentive allocations payable to AssuredIM, AHP or their affiliates, in certain cases, such fees, allocations and related costs will accrue to the Investing Fund on an incremental and indirect basis.

BMCLO is independently registered as an investment adviser with the SEC, and it serves as collateral manager to the BMCLO CLOs. With respect to the BMCLO CLOs, BMCLO typically receives management fees and performance compensation. AssuredIM typically rebates these fees to Advisory Clients to the extent such fees are attributable to the Advisory Client's holdings of BMCLO CLOs.

AssuredIM has entered into a services agreement and a secondment agreement with BMCLO whereby AssuredIM provides certain services associated with the management of BMCLO CLOs, including access to its full team of research analysts and portfolio managers employed by AssuredIM; office space; back office services such as loan settlement, and legal and compliance services; and performance of trade executions upon instruction from AssuredIM. By way of compensation for these services, AssuredIM receives a services fee from BMCLO. AssuredIM typically rebates these fees to Advisory Clients to the extent such fees are attributable to the Advisory Client's holdings of BMCLO CLOs.

BlueMountain Fuji is independently registered as an investment adviser with the SEC, and it serves as collateral manager of the Fuji CLOs. With respect to the Fuji CLOs, BlueMountain Fuji typically receives management fees and performance compensation.

Advisory Clients investing directly in Fuji CLOs will bear their proportionate share of any such collateral management fees and performance compensation payable to BlueMountain Fuji. Conversely, Advisory Clients may also be indirect beneficiaries of such management fees and performance compensation to the extent of their investment, if any, in BlueMountain Fuji. In the event that an Advisory Client invests in both BlueMountain Fuji and Fuji CLOs, there can be no assurances as to whether such Advisory Client would be a net beneficiary of, or a net contributor to, such management fees and performance compensation.

Moreover, to the extent an Advisory Client acquires a direct interest in a Fuji CLO, and another Advisory Client acquires an indirect interest in the same Fuji CLO through such other Advisory Client's ownership interest in BlueMountain Fuji, such other Advisory Client that owns interests in BlueMountain Fuji, would receive the additional benefit of participating in collateral management fees and performance compensation payable to BlueMountain Fuji in connection with managing the Fuji CLO. This results in certain Advisory Clients enhancing the returns of those Advisory Clients that invested in BlueMountain Fuji.

BlueMountain Fuji has entered into a services and secondment agreement with AssuredIM, pursuant to which AssuredIM provides certain services associated with the management of Fuji CLOs to BlueMountain Fuji, including access to a team of research analysts, office space, back office services, legal and compliance services, and performance of trade executions, in exchange for a services fee and a secondment fee. To the extent an Advisory Client invests directly or indirectly (via an ownership interest in BlueMountain Fuji) in any Fuji CLO, the applicable portions of such fees are rebated by AssuredIM or

otherwise waived by AssuredIM. To the extent third-party investors acquire interests in any Fuji CLO, AssuredIM retains the benefit of such fees.

BlueMountain Fuji was initially capitalized by certain Advisory Clients but may, at any time, accept investments from other Advisory Clients or third-party investors not otherwise affiliated with BlueMountain Fuji, AssuredIM or any affiliate thereof. An investment in BlueMountain Fuji is illiquid, without any redemption rights in the ordinary course. Further, there is no third-party market for interests in BlueMountain Fuji, nor is one expected to develop. Accordingly, AssuredIM's determination of whether a particular Advisory Client will invest in BlueMountain Fuji will depend upon a number of considerations, including its allocation guidelines. Such additional investments in BlueMountain Fuji necessarily will require a valuation at the time capital is contributed, which may present a conflict of interest, given that such valuations are expected to be made by AssuredIM.

AssuredIM, AHP, BlueMountain Fuji and BMCLO share certain personnel. Investment professionals associated with AssuredIM are actively involved in other investment activities not concerning the Advisory Clients and therefore are not able to devote all of their time to the Advisory Clients' business and affairs.

From time to time, Advisory Clients invest in other portfolio companies, including (by way of example and without limitation) loan servicing, appraisal, consulting, advisory and management firms, that in turn provide financial services to Advisory Clients and/or investments held by Advisory Clients. While AssuredIM's investment allocation procedures are intended to ensure that investment opportunities are allocated on a fair and equitable basis between various accounts it advises, a given Advisory Client may receive a greater incremental benefit by virtue of its investment in such a portfolio company than another Advisory Client.

AHP and AssuredIM have entered into a services and secondment agreement, pursuant to which AssuredIM provides certain services associated with the management of AHP Funds to AHP, including office space, back office services, legal and compliance services, and performance of trade executions, in exchange for a services fee and a secondment fee.

AssuredIM London, an affiliate of AssuredIM, serves as adviser to AssuredIM primarily with respect to issuers based in Europe, and is compensated by AssuredIM for its services. AssuredIM London is registered with the Financial Conduct Authority, and is also registered as a CTA with the CFTC and is a member of the NFA.

AHP and AssuredIM London are Relying Advisers. The Relying Advisers, the Relying Advisers' employees and other persons acting on the Relying Advisers' behalf (the "Relying Adviser Parties"), are under AssuredIM's supervision and control. Each Relying Adviser's books and records relating to its advisory business will be made available to the SEC, and the Relying Adviser Parties are subject to and comply with the compliance policies and procedures of AssuredIM. Each Relying Adviser is identified as a "relying adviser" on AssuredIM's Form ADV Part 1 and is not, and is not required to be, independently registered as an investment adviser under the Advisers Act. AssuredIM does not consider its relationship with the Relying Advisers to create a material conflict of interest with Advisory Clients. See Item 11.B which describes a series of transactions between certain Advisory Clients advised by AssuredIM and certain Advisory Clients advised by AHP, which transactions were effected in connection with the spin-out of AssuredIM's healthcare investment advisory business into AHP, which continues to provide healthcare investment advisory services.

