

## **PART 2A OF FORM ADV: FIRM BROCHURE**

### **ABRAMS CAPITAL MANAGEMENT, L.P.**

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This document (the "Brochure") provides information about the qualifications and business practices of Abrams Capital Management, L.P. ("Abrams Capital"). If you have any questions about the contents of this Brochure, please contact us at (617) 646-6100 or [IR@abramscapital.com](mailto:IR@abramscapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Abrams Capital also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Being a "registered investment adviser" or describing Abrams Capital as being "registered" does not imply a certain level of skill or training.

**THIS BROCHURE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

## **Item 2 – Material Changes**

This Brochure dated as of March 29, 2021 serves as an update to the previous version dated March 26, 2020 (the “Prior Brochure”). Abrams Capital Management, L.P. routinely makes updates throughout the Brochure to improve and clarify the description of its business practices and compliance policies and procedures, as well as to respond to evolving industry best practices. Furthermore, Riva Capital Partners, L.P. was dissolved in 2020 and, therefore, references to such fund that were included in the Prior Brochure are not included in this Brochure.

Our Brochure may be requested, free of charge, by contacting our Investor Relations Department at (617) 646-6100 or [IR@abramscapital.com](mailto:IR@abramscapital.com).

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#### Item 4 – Advisory Business

Abrams Capital Management, L.P. (“Abrams Capital”) is a Boston-based investment firm founded in 1999. David Abrams, as a limited partner of Abrams Capital and the managing member of the general partner of Abrams Capital, Abrams Capital Management, LLC, is the principal owner of Abrams Capital and controls Abrams Capital. The general partner of Abrams Capital has ultimate responsibility for the management and operations of Abrams Capital. For purposes of this Brochure, “Abrams Capital” shall include (where the context permits) Abrams Capital Management, LLC and the affiliated general partners of the Funds (as defined below).

Abrams Capital provides investment advisory services to privately-offered alternative investment funds (the names of which are set forth in **Item 5 - Fees and Compensation**). The primary investment objective of the Funds (as defined in **Item 5**) is to maximize long-term total returns in variable market and economic conditions, while emphasizing preservation of capital. Abrams Capital’s investment strategy is opportunistic and follows a fundamental, value-oriented approach. Investments generally are made with a long-term time horizon, and each Fund’s portfolio is generally unlevered and long-biased. Abrams Capital and its affiliates have acquired and liquidated investments across a wide spectrum of asset types, investment strategies, market sectors, market cycles and industries. This spectrum includes, but is not limited to, distressed securities, private and/or illiquid securities, investments in pooled investment vehicles managed by unaffiliated investment advisers, joint ventures with operating partners and domestic and foreign equity and debt securities. Please see **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**, for a more comprehensive discussion of our investment approach.

The investment strategies, risks, fees and other important information about each Fund are set forth in the applicable Fund’s confidential offering memorandum or other organizational documents. The information in this Brochure does not purport to be a complete description of the Funds and it is qualified in its entirety by a Fund’s confidential offering memorandum or other organizational documents.

Abrams Capital makes all investment decisions on behalf of the Funds pursuant to the terms of an investment management agreement between each Fund and Abrams Capital. Abrams Capital’s primary responsibilities are to identify, review, and select investment opportunities that it believes will achieve the investment objectives of the Funds. Abrams Capital and its affiliates, Abrams Capital, LLC, Great Hollow Partners, LLC, Riva Capital Management II, LLC, Riva Capital Management III, LLC, Riva Capital Management IV, LLC, and Riva Capital Management V, LLC also provide administrative and management services to the Funds.

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the investment management agreements with the Funds and organizational documents of the applicable Fund. Investment

restrictions for the Funds, if any, are generally established in the organizational documents of the applicable Fund and/or the investment management agreements.

Abrams Capital currently does not provide investment advisory services to clients apart from its management of the Funds and does not participate in wrap fee programs. From time to time, Abrams Capital serves as the investment adviser for special purpose vehicles owned by one or more Funds. Abrams Capital manages the assets of each Fund in a manner that is consistent with the objectives and strategies set forth in the applicable Fund's organizational documents. Abrams Capital generally does not tailor its advice to the needs of any particular investor in a Fund, and investors may not impose investment restrictions on their investment in a Fund.

As of January 1, 2021, Abrams Capital managed on a discretionary basis approximately \$9.778 billion, which represents the aggregate net asset value of the Funds as of such date. Abrams Capital does not manage any assets on a non-discretionary basis.

For a further discussion of these and related items, see **Item 7** (Types of Clients), **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss) and **Item 10** (Other Financial Industry Activities and Affiliations).

## **Item 5 – Fees and Compensation**

### **Management Fee and Performance Allocation**

The fees applicable to each Fund are set forth in detail in each Fund's organizational documents. A summary of such fees is provided below. Abrams Capital does not negotiate fees with Fund investors.

Pursuant to an investment management agreement with each of (i) Abrams Capital Partners I, L.P., Abrams Capital Partners II, L.P., Whitecrest Partners, LP, Abrams Capital International, Ltd., and Great Hollow International, L.P. (collectively, the "Abrams Funds"), and (ii) Riva Capital Partners II, L.P. ("Riva II"), Riva Capital Partners III, L.P. ("Riva III"), Riva Capital Partners IV, L.P. ("Riva IV"), and Riva Capital Partners V, L.P. ("Riva V"; together with Riva II, Riva III and Riva IV, collectively the "Riva Funds"; and together with the Abrams Funds, collectively the "Funds"; and each a "Fund"), each Fund agrees to pay Abrams Capital a quarterly management fee. The formula for calculating the quarterly management fee for each Fund is as follows:

<b><u>Fund</u></b>	<b><u>Quarterly Management Fee Calculation</u></b>
Each Abrams Fund (other than Great Hollow International, L.P.)	An amount equal to the sum of 0.25% (1.0% on an annual basis) of the value of each investor's account balance payable at the beginning of the applicable calendar quarter. Abrams Capital International, Ltd. invests substantially all of its assets through Great Hollow International, L.P. as part of a "mini master fund" structure. As a result, Abrams Capital does not charge Great Hollow International, L.P. a management fee. For purposes of calculating the management fee, side pocketed investments are valued at their "designated value", as defined in the organizational documents of each Abrams Fund.
Riva II	An amount equal to 0.1875% (0.75% on an annual basis) of the fair value of the portfolio investments held by Riva II.
Riva III and Riva IV	An amount equal to 0.25% (1.0% on an annual basis) of the net asset value of Riva III or Riva IV, as applicable.
Riva V	<p>During the investment period, an amount equal to the sum of:</p> <ul style="list-style-type: none"> <li>(i) 0.25% (1.0% on an annual basis) of the aggregate unreturned capital contributions made to Riva V prior to the start of the applicable quarter; <u>and</u></li> <li>(ii) an amount equal to the product of (a) 0.25% of each capital contribution made during the quarter, <u>multiplied by</u> (b) the ratio of the number of days remaining in such quarter to the total number of days in the quarter.</li> </ul> <p>After the investment period, an amount equal to 0.25% (1.0% on an annual basis) of the net asset value of Riva V.</p>

Subject to certain limitations, affiliates of Abrams Capital also are entitled to receive from each Fund a performance-based profit allocation from time to time. Please see **Item 6** below for a further description of this performance-based profit allocation.

The investment management fee and the performance-based profit allocation are waived/rebated by Abrams Capital and its affiliates for employees and certain of their family members ("Abrams Capital Affiliated Investors"). Notwithstanding the foregoing, Abrams Capital Affiliated Investors pay their pro rata share of all other Fund expenses.

The investment management fees are deducted from the assets of the Funds generally on the first day of each calendar quarter and charged against the account of each investor accordingly. An investor that invests in a Fund other than at the beginning of a calendar quarter will be charged a prorated portion of the Management Fee for the initial calendar quarter. Generally, no portion of the prepaid quarterly investment management fee is refunded to an investor for any reason. Notwithstanding the foregoing, if the investment management agreement between Abrams Capital and a Fund is terminated other than on the last day of a quarter, any unearned Management Fee that has been prepaid to Abrams

Capital may be returned to the Fund depending on the facts and circumstances that gave rise to such termination.

## **Expenses**

Generally, and subject to the specific terms included in the organizational documents of each Fund, each Fund pays the expenses incurred in connection with the conduct of its business, including the following (except to the extent such expenses are paid by a portfolio investment or other third party): (i) all expenses incurred in connection with the Fund's investment operations, including all costs and expenses relating to due diligence, research (e.g., fees for consultants and expert networks, market data feeds, news and quotation services, databases and research surveys), documentation, investment-related travel and accommodation expenses and all other costs and expenses relating to the investigation, consideration and negotiation of all investment and disposition transactions, whether or not consummated (including legal, consulting, advisory, investment banking, accounting and other professional fees and expenses), and all costs and expenses relating to purchasing (e.g., brokerage fees), holding (e.g., custodial and prime broker fees and costs), developing, operating and overseeing investments (e.g., proxy solicitation expenses) and forming subsidiary entities to acquire and hold investments, appraisal and valuation fees, and banking charges; (ii) costs and fees relating to the preparation of financial and tax reports, portfolio valuations, administration (in the case of all Funds other than Riva II), and tax returns of the Fund; (iii) the management fee and any legal, accounting and other professional and consulting fees; (iv) all costs related to the indemnification obligations of the Fund; (v) the costs of any actual or threatened litigation, director and officer liability or other insurance and extraordinary expense or liability relating to the affairs of the Fund; (vi) all expenses of liquidating the Fund and/or its investments; (vii) any taxes, fees (including filing fees and fees and expenses related to the maintenance of the Fund's registered office), or other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund; (viii) interest expenses on borrowings permitted by the terms of the Fund's organizational documents and all expenses incurred in negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or guarantee permitted to be incurred under such partnership agreement; (ix) expenses related to any amendment of the Fund's organizational documents, the offering, sale or transfer of any interests in the Fund, and the solicitation of any vote or approval required under the Fund's organizational documents; (x) travel expenses associated with board meetings of the Fund and its subsidiaries; and (xi) any other customary operating expenses. Subject to the organizational documents of a Fund, Funds may share expenses (including those expenses associated with potential investments that are not consummated – i.e., broken deal expenses) with other investment entities or accounts managed by Abrams Capital or its affiliated general partners.

Abrams Capital and its supervised persons do not accept any compensation (e.g., brokerage commissions) for the sale of securities or other investment products, including interests in the Funds.

From time to time Abrams Capital will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or Abrams Capital on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Funds. Abrams Capital allocates expenses in accordance with its expense allocation policies and procedures. Certain expenses are the obligation of one particular Fund and are borne by such Fund. Conversely, certain expenses relate to more than one Fund and in such instances are allocated among such Funds. In exercising its discretion to allocate investment opportunities and fees and expenses, Abrams Capital is faced with a variety of potential conflicts of interest. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

Some Fund expenses for certain services or products are not attributable to a specific investment (or potential investment) at the time the expense is incurred. In such instances, such expenses are charged to the Funds that, in the opinion of Abrams Capital, would likely have benefitted from such services or products, consistent with the organizational documents of the Funds, as applicable. Such allocations require judgments as to methodology that Abrams Capital makes in good faith but in its sole discretion.

When a broker is used in connection with an investment by a Fund, such Fund will incur brokerage and other transaction costs. For a further discussion of these and related items, see **Item 12** (Brokerage Practices).