AssuredIM has a sub-advisory agreement with BlueVirgo, pursuant to which BlueVirgo serves as an adviser to AssuredIM with respect to a limited number of tax liens and related investment products.

AssuredIM does not consider its relationship with BlueVirgo to create a material conflict of interest with Advisory Clients.

In October 2019, AGUS purchased 100% of the outstanding equity interests of the AssuredIM Companies (other than AHP (which was formed in September 2020)). The parent company of AGUS is AGL. AGL is a Bermuda-based holding company incorporated in 2003 that provides, through its operating subsidiaries other than the AssuredIM Companies and their subsidiaries, credit protection products to the United States and international public finance (including infrastructure) and structured finance markets. Assured Guaranty is the market leader in the financial guaranty industry.

AssuredIM is led by David A. Buzen in his capacity as Chief Executive Officer and Chief Investment Officer of AssuredIM. Mr. Buzen also serves as Chief Investment Officer and Head of Asset Management at Assured Guaranty.

As such, Mr. Buzen's responsibilities for Assured Guaranty include asset management, while he also is responsible for asset management with respect to AssuredIM's Advisory Clients. In addition, certain Assured Guaranty personnel will serve on one or more AssuredIM committees and certain AssuredIM personnel (including Mr. Buzen) will serve on one or more Assured Guaranty committees. These overlapping roles and responsibilities may create conflicts of interest if and when Mr. Buzen or another AssuredIM employee has the opportunity (if not an economic incentive) to benefit Assured Guaranty at the expense of an Advisory Client, or vice versa. Similarly, certain Assured Guaranty personnel may have a conflict of interest if and when such personnel have the opportunity (if not an economic incentive) to benefit Assured Guaranty at the expense of an Advisory Client, or vice versa. In addition, the insurance-related activities of Assured Guaranty may relate to securities and/or issuers of securities AssuredIM may want to purchase or sell on behalf of one or more of its Advisory Clients. On limited occasions, the holdings of AssuredIM's Advisory Clients also could overlap with securities or other instruments held by Assured Guaranty. AssuredIM and Assured Guaranty have implemented compliance policies and procedures designed to control the flow of information between Assured Guaranty and AssuredIM and otherwise mitigate or eliminate conflicts of interest that could arise from the integration or other business relationships between Assured Guaranty and AssuredIM. Such measures include, without limitation, subjecting certain Assured Guaranty personnel to the compliance policies and procedures (including the Code of Ethics) adopted by AssuredIM. Further, in the event that any AssuredIM employee becomes aware of a material conflict of interest between AssuredIM and/or its Advisory Clients on one hand and Assured Guaranty on the other hand, such employee is required to inform the Chief Compliance Officer of such conflict, and the Chief Compliance Officer then determines the appropriate course of action, ensuring that AssuredIM acts in the best interests of its Advisory Clients.

Because Advisory Clients may have exposure to issuers or other counterparties to which Assured Guaranty has exposure by virtue of providing credit protection in respect of such issuer or otherwise having exposure to such issuer or counterparty, it is possible that conflicts will arise between an Advisory Client and Assured Guaranty. Conflicts may arise due to the fact that the respective interests of an Advisory Client and Assured Guaranty would be in respect of a different type, seniority or class of security or generally would have different rights or economic interests associated therewith. For example, Assured Guaranty may insure a certain class of debt while an Advisory Client holds a different class of debt of the same issuer. This would potentially result in the Advisory Client and Assured Guaranty having interests that are adverse to one another in a restructuring, workout or other distressed scenario. In such event, AssuredIM shall act in the best interests of its Advisory Clients.

The following entities are Advisory Clients or affiliates of AssuredIM:

<b>Entity</b>	<b>General Partner/Managing Member</b>
Blue Mountain Credit Alternatives Fund L.P.	Blue Mountain Credit GP, LLC
Blue Mountain Credit Alternatives Fund Ltd.	n/a
Blue Mountain Credit Alternatives Master Fund L.P.	Blue Mountain CA Master Fund GP, Ltd.
BlueMountain CAIS CA L.P.	BlueMountain CAIS GP, LLC
BlueMountain CAIS CA Ltd.	n/a
BlueMountain Global Volatility Fund L.P.	BlueMountain Global Volatility GP, LLC
BlueMountain Global Volatility Fund Ltd.	n/a
BlueMountain Global Volatility Master Fund L.P.	BlueMountain Global Volatility GP, LLC
BlueMountain Distressed Fund L.P.	BlueMountain Distressed GP, LLC
BlueMountain Distressed Fund Ltd.	n/a
BlueMountain Distressed Master Fund L.P.	BlueMountain Distressed GP, LLC
BlueMountain Timberline Ltd.	n/a
BlueMountain Timberline Onshore, LLC	n/a
BlueMountain Timberline Offshore Ltd.	n/a
BlueMountain Strategic Credit Fund Ltd.	n/a
BlueMountain Strategic Credit Master Fund L.P.	BlueMountain Strategic Credit GP, LLC
BlueMountain Credit Opportunities Fund I L.P.	BlueMountain Credit Opportunities GP I, LLC
BlueMountain Credit Opportunities Fund I Ltd.	n/a
BlueMountain Credit Opportunities Master Fund I L.P.	BlueMountain Credit Opportunities GP I, LLC
BlueMountain Kicking Horse Fund L.P.	BlueMountain Kicking Horse Fund GP, LLC
BlueMountain Montenvers Fund L.P.	BlueMountain Montenvers GP, LLC
BlueMountain Montenvers Fund SCA SICAV-SIF	BlueMountain Montenvers GP S.á r.l.
BlueMountain Montenvers Master Fund SCA SICAV-SIF	BlueMountain Montenvers GP S.á r.l.
BlueMountain Guadalupe Peak Fund L.P.	BlueMountain Long/Short Credit GP, LLC
BlueMountain Logan Opportunities Fund L.P.	BlueMountain Logan Opportunities GP, LLC
BlueMountain Logan Opportunities Master Fund L.P.	BlueMountain Logan Opportunities GP, LLC



BlueMountain Summit Opportunities Fund II (Cayman) L.P.	BlueMountain Summit Opportunities GP II, LLC
BlueMountain Summit Opportunities Fund II (US) L.P.	BlueMountain Summit Opportunities GP II, LLC
BlueMountain Foinaven Fund Ltd.	n/a
BlueMountain Foinaven Master Fund L.P.	BlueMountain Foinaven GP, LLC
BlueMountain Fursan Fund L.P.	BlueMountain Fursan GP, LLC
BlueMountain Fixed Income Relative Value Fund L.P.	BlueMountain Fixed Income Relative Value GP, LLC
BlueMountain Fixed Income Relative Value Fund Ltd.	n/a
BlueMountain Fixed Income Relative Value Master Fund L.P.	BlueMountain Fixed Income Relative Value GP, LLC
AHP Capital Solutions, L.P.	AHP Capital Solutions GP, LLC
AIM Asset Backed Income Fund (US) L.P.	AIM Asset Backed GP, LLC
BlueMountain CLO Warehouse Fund (US) L.P.	BlueMountain CLO Warehouse GP, LLC
BlueMountain CLO 2012-2 Ltd.	n/a
BlueMountain CLO 2013-1 Ltd.	n/a
BlueMountain CLO 2014-2 Ltd.	n/a
BlueMountain CLO 2015-2 Ltd.	n/a
BlueMountain CLO 2015-3 Ltd.	n/a
BlueMountain CLO 2015-4 Ltd.	n/a
BlueMountain CLO 2016-1 Ltd.	n/a
BlueMountain CLO 2016-2 Ltd.	n/a
BlueMountain CLO 2016-3 Ltd.	n/a
BlueMountain CLO 2018-1 Ltd.	n/a
BlueMountain CLO 2018-2 Ltd.	n/a
BlueMountain CLO 2018-3 Ltd.	n/a
BlueMountain CLO XXII Ltd.	n/a
BlueMountain CLO XXIII Ltd.	n/a
BlueMountain CLO XXIV Ltd.	n/a
BlueMountain CLO XXV Ltd.	n/a
BlueMountain CLO XXVI Ltd.	n/a

The following entities are Advisory Clients or affiliates of AHP:<sup>3</sup>

Entity	General Partner
AHP Fund I L.P.	AHP Fund I GP LLC
AHP Fund I Team L.P.	Assured Investment Management GP Holdings LLC
AHP Fund I PV L.P.	AHP Fund I GP LLC
AHP Fund I PV Feeder L.P.	AHP Fund I GP LLC
AHP Fund II L.P.	AHP Fund II GP LLC
AHP Fund II Team L.P.	Assured Investment Management GP Holdings LLC
AHP Fund II PV L.P.	AHP Fund II GP LLC
AHP Fund II PV Feeder L.P.	AHP Fund II GP LLC

With respect to Item 10.C.11, AssuredIM and its related persons have established a number of limited partnerships and companies suitable for investment by sophisticated individuals and entities meeting certain eligibility requirements.

**D. If you recommend or select other investment advisers for your *clients* and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

Not applicable.

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<sup>3</sup> The AHP Advisory Clients below are provided as of the date of filing of this Brochure. The AssuredIM Advisory Clients above are provided as of the date of filing of the March 2020 annual update of this Brochure.

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

**A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any *client* or prospective *client* upon request.**

AssuredIM has established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest arising between and among Advisory Client accounts as well as between Advisory Client accounts and AssuredIM and its personnel. In addition, certain Assured Guaranty personnel that serve AssuredIM in various capacities are subject to AssuredIM's compliance policies and procedures.

AssuredIM strives to adhere to the highest industry standards of integrity, professionalism and trust. To this end, AssuredIM has adopted a Code of Ethics (the "Code") that generally requires AssuredIM employees to comply with all applicable federal securities laws, place the interests of clients first, avoid conflicts of interest, not take inappropriate advantage of the employee's position, adhere to certain restrictions with respect to the receipt and giving of gifts and safeguard confidential information. Each employee is required to report to AssuredIM's Chief Compliance Officer or General Counsel any known or suspected violations of the Code or law.

Each newly hired employee receives a copy of the Code and is required to certify that he or she has read and understands it. Training is provided for employees with respect to the Code and their duties under it. On an annual basis, each AssuredIM employee must certify that he or she has read and understands the Code, has complied with its provisions and has disclosed, pre-cleared and arranged for the reporting of all transactions in securities consistent with the requirements of the Code. The Code governs the conduct of AssuredIM, the Relying Advisers, BMCLO, BlueMountain Fuji and their respective personnel; therefore, notwithstanding the fact that this description of the Code (as well as the description of the compliance program generally) references AssuredIM primarily, the Code applies to all of such entities in a similar fashion.