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

### **Abrams Funds**

The general partners of the Abrams Funds (excluding Abrams Capital International) are entitled to receive from such Funds an annual performance-based profit allocation (a “Performance Allocation”) generally at the end of each calendar year. With respect to a Fund, the Performance Allocation is an amount equal to 20% of the net increase of each investor's account (that is, a share of capital gains on, income derived from, or appreciation of the investment (whether realized or unrealized)) in the applicable Abrams Fund (excluding unrealized gains on “side pocketed” investments), measured at the beginning of such calendar year and subject to a high-water mark. With respect to former investors that retain an interest in an investment, the Performance Allocation is an amount equal to 20% of the net profits, but subject to adjustment for sums owed by or due to the applicable general partner in respect of other side pocketed investments. The Performance Allocation made to a general partner is borne by the investors in the applicable Fund who are not Abrams Capital Affiliated Investors.

In general, a “high-water mark” means that the applicable general partner will receive Performance Allocations on an investor's aggregate investment in an Abrams Fund only when the value of the investment, at the time of determination, is higher than the investment's highest value as of the date of the most immediately preceding determination of whether a Performance Allocation is payable. Should the investment decrease in value (that is, due to capital losses or depreciation of the investment (whether realized or



unrealized), but not due to a capital withdrawal), the investment must increase in value back above the previous highest value before the applicable general partner will receive Performance Allocations again.

Notwithstanding the foregoing, the high-water mark associated with the Performance Allocation has a 3 year “roll off” feature. That is, if an investor in an Abrams Fund has unrecovered net losses (or net losses that have not otherwise been applied to offset gains for purposes of calculating the Performance Allocation) during any of the three years (or portions thereof) concluded on the date such Performance Allocation is determined, the general partner shall not be allocated a Performance Allocation until the investor has first recovered such net losses, but any unrecovered net losses that were incurred greater than three years prior to the date of determination of the Performance Allocation shall be disregarded and not used to offset gains. The following example may be useful:

At the beginning of Year 1, investor makes an investment of \$100 into the fund. At the end of Year 1, investor has a net loss in its capital account of \$10, which results in an ending balance of \$90. At the moment, investor’s high-water mark is \$100 and the general partner does not receive a performance allocation because the balance in investor’s capital account (\$90) is below the high-water mark (\$100). During Year 2, investor’s capital account experiences net capital appreciation of \$2, which results in an ending capital account balance of \$92 (still below the \$100 high-water mark) and, as such, the general partner is not entitled to a performance allocation on the investor’s \$2 of net capital appreciation for Year 2. During Year 3, investor’s capital account experiences additional net capital appreciation of \$3, which results in an ending capital account balance of \$95 (again, below the \$100 high-water mark); hence, no performance allocation is made to the general partner for Year 3. Finally, during Year 4, investor’s capital account balance rises to \$99, which remains below the \$100 high-water mark. In this instance, however, the general partner will receive a performance allocation equal to 20% of \$4 because the \$10 net loss from Year 1 was used to offset the \$5 in net gains from Years 2 and 3 and the remaining \$5 net loss from Year 1 is excluded from the investor’s high-water mark calculation as of the end of Year 4 due to the roll-off provision contained in the applicable limited partnership agreement.

If an investor withdraws capital from an Abrams Fund, the amount of such investor’s high-water mark, if any, will be reduced in proportion to the amount of capital withdrawn.

## **Riva Funds**

From time to time, the Riva Funds receive cash from portfolio investments and, in turn, the general partners of the Riva Funds (which are affiliates of Abrams Capital) make distributions of such cash to the limited partners of the Riva Funds. Upon the occurrence of any such distribution, the applicable general partner is entitled to receive a “carried interest” distribution in an amount equal to 20% of any profits attributable to the investment(s) that generated the cash being distributed (subject to reduction in certain instances for, among other things, write-offs and write-downs of other investments held by

the applicable Riva Fund) or, in the case of current income (e.g., interest payments received by the Riva Fund on a bond owned by such Fund), 20% of such current income amount. Carried interest distributions made to the general partner of a Riva Fund are borne by the investors in the applicable Riva Fund who are not Abrams Capital Affiliated Investors. Notwithstanding the foregoing, immediately prior to liquidation of the applicable Riva Fund, the general partner will be required to return to the Fund all or a portion of any carried interest previously received (net of applicable taxes payable with respect thereto) if and to the extent that it has received cumulative distributions with respect to its carried interest in excess of 20% of the cumulative earnings of the Fund or class thereof, as applicable, measured and calculated over the Fund's entire term (although in no event will the general partner be required to return more than the cumulative distributions received by the general partner with respect to its carried interest, reduced by the amount of taxes payable with respect thereto by the members of the general partner).

Abrams Capital and its affiliates manage the Funds, each of which is charged a performance-based profit allocation as described above. A performance-based profit allocation has the potential to create an incentive for Abrams Capital to make investments that are riskier or more speculative than would be the case in the absence of a performance-based profit allocation. Abrams Capital and its affiliates charge the same (20%) performance-based allocations to every Fund. As a result, Abrams Capital and its affiliates do not face the conflict of interest that arises when an investment adviser or its affiliates accept performance-based allocations/fees from some, but not all, clients or charges different performance-based allocations/fees to different clients.

*Please see the applicable Funds' organizational documents for additional detail regarding the performance-based compensation described above.*

## **Item 7 – Types of Clients**

Abrams Capital provides investment management services exclusively to privately-offered, alternative investment funds and their affiliated entities. Investment advice is provided directly to each Fund (subject to the direction and control of the applicable general partner of such Fund) and not individually to the investors in such Fund.

The minimum amount, if any, required for an initial investment in a Fund is set forth in the applicable Fund's organizational documents, which amount may be waived by the general partner or board of directors of the Fund, as applicable.