### **Personal Trading**

The Code also places restrictions on the personal trading of employees, including the requirement that employees arrange to have duplicates of certain brokerage statements or a quarterly holdings report provided to AssuredIM. AssuredIM's Chief Compliance Officer (or his designee) reviews and compares all reported personal securities transactions against transactions indicated on the employee's brokerage statements or holdings reports and the transactions of AssuredIM's Advisory Clients (as well as the BMCLO CLOs and the Fuji CLOs) in an effort to ensure that personal trading by employees is being conducted in a manner consistent with the Code. Except with respect to certain exempted transactions, no AssuredIM employee may purchase or sell any security without first obtaining pre-clearance pursuant to the approval process set forth in the Code. Certain pre-clearance requests meeting written standards set forth in the Code will generally be approved on the business day following the date of request. Requests which do not qualify for automatic approval are reviewed by the personal account trade approval panel (the "PA Approval Panel") typically on a weekly basis. Each principal and employee may submit no more than twenty pre-clearance requests per calendar month (a maximum of six of which can be trades requiring review by the PA Approval Panel); once an employee or principal has submitted the maximum number of pre-clearance requests, typically no further requests will be entertained from that individual until the following calendar month. The PA Approval Panel reviews the requests submitted to it, and any approved request is subject to certain restrictions on the timing of execution. In addition, AssuredIM enforces a 30-day minimum holding period for covered personal securities transactions.

AssuredIM monitors adherence to the personal trading policy via an automated system that seeks to compare personal trading activity with the submission and approval of pre-clearance requests. AssuredIM cross-checks the personal account statements with the approved trades list to ensure that all executed trades requiring pre-clearance were pre-approved.

### **Insider Trading/Material Non-Public Information; Privacy**

AssuredIM maintains an Insider Trading Policy that includes policies and procedures prohibiting the use of material non-public information that are designed to prevent the misuse of material nonpublic information by AssuredIM and its officers, partners and employees. In accordance with these policies, to prevent trading of public securities based on material non-public information, AssuredIM maintains, regularly updates and makes available on its intranet site a “restricted” securities list of companies about which non-compliance employees have, or are expected to have, material non-public information.

In addition, all AssuredIM employees are subject to the Assured Guaranty Policy on Trading (the “Assured Guaranty Trading Policy”). The Assured Guaranty Trading Policy broadly prohibits the use of material non-public information, and also imposes restrictions on the trading of securities issued by Assured Guaranty or issued by certain issuers in respect of which Assured Guaranty has provided credit protection.

AssuredIM has a separate privacy and data security policy, including a cybersecurity policy, designed to protect the security, confidentiality, and integrity of non-public, personal information of its clients and investors in such clients.

### **Political Contributions**

AssuredIM has policies in effect which restrict political contributions and related activities by its employees. In order to ensure compliance with applicable SEC rules and other applicable legal and regulatory requirements, all AssuredIM employees must obtain pre-clearance from the Chief Compliance Officer before any employee makes a contribution (whether it be a monetary contribution or a contribution of goods or services) to a political candidate, government official, political party or political action committee.

*AssuredIM will provide a complete copy of the Code to any investor in or prospective investor in an Advisory Client upon request. Such requests may be addressed to Eric Albert, Chief Compliance Officer, at 212-905-3900 and/or LegalNotices@assuredim.com.*

**B. If you or a *related person* recommends to *clients*, or buys or sells for *client* accounts, securities in which you or a *related person* has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

**Examples: (1) You or a *related person*, as principal, buys securities from (or sells securities to) your *clients*; (2) you or a *related person* acts as general partner in a partnership in which you solicit *client* investments; or (3) you or a *related person* acts as an investment adviser to an investment company that you recommend to *clients*.**

As described above in Item 10, each of AssuredIM and AHP serves as the investment manager to its Advisory Clients, and its related person serves, directly or through a wholly owned subsidiary, as general partner of Advisory Clients organized as limited partnerships. With respect to each Advisory Client organized as a foreign company, the relevant adviser’s personnel typically serve on the board of directors of such company.

AssuredIM or AHP, as applicable, may from time to time recommend that certain of its Advisory Clients invest a portion of their investable assets in other Advisory Clients, typically in connection with a master-feeder (or mini-master) fund structure. Such arrangements are described in the offering memoranda or other governing documents of Advisory Clients. AssuredIM, AHP and their related persons also recommend interests in Advisory Clients to prospective investors.

From time to time, AssuredIM causes an Advisory Client to buy or sell securities directly from or to another Advisory Client. With respect to any such transaction (i) the transaction must be effected at a price that is fair to Advisory Clients on both sides of the trade, (ii) neither AssuredIM nor any of its affiliates may receive any compensation for effecting the trade and (iii) the trade must be in the best interests of both Advisory Clients. It is AssuredIM's policy to provide notice of any such transaction to the governing board of the Advisory Clients involved therein.

AssuredIM's principals, employees or other related persons from time to time purchase interests in one or more Fund Clients and such investments generally are not subject to the management fees or performance-based fees described above in Item 5. The offering memorandum of the applicable Fund Client provided to each potential investor discloses this fact. AssuredIM's and AHP's principals, employees or other related persons from time to time purchase interests in one or more AHP Fund Clients, and in some situations investments by such parties are subject to, and in other situations investments by such parties are not subject to, the management fees and performance-based fees described above in Item 5.

AssuredIM generally does not engage in principal transactions (i.e., transactions where an adviser, acting as principal for its own account or that of an affiliate deemed proprietary to AssuredIM, buys from or sells any security to a client's account). However, under certain circumstances, a cross trade with a fund in which AssuredIM and/or its controlling persons hold in excess of 25% of the interests may be deemed to be a principal transaction under Section 206(3) of the Advisers Act. The Chief Compliance Officer (or his designee) may approve such deemed principal transactions provided that any such transaction is effected in compliance with Section 206(3) of the Advisers Act. With respect to any such transaction, prior to its completion, AssuredIM must disclose to the client in writing the capacity in which AssuredIM is acting (and any other requisite disclosures pursuant to Section 206(3) of the Advisers Act) and obtain the client's consent to the transaction. In cases where the client is an Advisory Client, such disclosure may be made to, and consent to the transaction may be obtained from, (i) the board of directors or board of managers of the Advisory Client (or general partner of the Fund Client), as applicable, provided that (a) the applicable board includes one or more members who are independent of AssuredIM, and (b) the consent of the board includes the unanimous consent of all such independent members; or (ii) if the Advisory Client does not have a board of directors or board of managers, an independent third-party and/or advisory committee made up of certain investors in such Advisory Client (or the representatives of such investors). In addition to the foregoing, with respect to certain Advisory Clients (including each AHP Fund), (i) a committee made up of representatives of certain investors in each such Advisory Client is authorized to consider and consent to certain transactions set forth in the offering documents of each such Advisory Client, and (ii) the offering documents of each such Advisory Client specifically set forth certain transactions which are approved by each investor in such Advisory Client at the time of its investment in the Advisory Client. It is AssuredIM's policy that it will not effect any agency cross transactions for client accounts.

The fact that AssuredIM's related persons, in their capacities as general partners of certain Advisory Clients, and AssuredIM's principals, employees and other related persons (including Assured Guaranty) have financial ownership interests in Advisory Clients creates a potential conflict in that it could cause AssuredIM to make different investment decisions than it would if such parties did not have such financial ownership interests. AssuredIM may have an incentive to favor accounts in which such persons

have an interest with respect to trading opportunities, trade allocation and allocation of investment opportunities.

AssuredIM causes certain Advisory Clients to buy the securities of BlueMountain Fuji, or securities in which BlueMountain Fuji has a material interest, including the Fuji CLOs. AssuredIM causes certain Advisory Clients to buy interests in the BMCLO CLOs, which are managed by BMCLO. AssuredIM may cause certain Advisory Clients to have exposure to issuers to which Assured Guaranty has exposure. These issuers may include the CLOs, the Fuji CLOs, the BMCLO CLOs as well as third-party issuers. The insurance-related activities of Assured Guaranty and the investment management activities of AssuredIM are conducted independently of one another such that investment management activities do not take into account the exposure that Assured Guaranty may have with respect to any given issuer.

AssuredIM has adopted rules intended to detect and prevent conflicts of interest that arise when AssuredIM's related persons own, buy or sell securities. The Code requires AssuredIM employees to place the interests of clients first, and on an annual basis each AssuredIM employee must certify that he or she has read and understands the Code and has complied with its provisions. Each principal and employee of AssuredIM is required to adhere to AssuredIM's personal trading rules. These rules require, except with respect to certain exempted transactions, that AssuredIM's principals and employees obtain pre-clearance pursuant to the approval process set forth in the Code before effecting any securities transaction for their own accounts, irrespective of whether the principal or employee is on notice that the security in question is the subject of a recommendation to an Advisory Client. Each principal and employee may submit no more than twenty pre-clearance requests per calendar month (a maximum of six of which can be trades requiring review by the PA Approval Panel); once an employee or principal has submitted the maximum number of pre-clearance requests, typically no further requests will be entertained from that individual until the following calendar month. Principals and employees must arrange to have duplicates of certain brokerage statements or a quarterly holdings report provided to AssuredIM. The Chief Compliance Officer must make available duplicate copies of his brokerage statements or a quarterly holdings report for review by AssuredIM's General Counsel or members of AssuredIM's compliance staff. AssuredIM's personal securities transaction pre-clearance and reporting requirements are described in Item 11.A.

Additional conflicts are present in connection with the receipt by AssuredIM or an affiliate of management and performance-based fees. Except inasmuch as performance affects asset size and thus the amount of the management fee, management fees are payable without regard to the overall success or income earned by Advisory Clients and therefore may create an incentive on the part of AssuredIM to raise or otherwise increase assets under management to a higher level than would be the case if AssuredIM were receiving a lower or no management fee. Performance-based fees also create certain inherent conflicts of interest with respect to AssuredIM's management of assets. Specifically, AssuredIM's entitlement to a performance-based fee in managing one or more accounts may create an incentive for it to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation.

In a series of secondary transactions effected in December 2020, certain Fund Clients and Institutional Accounts advised by AssuredIM sold certain healthcare-related investments to certain AHP Funds advised by AHP (the transactions, taken together, the "Secondary Transaction"). The Secondary Transaction was effected as part of the spin-out of AssuredIM's existing healthcare investment advisory business into AHP. In the Secondary Transaction, the interests of the selling vehicles were adverse to the purchasing vehicles, and the interests of AssuredIM (which, as investment advisor to the selling vehicles, was eligible to receive incentive compensation based on realization by the selling vehicles) were adverse to the interests of AHP (which, as investment advisor to the purchasing vehicles, calculates its possible future incentive compensation based on the purchase price paid by the purchasing vehicles). To ensure that Advisory Clients were treated fairly, the purchase price was arrived at through both negotiations with

the lead investor facilitating the Secondary Transaction and from an auction process carried out by AssuredIM, AHP and a third-party financial adviser engaged with respect to the Secondary Transaction. AssuredIM and AHP consulted with multiple advisers to discuss potential alternatives to the Secondary Transaction and they considered the Secondary Transaction to be the preferred alternative.

**C. If you or a *related person* invests in the same securities (or related securities, *e.g.*, warrants, options or futures) that you or a *related person* recommends to *clients*, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

AssuredIM's employees are permitted to make securities transactions in their personal accounts, subject to certain limitations (including those discussed above in Item 11.A). This presents potential conflicts in that an employee could make improper use of information regarding an Advisory Client's holdings or future transactions or research paid for by the Advisory Clients. AssuredIM manages the potential conflicts of interest inherent in employee trading by strict enforcement of the Code, which includes pre-clearance and reporting requirements as described above in Item 11.A.