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

Abrams Capital primarily follows a "value" investment strategy of making investments for the Funds at prices that are significantly below Abrams Capital's estimate of their intrinsic value as a business enterprise or asset. The market price of such investments may be temporarily depressed (i) by visible near-term problems, (ii) because value is being overlooked by the market, (iii) because of investor uncertainty over a complex legal or business circumstance, or (iv) for any number of other reasons. Abrams Capital believes

that pursuing this strategy should result in a portfolio with significant potential for appreciation, even in uncertain market conditions, while at the same time reducing risk and mitigating the effects of broad market declines or unexpected events. Although the Funds generally pursue the same investment strategy, the Riva Funds were created as “overflow” vehicles for situations in which the opportunity presented is larger than can be accommodated in the Abrams Funds; thus, there will be situations where an investment opportunity is allocated only to the Abrams Funds and not one of the Riva Funds. Conversely, some investment opportunities are allocated exclusively to a Riva Fund when the Abrams Funds are at or approaching their investment limit with respect to side pocketed investments and in other instances. In addition, the Riva Funds generally hold a more concentrated portfolio than the Abrams Funds and have the ability to hold a more concentrated position in any single issuer than the Abrams Funds.

Abrams Capital makes investments for the Funds in a number of different market sectors and industries and in securities and other financial instruments of all kinds. As market forces and investor preferences cause one industry or asset category to generally decline in price, Abrams Capital expects that there will be greater opportunity to make investments in such industries and asset classes at larger discounts to their intrinsic values. Abrams Capital intends to be flexible in shifting portfolio allocations for the Funds among different sectors, industries, and asset classes in order to make investments at attractive prices.

To succeed in applying a value approach, Abrams Capital believes that it must (i) locate and accurately evaluate numerous candidates for investment, (ii) determine that the investment’s value will increase in absolute terms, or identify the event or other change of conditions that will cause any value discount to be reduced, and (iii) properly execute the strategy to acquire and dispose of the asset for the greatest gain.

Abrams Capital believes that a value strategy should be applied in an opportunistic manner, since the asset categories that present the greatest discounts to intrinsic value (and, therefore, the most attractive prices) will shift with investor preferences. Accordingly, portfolio allocation also must shift towards those areas that are often the most out of favor or the least understood. Abrams Capital believes that total return is mostly driven by favorable prices at purchase, and that these are found by continually re-evaluating investment categories in light of prevailing market perception and economic conditions. Abrams Capital evaluates investment opportunities in many of the following asset categories: undervalued equity securities, securities issued by financially distressed companies (including government sponsored entities), sovereigns, or municipalities, securities issued by companies in connection with a reorganization or restructuring, high-yield securities, real estate and real estate-related securities, privately placed securities, limited partnership or similar interests in joint ventures and other pooled vehicles, and securities issued by non-U.S. companies. Consistent with the investment guidelines of the Funds, Abrams Capital at times invests in various hedging instruments, derivative instruments (including instruments used for non-hedging purposes) and structured products if Abrams Capital believes that such instruments will assist the Funds in achieving their investment objectives.

Abrams Capital is authorized to pursue other strategies, including risk arbitrage, and to make a wide range of investments in pursuit of each Fund's objective, including investments in illiquid or restricted securities and assets.

From time to time, Abrams Capital employs certain active investment management techniques including hedging with derivatives. These techniques can be employed in an attempt to hedge risks associated with the Funds' portfolio or for profit. Investment and trading techniques that occasionally are employed by Abrams Capital also include short selling and creation of "side pockets" to hold investments that Abrams Capital determines should be held until the occurrence of certain events or for an extended period.

The Funds hold any cash balances they accumulate in custody accounts, bank accounts, short-term debt securities, securities subject to repurchase agreements, money market mutual funds, or other securities. The cash balances of a Fund will vary from time to time, as Abrams Capital deems advisable. Abrams Capital may also deem it advisable to hold no cash balances whatsoever from time to time.

**It is impossible to predict the degree of profitability, if any, that may be achieved from the investment strategy described above. In particular, Abrams Capital's investment practices could, in some circumstances, increase adverse impacts to which one or more Fund's investment portfolio is subject. Abrams Capital endeavors to commit each Fund's resources among various investments and strategies consistent with the philosophy and process articulated above and in response to changing market conditions and opportunities. The foregoing discussion includes and is based upon assumptions and opinions of Abrams Capital concerning world financial markets and other matters, the accuracy of which cannot be assured. The description set forth above is general and is not intended to be exhaustive. The risks of each Fund's business are substantial and each Fund could realize losses rather than gains from some or all of the investments described herein. Investing in securities and other asset types involves a risk of loss that clients should be prepared to bear.**

#### *Material Risks.*

The following is an explanation of the material risks that Abrams Capital believes are associated with its investment strategy. Unless stated otherwise, each risk applies to all of the Funds. Further discussion of these and other risks associated with an investment in each Fund are set forth in the applicable Fund's confidential offering memorandum or other organizational documents. The following risk factors do not purport to be a complete list or explanation of all the risks associated with an investment in one or more of the Funds.

***Nature of Securities Investments.*** An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Funds' investment program will be successful or that the Funds will achieve their objective. Abrams Capital generally invests the Funds' assets in

securities and other types of financial instruments and assets, some of which are particularly sensitive to economic, market, industry, regulatory, political, and other variable conditions. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Funds.

***Risks Associated with the Riva Funds' Investment Approach.*** The purpose of the Riva Funds is to create a pool of capital that enables such Funds to take advantage of investment opportunities when and if they arise. Accordingly, the Riva Funds may not invest all or even a substantial portion of their capital commitments prior to the expiration of their commitment periods (which commitment periods will vary among the Riva Funds), or they may rapidly deploy capital as investment opportunities arise and market conditions warrant. Abrams Capital expects that each Riva Fund will concentrate its investments in a limited number of portfolio investments and occasionally seek to obtain a control position in some or all of such businesses. Furthermore, Abrams Capital does not expect to be actively involved with the day to day management of all of the portfolio investments, but expects to add value in other ways in such instances, including through its potential representation on the boards of directors of the issuers.