As described above in Item 10, on limited occasions, the holdings of AssuredIM's Advisory Clients also could overlap with securities or other instruments held by Assured Guaranty. AssuredIM and Assured Guaranty have implemented compliance policies and procedures designed to control the flow of information between Assured Guaranty and AssuredIM and otherwise mitigate or eliminate conflicts of interest that could arise from the integration or other business relationships between Assured Guaranty and AssuredIM. Such measures include, without limitation, subjecting certain Assured Guaranty personnel to the compliance policies and procedures (including the Code of Ethics) adopted by AssuredIM. Further, in the event that any AssuredIM employee becomes aware of a material conflict of interest between AssuredIM and/or its Advisory Clients on one hand and Assured Guaranty on the other hand, such employee is required to inform the Chief Compliance Officer of such conflict, and the Chief Compliance Officer then determines the appropriate course of action, ensuring that AssuredIM acts in the best interests of its Advisory Clients.

**D. If you or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for your own (or the *related person*'s own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Please refer to Items 11.A, 11.B and 11.C.

## **Item 12 – Brokerage Practices**

**A. Describe the factors that you consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).**

**1. Research and Other Soft Dollar Benefits.** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.

**a. Explain that when you use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.**

**b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your *clients’* interest in receiving most favorable execution.**

**c. If you may cause *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.**

**d. Disclose whether you use soft dollar benefits to service all of your *clients’* accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.**

**e. Describe the types of products and services you or any of your *related persons* acquired with *client* brokerage commissions (or markups or markdowns) within your last fiscal year.**

**f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.**

AssuredIM has authority for selecting the broker-dealer used in each transaction for Advisory Clients and for negotiating the fees to be paid to the broker-dealer in connection with such transactions. In choosing brokers and dealers, AssuredIM is not required to consider any particular criteria. For the most part, AssuredIM seeks the best combination of brokerage expenses and execution quality but, as discussed below, AssuredIM is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. In evaluating “execution quality,” historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions is a principal factor, but other factors are also relevant, including: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; reliability, responsiveness and financial stability of the broker dealer; the size of the transaction; availability of securities to borrow for short sales; and the market for the security. In addition to execution quality, AssuredIM may consider whether a broker or dealer may provide access to management of companies in which AssuredIM has invested or is considering investing on behalf of its clients, though such considerations are not typically a part of AssuredIM’s selection process. Advisory Clients may pay commissions to such firms in an amount greater than the amount another firm might charge.

In addition to execution quality and access to management, AssuredIM may consider the value of various research products or services, beyond execution, that a broker-dealer provides to Advisory Clients or



AssuredIM. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because such research products or services could benefit AssuredIM or its affiliates, AssuredIM may have a conflict of interest in allocating Advisory Client brokerage business. AssuredIM currently maintains no formalized “soft dollar” arrangements with broker-dealers but may do so in the future. With respect to any research products or services AssuredIM may receive from broker-dealers, and in the event that AssuredIM enters into any formalized “soft dollar” arrangements, AssuredIM intends to keep the use of “soft dollars” within the parameters of Section 28(e) of the Securities Exchange Act of 1934. Research that is received by AssuredIM or one of its affiliates may be used by personnel of AssuredIM or its affiliates, regardless of the investment strategy to which the research was initially intended to be applicable.

AssuredIM London allocates to broker-dealers certain securities transactions on behalf of AssuredIM. However, under the European Union directive and regulation Markets in Financial Instruments Directive (referred to as “MiFID II”), AssuredIM London is prohibited from receiving from a third party any fees, commissions or monetary or non-monetary benefits (except, in the case of non-monetary benefits, where such benefits are “minor” in nature). Under MiFID II, non-monetary benefits include investment research. AssuredIM London may not utilize “soft dollar” arrangements or receive bundled commission rates to obtain investment research from those broker-dealers. Accordingly, investment research utilized by AssuredIM London is paid by AssuredIM or AssuredIM London and then charged *pro rata* to the Advisory Clients that share in the benefit of such research.

On a quarterly basis, AssuredIM’s Chief Compliance Officer (or his designee) reviews the quality of AssuredIM’s execution and the effectiveness of its order execution arrangements and execution policy.

To the extent that AHP Funds utilize broker-dealers, AHP abides by the same policies and controls as are applicable to AssuredIM.

**2. Brokerage for *Client* Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a *related person* receives *client* referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

**a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving *client* referrals, rather than on your *clients’* interest in receiving most favorable execution.**

**b. Explain the procedures you used during your last fiscal year to direct *client* transactions to a particular broker-dealer in return for *client* referrals.**

In selecting broker-dealers and negotiating the fees to be paid to them, AssuredIM takes into consideration the factors described in Item 12.A.1 above. AssuredIM does not consider, in selecting or recommending broker-dealers, whether AssuredIM or its related persons receive client referrals from a broker-dealer or third party.

As part of its broker selection analysis, AssuredIM considers a broker-dealer’s ability to provide AssuredIM with the opportunity to participate in capital introduction events sponsored by the broker-dealer and to refer investors to Fund Clients. AssuredIM does not, however, select broker-dealers solely, or even largely, based upon such factors and does not direct Advisory Client transactions to a particular broker-dealer in return for referrals. AssuredIM recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to AssuredIM or refer investors to Fund Clients. AssuredIM receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that results from capital introduction services and investor referrals. Similarly, AssuredIM receives a performance-based fee and accordingly could receive a larger

performance-based fee in any given profit period as a result of an increase in assets under management that results from capital introduction services and investor referrals. The potential for higher fees presents a potential conflict in that AssuredIM has an incentive to favor broker-dealers that provide services that have a direct impact on fees even if those broker-dealers rate unfavorably in other categories that are part of AssuredIM's broker selection analysis. AssuredIM addresses this potential conflict through its broker selection review process, which requires that key AssuredIM individuals look at a broker-dealer's performance in a wide variety of categories. Such reviews allow AssuredIM to determine when broker-dealers that outperform in capital introduction and investor referrals underperform in other areas. In such situations, AssuredIM may provide heightened scrutiny to a relationship with a broker-dealer.