***Limitations on Ability to Exit Investments.*** Abrams Capital expects to exit from the private investments it makes on behalf of the Funds in a number of different ways, including private sales and public offerings. At any particular time, one or both of these avenues may not be open to the Funds, or timing with respect to these exit mechanisms may be inopportune. In particular, the receptiveness of the public market to the Funds' private investments may vary dramatically from period to period, and an otherwise successful private investment may yield poor investment returns if the Funds are unable to dispose of securities of such portfolio company due to poor conditions in the market for publicly traded securities. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

***Undervalued Assets.*** Abrams Capital's investment strategy focuses on investing in assets that it believes are undervalued. Opportunities in undervalued assets arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of an asset. The identification and exploitation of investment opportunities in undervalued assets is a difficult task and involve a high degree of uncertainty. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investment opportunities for the Funds. There is no assurance that Abrams Capital will be able to identify suitable investment opportunities in which to deploy the Funds' capital, or that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

***Equity Securities Generally.*** The Funds invest in equity and equity-related securities in the U.S. and other countries. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity instruments of issuers whose performance

diverges from Abrams Capital's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. In addition, securities which Abrams Capital believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame Abrams Capital anticipates. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering or otherwise qualifying restricted securities for public resale.

***Risk Arbitrage Transactions.*** The Funds may purchase securities at prices below their anticipated value following the occurrence of a predicted event, including proposed mergers, tender offers or similar transactions. The purchase price of such securities may be in excess of the market price of the securities immediately prior to the announcement of the proposed transaction. If the proposed transaction is not consummated or is delayed, the market price of the security may decline and result in losses to the Fund. In certain transactions, a Fund may not be hedged against market fluctuations unrelated to the anticipated transaction but which may affect the value of the consideration to be received. This may result in losses, even if the proposed transaction is consummated.

***Investments in Distressed Assets and Bankrupt or Restructured Companies.*** From time to time, the Funds invest in "below investment grade" securities and obligations of domestic and non-U.S. issuers that are in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence or other problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities and obligations are likely to be particularly risky investments. Some of these securities and obligations may not be publicly traded; therefore, it may be difficult to obtain information as to the true condition of the issuers. Additionally, during certain periods, there may be little or no liquidity in markets for these assets. Such investments also may be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' assets may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a Fund's investment in any instrument, and a significant portion of a Fund's investments may be less than investment grade. Any one or all of such investments may experience a partial or complete loss or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high.

Many of the events within a bankruptcy case are adversarial and often are beyond the control of the creditors or other stakeholders. Accordingly, a bankruptcy court or appellate court may approve actions or issue decisions that impair the value of a Fund's investment. Generally, the duration of a bankruptcy case can only be roughly estimated.

The process can involve substantial legal, professional and administrative costs to the company and the Funds; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest or manage its assets or business adequately. In some cases, the debtor may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Abrams Capital may cause a Fund to purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchase has taken unfair advantage of an unsophisticated seller, which may result in the recession of the transaction (presumably at the original purchase price) or forfeiture by the purchase.

There can be no assurance that Abrams Capital will correctly evaluate the value of the assets collateralizing a Fund's position or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, the Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Fund's investments may not compensate the Fund adequately for the risks assumed. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security with respect to which such distribution was made. In certain transactions, the Fund may not be "hedged" against market fluctuations or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Returns from investments in distressed companies are more likely to be challenged as fraudulent conveyances and amounts paid on the investment may be subject to avoidance as a preference under certain circumstances. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor will generally either have its claims subordinated, or disallowed, or be found liable for damage suffered by parties as a result of such actions. In addition, under circumstances involving a portfolio company's insolvency, payments to the Funds and distributions by the Funds to their investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Troubled companies and other asset-based investments also require active monitoring and, at times, may require participation in business strategy or reorganization proceedings by Abrams Capital. To the extent that Abrams Capital becomes involved in such proceedings, the Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by Abrams Capital in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Fund's ability to liquidate its position in the issuer. Abrams Capital, on behalf of a Fund, may elect to have representatives serve on creditors' committees or other groups to preserve or enhance the Fund's position as a creditor. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents and may be obligated to disclose information relating to its holdings and trading activity related thereto. If Abrams Capital concludes that its obligations owed to the other parties as a committee or group member conflict with duties owed to a Fund, it may be required to recuse itself or resign from that committee or group, and the relevant Fund may not realize the benefits, if any, of participation on the committee or group. In addition, if a Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in the applicable company. Further, the law is uncertain as to duties and restrictions applicable to an "ad hoc" creditors committee on which Abrams Capital participates or is deemed to participate.

Investment in the debt of financially distressed companies domiciled outside the U.S. involves additional risks. Bankruptcy law and process may differ substantially from that in the U.S., resulting in greater uncertainty as to creditors' rights, the enforceability of those rights, reorganization timing and the classification, seniority and treatment of claims. In certain countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

***Risks Relating to Investments in Municipal Securities.*** Municipal issuers may be adversely affected by rising health care costs, increasing unfunded pension liabilities, and the phasing out of federal programs that provide financial support to municipalities. Broad adverse market and economic events may have a disproportionate effect on certain geographic areas, which may impact the ability of municipal issuers to meet their financial obligations. Unfavorable conditions and developments relating to projects financed with municipal securities can result in lower revenues to issuers thereof. Issuers often depend on revenues from these projects to make principal and interest payments. The value of municipal securities also can be adversely affected by changes in the financial condition of insurers of municipal issuers, regulatory and political developments, tax law changes or other legislative actions, and by uncertainties and public perceptions concerning these and other factors.