### **3. Directed Brokerage.**

**a. If you routinely recommend, request or require that a *client* direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their *clients* to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of *client* transactions, and that this practice may cost *clients* more money.**

**b. If you permit a *client* to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of *client* transactions. Explain that directing brokerage may cost *clients* more money. For example, in a directed brokerage account, the *client* may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the *client* may receive less favorable prices.**

Neither AssuredIM nor AHP has any directed brokerage arrangements.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various *client* accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to *clients* of not aggregating.**

From time to time, AssuredIM combines, but is under no obligation to combine, orders on behalf of Advisory Clients with orders for other accounts for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, AssuredIM allocates the securities or proceeds arising out of those transactions (and the related transaction expenses) in accordance with its allocation guidelines. Such allocation guidelines are intended to ensure fair and equitable treatment of all Advisory Clients (as well as the BMCLO CLOs and the Fuji CLOs).

AssuredIM will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution and is consistent with the terms of the investment guidelines and restrictions for each Advisory Client for which trades are being aggregated. AssuredIM will not receive any additional compensation or remuneration of any kind as a result of the proposed aggregation. While AssuredIM believes combining orders in this way is, over time, advantageous to all participants, in particular cases the average price could be less advantageous to one Advisory Client than if such Advisory Client had been the only account effecting the transaction or had completed its transaction before the other participants.

Please see Item 6 for additional information regarding AssuredIM's policy with respect to allocation of investment opportunities.

### **Item 13 – Review of Accounts**

**A. Indicate whether you periodically review *client* accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the *supervised persons* who conduct the review.**

A portfolio manager of AssuredIM or AHP, as applicable, generally reviews the portfolios of each Advisory Client on a regular and ongoing basis to determine if they are consistent with applicable investment objectives and restrictions. The portfolio managers will also consider whether the portfolio should change investments based on various factors, including but not limited to, changes in company fundamentals, advisers, key industry personnel, analysts, news and press releases, general market conditions and assessment of the financial consequences of world events derived from general information or such other material as is appropriate under the particular circumstances.

**B. If you review *client* accounts on other than a periodic basis, describe the factors that trigger a review.**

Please see Item 13.A.

**C. Describe the content and indicate the frequency of regular reports you provide to *clients* regarding their accounts. State whether these reports are written.**

Shareholders and limited partners of Fund Clients and AHP Funds generally receive unaudited monthly or quarterly written reports describing the performance of such Fund Clients or AHP Funds and annual reports containing audited financial statements and other indicia of performance. Limited partners in AHP Funds also receive a schedule of portfolio companies from the AHP Fund in which they are invested on a quarterly and annual basis. Investors in the CLOs generally receive reports at such frequency and including such information as is required in the applicable governing documents of such CLOs. The content and frequency of written reports received by Institutional Accounts is as mutually agreed by such Institutional Account and AssuredIM.

*Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to the reports they will receive in connection with an investment in such Advisory Client. The information contained herein is a summary only and is qualified in its entirety by such documents.*

#### **Item 14 – Client Referrals and other Compensation**

**A. If someone who is not a *client* provides an economic benefit to you for providing investment advice or other advisory services to your *clients*, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

Neither AssuredIM nor AHP receives any monetary compensation or any other economic benefit from a non-client in connection with the provision of investment advisory services.

**B. If you or a *related person* directly or indirectly compensates any *person* who is not your *supervised person* for *client* referrals, describe the arrangement and the compensation.**

From time to time AssuredIM and AHP enter into arrangements with third party marketers whereby AssuredIM or AHP, as applicable, compensates third parties who introduce Fund Client investors to AssuredIM or AHP Fund investors to AHP. Such compensation typically takes the form of a percentage of the management fees, performance fees and performance allocations received by AssuredIM or AHP (or affiliates of AssuredIM or AHP acting as general partner or managing members of certain Fund Clients or AHP Funds, as applicable) from such investors. The fees paid to such marketers are borne by AssuredIM or AHP, as applicable, and are not borne by Fund Clients or AHP Funds, and in any event such fee arrangements are disclosed to applicable Fund Clients, AHP Funds and investors therein. The terms that third party marketer-sourced investors receive are similar to the standard terms that internally-sourced investors receive. Such arrangements are conducted in a manner that is consistent with Rule 206(4)-3 under the Advisers Act and relevant SEC guidance. With respect to each CLO, one or more parties may act as an “initial purchaser” or “placement agent” with respect to such vehicle’s issuance; however, such role terminates at the closing of the CLO, and no compensation paid in connection with such relationship is paid for client referrals.

## **Item 15 – Custody**

**If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.**

Most of AssuredIM's Advisory Client relationships are structured so that AssuredIM is deemed to have custody of the assets of such Advisory Clients under federal securities laws. In those situations, AssuredIM does not have actual physical custody of such Advisory Clients' assets; rather, all such assets are held in the name of such Advisory Client by an independent qualified custodian. Each such Advisory Client is audited annually, and investors in such Advisory Client receive annual financial statements. Similarly, AHP is deemed to have custody of the assets of each AHP Fund which are held in the name of such AHP Fund by an independent qualified custodian. Each such AHP Fund is audited annually, and investors in such AHP Fund receive annual financial statements.