***Sovereign Debt.*** Sovereign debt instruments, which are debt obligations issued or guaranteed by a foreign governmental entity, are subject to the risk that the governmental entity may delay or fail to pay interest or repay principal on debt that it has issued or guaranteed, due to, for example, cash flow problems, insufficient foreign currency reserves, political considerations, relationships with other lenders such as commercial banks, the relative size of the governmental entity's debt position in relation to the economy or the



failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time to pay or for further loans, or it may ask for forgiveness of interest or principal on its existing debt. Furthermore, a governmental entity may be unwilling to renegotiate the terms of its sovereign debt. There may be no established legal process for a bondholder to enforce its rights against a governmental entity that does not fulfill its obligations, nor are there likely to be bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

***Small and Mid-Cap Issuers.*** Depending on market conditions, pursuit of Abrams Capital's investment strategy may result in a Fund's assets being invested in securities of small-cap and mid-cap issuers. While small and mid-cap companies may offer the potential for greater capital appreciation than investments in large-cap companies, small-cap and mid-cap companies may present greater risks since they may have a limited history of operations; may be subject to high volatility in revenues, expenses and earnings; may have more limited product lines, markets, and financial resources; and may be dependent on a smaller management team. The securities of such issuers may be thinly traded, may be followed by fewer investment research analysts and may be subject to greater volatility than securities issued by larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, corporate developments and market rumors, and general economic trends than are the market prices of the securities of large-cap issuers. The risk of bankruptcy or insolvency of many small-cap issuers (with the attendant losses to investors) is higher than for larger-cap issuers.

***Hedging.*** Abrams Capital may utilize various financial instruments for the Funds in order to, among other things: protect against possible changes in the market value of a Fund's investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates; protect unrealized gains in the value of a Fund's investment portfolio; facilitate the sale of any such investments; enhance or preserve returns, spreads or gains on any investment in a Fund's portfolio; hedge the interest rate or currency exchange rate on any of a Fund's liabilities or assets; and/or protect against any change in the price of any securities a Fund anticipates acquiring at a later date or for any other reason that Abrams Capital deems appropriate.

The success of Abrams Capital's hedging strategy will be subject to its ability to correctly assess the degree of correlation, if any, 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 Abrams Capital's hedging strategy also will be subject to its ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. There also is a risk that such correlation will change over time rendering the hedge ineffective. Abrams Capital is not obligated to devote any portion of a Fund's capital to hedging activities, and there can be no assurances that Abrams Capital will engage in hedging or, if it does so, whether such activities will generate positive returns for a Fund. A Fund's portfolio is not expected to be hedged in whole or in part at all times and

at various times Abrams Capital may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, a Fund's assets may not be adequately protected from market volatility and other conditions. While Abrams Capital may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transactions.

***Portfolio Liquidity and Transfer Restrictions – Abrams Funds.*** Abrams Capital invests a portion of each Abrams Fund's assets in securities and other assets for which there is limited or no liquidity, that are not susceptible to frequent fair valuation, or that otherwise are determined by Abrams Capital to require a fixed or extended holding period. These securities and other assets generally are "side pocketed", in which case any investor capital attributable to such side pocketed investments generally will not be available to an investor upon redemption of its investment from the applicable Fund.

***Short Sales.*** Funds may engage in "short sales" when Abrams Capital believes a security is overvalued or for hedging purposes. Funds are not obligated to devote any portion of their capital to shorting securities, and there can be no assurances that any Fund will short securities or, if it does, whether such activities will generate positive returns, or protect against losses, for such Fund. A Fund will incur a loss on a short sale if the price of the security increases prior to the time Abrams Capital purchases the security to replace the borrowed security. Conversely, Abrams Capital will realize a gain if the security declines in price by such time. A short sale may present greater risk than purchasing a security since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. A Fund may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under certain market conditions, a Fund might have difficulty purchasing securities to meet short sale re-delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet short sale obligations at a time when fundamental investment considerations would not favor such sales.

Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. A Fund's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior and future trading activities of the Fund. Additionally, the Securities and Exchange Commission (the "SEC"), its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect a Fund's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Funds may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Funds may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and short sellers are subject to strict delivery requirements. The inability of a Fund to deliver securities within the required time frame may subject such Fund to mandatory close out by the lender. A mandatory close out may subject the Fund to unintended costs and losses. Certain action or inaction by third parties, such as prime brokers and public market investors may materially impact a Fund's ability to effect short sale transactions.

***Control Positions.*** From time to time, Abrams Capital purchases a large enough position in an issuer to participate in its management and control. This subjects the Funds (and representatives of the Funds who serve as directors of such issuers) to certain risks. For example, the Funds may be subject to claims by other investors in the issuer who may, among other things, object to the manner in which Abrams Capital exercises its rights to participate in the management of the issuer. Creditors of the issuer might seek to hold the Funds responsible for obligations of the issuer. A controlling group of shareholders might be subject to claims against an issuer that arise in other areas, including, but not limited to, tort, securities and environmental law. Defending any such claims may be very costly and time-consuming and any liability in connection therewith could be substantial and may be borne by the Funds directly or through indemnification obligations.

***Non-Controlling Investments.*** The Funds hold non-controlling equity or debt interests in an issuer from time to time and, therefore, have a limited ability to protect their investment in such company. In such circumstances, Abrams Capital may make as a condition of the Funds' investment in an issuer that the Funds obtain appropriate shareholder and supervisory rights in order to protect the Funds' interests. It is unlikely, however, that any such rights will be adequate to protect the ownership interest of the Funds in all circumstances.

***Service on Boards of Directors.*** Individual representatives of Abrams Capital serve as board members of certain companies in which the Funds are invested. In their capacity as board members, such individuals may become subject to fiduciary, reporting or other duties that may adversely affect the Funds. For example, the Funds may be unable to sell or buy securities or enter into transactions that may benefit the Funds if a representative of Abrams Capital is in possession of material, non-public information relating to such portfolio investment. Furthermore, such individual board members may become subject to substantial liability arising out of claims against them and liability in connection therewith may be borne by the Funds through indemnification obligations. In addition, decisions made by a director may subject Abrams Capital, its affiliates, and certain Funds to claims to which they would not otherwise be subject as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims.

***Risks of Significant Holdings in Public Companies.*** The Funds will be subject to special risks when they (individually or in the aggregate) acquire more than five percent of a class of securities that is publicly traded in the United States or exceed certain ownership thresholds outside of the United States. Upon acquiring such a five percent interest, the Funds will become subject to reporting and other requirements under U.S. federal securities laws. In addition, upon acquiring more than a ten percent interest, the Funds will become subject to the “short-swing profit” rule (which requires disgorgement of profits in certain instances) and additional public reporting requirements. Furthermore, when the Funds report that they acquired such an interest, they may become subject to litigation or other parties may seek to invest in the applicable company in competition with the Funds. The Funds’ rights may also be limited by federal, state, and non-U.S. anti-takeover laws. Other jurisdictions impose their own beneficial reporting obligations, which may subject the Funds to the same or similar risks as those described immediately above. Complying with the requirements of U.S. federal securities laws, non-U.S. securities laws, and state anti-takeover laws may be expensive and time-consuming.

***Material, Non-Public Information.*** From time to time, Abrams Capital and its affiliates possess, or may be imputed with receipt of, material, non-public information concerning an issuer in which a Fund is invested, or as to which it is evaluating an investment. The possession of such information may limit the ability of Abrams Capital to make or dispose of an investment in such an issuer, including at a time when Abrams Capital might otherwise wish to cause the Funds to buy or sell such assets. Abrams Capital has policies and procedures in place that seek to ensure that its investment practices do not violate federal, state, and foreign securities law prohibitions on trading on material, non-public information.

***International Investments.*** The Funds invest in issuers organized outside of the United States from time to time. Investments in countries other than the United States involve risks in addition to those applicable to U.S. investments, including risks attributable to adverse political, social and economic developments in other countries and risks resulting from the differences between the regulations to which issuers and markets are subject in different countries. For example, investments in foreign issuers may be adversely affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Funds’ assets denominated in that currency and thereby will affect such Funds’ total return on such assets. The Funds may utilize options and forward contracts to hedge against currency fluctuations but there can be no assurance that such hedging transactions will be effective. Additional risks may include expropriation of assets, confiscatory taxation, withholding taxes on dividends and interest paid on Fund investments, currency exchange controls and other limitations on the use or transfer of Fund assets and political or social instability.

Foreign companies are not necessarily subject to the same regulatory requirements as U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for the Fund to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of a Fund's trades effected in such markets.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval. The Funds could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by the government of an emerging country. Taxation of dividends, interest and capital gains received by non-residents varies among countries and, in some cases, is comparatively high. In addition, some countries have tax laws and procedures that may permit retroactive taxation so that a Fund could in the future become subject to local tax liability that it had not reasonably anticipated in conducting its investment activities or valuing its assets. Furthermore, changes or modifications to existing judicial decisions or in the current positions of the Internal Revenue Services (the "IRS"), either taken administratively or as contained in published revenue rulings and revenue procedures (which changes or modifications may apply with retroactive effect), and the passage of new legislation, could lead to unfavorable treatment of certain non-U.S. investments which could adversely impact a Fund's portfolio.

In June 2016, voters in the United Kingdom approved a referendum to leave the European Union (commonly known as "Brexit"). Brexit has resulted in volatility in European and global markets and could have negative long-term impacts on financial markets in the United Kingdom and throughout Europe and the rest of the world. There is considerable uncertainty about the potential consequences associated with Brexit, and as this process unfolds markets may be further disrupted. The consequences of the United Kingdom's or another country's exit from the European Union and/or Eurozone also could threaten the stability of the euro for remaining countries and could negatively affect the financial markets of other countries in the European region and beyond.

***Exchange Rate Fluctuations–Currency Considerations.*** While the Funds expect to operate in U.S. dollars, the Fund's assets may be invested in non-U.S. securities and any income or capital received by the Funds may be denominated in the local currency of investment. Accordingly, changes in currency exchange rates (to the extent unhedged) will affect the value of the Funds' portfolios and the unrealized appreciation or depreciation of investments. Furthermore, the Funds incur costs in connection with conversions between

various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Funds at one rate, while offering a lesser rate of exchange should the Funds desire immediately to resell that currency to the dealer. The Funds conduct their currency exchange transactions either on a spot (*i.e.*, cash) basis at the prevailing spot rate or through forward or options contracts.

***Dark Pools and Other Private Trading Venues.*** Abrams Capital, on behalf of the Funds, utilizes so-called “dark pools” and other private trading venues from time to time to execute trades of securities. In a dark pool, buyers and sellers do not reveal their identities and often reveal very little, if anything, about their order sizes, as opposed to a traditional exchange, where orders are transparent. There are a number of different types of non-displayed liquidity providers, including electronic communications networks (“ECNs”), broker-sponsored dark pools, crossing networks and broker-led consortium dark pools. Dark pools and other anonymous venues may provide price improvement and the ability to protect trade orders from others in the market that would take advantage of information revealed during a trade. Dark pools and other private trading venues generally look to traditional exchanges to get their pricing information. However, if more and more trades are conducted through dark pools and other private trading venues, the prices used in dark pool trades might not be as reliable and up-to-date as they should be. Moreover, the use of dark pools means that firms cannot take advantage of changes in prices because the market cannot react immediately to transactions occurring in dark pools. Furthermore, different entities in a dark pool cannot see each other and therefore do not have a sense of what each other’s strategies and motives are. In addition, the prices charged by dark pools and crossing networks can be complex and may be higher than those charged by traditional exchanges. The prices charged by dark pools and independently operated crossing networks also may cover execution only and not investment research and other services and may also be used to fund contributions to commission-sharing arrangements.

***Emerging Market Securities.*** There are substantial risks involved in investing in companies located in underdeveloped or developing countries, which are sometimes referred to as “emerging markets.” These risks are in addition to the usual risks inherent in international investments described above. Because of greater risks of adverse political developments, the lack of effective legal structures and difficulties effecting securities transfers and settlements, the Funds risk losing their entire investment when investing in companies located in certain emerging markets. Generally, emerging market debt securities are not required to meet any rating standards and may not be rated for creditworthiness by any internationally recognized credit rating organization. Emerging market debt securities rated in the lower and lowest rating categories of internationally recognized credit rating organizations and unrated securities of comparable quality are predominantly speculative with respect to the capacity to pay interest and repay principal in accordance with their terms and generally involve a greater risk of default and volatility in price than securities in higher rating categories. The Funds may invest without limit in emerging markets.