The CLOs, which are trusts, present an exception to this presumption of custody for purposes of federal securities laws because their assets are held in the custody of their respective trustees. AssuredIM generally does not have custody of assets managed for Advisory Clients pursuant to SMAs.

## **Item 16 – Investment Discretion**

**If you accept *discretionary authority* to manage securities accounts on behalf of *clients*, disclose this fact and describe any limitations *clients* may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

AssuredIM generally provides investment management and supervisory services on a discretionary basis on behalf of its Advisory Clients; provided that with respect to certain Institutional Accounts, one or more investors therein has a consent right in respect of certain investments. As described in Item 4.C, the advisory services provided by AssuredIM are tailored to the investment objectives, investment strategy and investment restrictions, if any, as set forth in the governing documents of Advisory Clients and/or the investment management agreement entered into by AssuredIM with such clients. With respect to Fund Clients, AssuredIM does not tailor its advisory services to the individual needs of investors in the Fund Client and, except as specifically provided in a Side Letter, as described in Item 4.C, does not accept investment restrictions imposed by such Fund Client investors. With respect to Institutional Accounts, the terms of such relationship, including any investment restrictions, are individually negotiated.

AHP provides investment management services on a discretionary basis on behalf of the AHP Funds. The offering documents of the AHP Funds and certain Side Letters permit the excuse and/or exclusion of a particular investor from participating in a particular investment in certain limited circumstances, but AHP generally does not otherwise accept investment restrictions imposed by AHP Fund investors.

Advisory Client investors typically execute a subscription agreement and governing documents of the Advisory Client in connection with their investment in the Fund Client or AHP Fund, as applicable, that each contain a power of attorney that generally grants an affiliate of AssuredIM or AHP, as applicable, certain powers related to the orderly administration of the affairs of the Fund Client or AHP Fund.

Please see Item 4 for additional information regarding AssuredIM's advisory services.

## **Item 17 – Voting Client Securities**

**A. If you have, or will accept, authority to vote *client* securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your *clients* can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your *clients* with respect to voting their securities. Describe how *clients* may obtain information from you about how you voted their securities. Explain to *clients* that they may obtain a copy of your proxy voting policies and procedures upon request.**

From time to time, an issuer of an equity security that is owned by an Advisory Client will conduct a proxy solicitation of its shareholders to vote on various matters. AssuredIM has adopted policies and procedures for voting proxies received by Advisory Clients, and AHP generally operates in accordance with AssuredIM's adopted policies and procedures for voting proxies received by AHP Funds. As a general rule, Advisory Clients delegate the power to vote such proxies to AssuredIM, AHP or their general partner (as applicable), although certain Advisory Clients, such as certain Institutional Accounts, may retain proxy voting rights or issue guidelines with respect to the voting of such proxies by AssuredIM. Investors in Fund Clients and AHP Funds do not have the ability to direct proxy votes.

Unless the power to vote proxies for an Advisory Client is reserved to that client, AssuredIM's or AHP's, as applicable, Chief Investment Officer (or his designee) is responsible for voting proxies. AssuredIM and AHP utilize Broadridge Financial Solutions Inc. (the "Proxy Agent") to facilitate the voting of proxies through its ProxyEdge electronic voting platform. The Proxy Agent provides access to corporate governance voting recommendations provided by a third party provider ("Glass Lewis Recommendations") and enables AssuredIM and AHP, as applicable, to vote proxies related to securities held by an Advisory Client in a manner in the best interest of such Advisory Client. As such, proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management and increase shareholder value. These goals are typically met through AssuredIM's and AHP's general mandate to the Proxy Agent to cast proxy votes in favor of the Glass Lewis Recommendations. If the Glass Lewis Recommendations recommend voting against a management proposal, AssuredIM or AHP, as applicable, generally directs the Proxy Agent to vote against such a proposal. In certain instances, after careful evaluation of the issue presented on the ballot, AssuredIM or AHP, as applicable, may direct the Proxy Agent to vote against the Glass Lewis Recommendations.

If the Chief Investment Officer (or his designee) or the Proxy Agent determines that a material conflict may exist between (i) an Advisory Client's interests and the interests of AssuredIM, AHP or Assured Guaranty or (ii) two or more Advisory Clients' interests, the Chief Investment Officer (or his designee) is required to inform the Chief Compliance Officer of such material conflict, and the Chief Compliance Officer then determines the appropriate course of action.

Information regarding how Advisory Clients' proxies have been voted in the past and a copy of AssuredIM's Proxy Voting Policies and Procedures will be provided by AssuredIM or AHP, as applicable, to its clients upon request. AssuredIM's compliance team may be contacted at [LegalNotices@assuredim.com](mailto:LegalNotices@assuredim.com).

**B. If you do not have authority to vote *client* securities, disclose this fact. Explain whether *clients* will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) *clients* can contact you with questions about a particular solicitation.**

As a general rule, Advisory Clients delegate the power to vote such proxies to AssuredIM, AHP or their general partner (as applicable), although certain Institutional Accounts may retain proxy voting rights or issue guidelines with respect to the voting of such proxies by AssuredIM.

## **Item 18 – Financial Information**

**A. If you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, include a balance sheet for your most recent fiscal year.**

**1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.**

**2. Show parenthetically the market or fair value of securities included at cost.**

**3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.**

Not applicable.

**B. If you have *discretionary authority* or *custody* of *client* funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to *clients*.**

AssuredIM is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Advisory Clients. AHP is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Advisory Clients.

**C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

AssuredIM has not been the subject of a bankruptcy petition at any time during the past ten years (or at any time since inception). AHP has not been the subject of a bankruptcy petition at any time during the past ten years (or at any time since inception).