***Derivative Investments.*** Derivative instruments, or “derivatives,” include futures, options, swaps (including credit default, total return, equity, interest rate, currency and index swaps), structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, commodities, currencies, indices, or other assets. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with investments in derivatives. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may result in the loss of the entire investment and also expose the applicable Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Derivatives are also subject to the risk of non-performance by the derivatives counterparty (for over-the-counter derivatives, as explained further in “*Counterparty Risk*” below) or the clearing house and broker or futures commission merchant through which the Funds hold the derivative (with respect to exchange traded or centrally cleared derivatives).

***Counterparty Risk.*** Some of the markets in which Abrams Capital effects transactions on behalf of the Funds are “over-the-counter” or “interdealer” markets. Certain participants in such markets are not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. Abrams Capital is not restricted from concentrating any or all of the Funds’ transactions with one counterparty. Abrams Capital’s evaluation of the creditworthiness of the Funds’ counterparties or negotiation of contractual terms may not prove sufficient. The ability of the Funds to transact business with any one or number of counterparties and the lack of a complete and accurate evaluation of the financial capabilities of the Funds’ counterparties may increase the potential for losses by the Funds.

***General Economic and Market Conditions.*** The success of Abrams Capital’s activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds’ investments), trade barriers, currency exchange controls, pandemics, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of asset prices, the ability of Abrams Capital to value Fund holdings, the liquidity of the Funds’ investments and the availability

of certain assets. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

Global capital markets experience volatility and illiquidity from time to time. These conditions may lead to extensive governmental interventions, which may be implemented on an "emergency" basis. This could suddenly and substantially eliminate market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions.

***Economic and Regulatory Climate.*** Changing market and economic conditions and other factors such as changes in federal or state tax laws, federal or state securities laws or accounting standards may make corporate mergers, exchange offers, tender offers or other similar transactions less desirable or may make arbitrage or trading activities engaged in by Abrams Capital less profitable. In particular, it should be noted that many tender offers, acquisitions and other corporate reorganizations require the acquirer to obtain high levels of financing to successfully complete the transaction. As a result of cycles of uncertainty in credit markets, such financing may become difficult to obtain and may adversely affect the Funds' opportunities and investments.

***Coronavirus Outbreak Risks.*** The global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. COVID-19 has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. Furthermore, Abrams Capital's ability to operate effectively could be impaired by Covid. For example, the spread of COVID-19 among Abrams Capital's personnel and its service providers could significantly affect Abrams Capital's ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management). The full effects, duration and costs of the COVID-19 pandemic remain impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

***Rising Interest Rate Risk.*** Interest rate risk is the risk that the value of a portfolio will decline because of rising interest rates. Debt securities fluctuate in value with changes in interest rates. In general, debt securities will increase in value when interest rates fall and decrease in value when interest rates rise. A portfolio may be subject to a greater risk of rising interest rates than would normally be the case due to the current period of historically low rates and the effect of potential government fiscal policy initiatives and resulting market reaction to those initiatives. When interest rates change, the values of longer-duration debt securities usually change more than the values of shorter-duration debt securities. Rising interest rates also may lengthen the duration of debt securities with call features, since exercise of the call becomes less likely as interest rates rise, which in turn will make the securities more sensitive to changes in interest rates and result in even



steeper price declines in the event of further interest rate increases. Companies with high debt levels may be unable to renegotiate their debt at favorable rates and companies with variable rate debt are at risk of rate resets. Both types of companies could be a greater risk of default as interest rates rise.

***Concentration of its Investments.*** Abrams Capital has the authority to commit a significant portion of each Fund's assets to a single investment and, as a result, from time to time the Funds may hold a few, relatively large positions. Furthermore, the Funds may, from time to time, be more heavily invested in only a few sectors or asset classes based on prevailing market conditions. Such concentration of investments and the risks associated therewith may expose the Funds to losses disproportionate to those incurred by the market in general if the areas in which the Funds' investments are concentrated are disproportionately adversely affected by price movements, and the aggregate return on an investor's investment in a Fund may be materially adversely affected by the unfavorable performance of even a single portfolio investment. None of the Funds should be viewed as a complete investment program and the Funds will not be adequately diversified in all market conditions.

***Structured Investments.*** The Funds invest in entities organized and operated solely for the purpose of restructuring the investment characteristics of other debt securities, including debt securities issued by foreign governments. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in other debt securities or bank loans directly or through total rate of return swaps or other credit derivatives. The cash flow on the underlying instruments may be apportioned among the newly issued securities to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments. Certain classes of such securities may be subordinated to the right of payment of another class, and therefore, such structured investments typically have higher yields and present greater risks than unsubordinated structured investments.

The Funds' investments in structured products will be subject to a number of risks, including risks related to the fact that the structured products will be leveraged. Utilization of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor in the equity or subordinated debt securities issued by a structured product. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of a Fund's investment therein. In addition, if the particular structured product is invested in a security in which a Fund is also invested, this would tend to increase such Fund's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative, basis.

The value of an investment in a structured product depends on the investment performance of the assets in which the structured product invests and therefore is subject

to all of the risks associated with an investment in those assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the issuer of such asset or nullified under applicable law. The Funds will not own such assets directly and will therefore not benefit from general rights applicable to the holders of assets, such as the right to indemnity and the rights of setoff, or have voting rights with respect to such assets, and in such cases, all decisions related to such assets, including whether to exercise certain remedies, will be controlled by the structured product. Furthermore, there are certain tax and market uncertainties that present risks relating to investing in structured products.

***Risks Related to LIBOR.*** On July 27, 2017, the head of the UK Financial Conduct Authority (“FCA”) announced that the FCA intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR after 2021. The continued use of LIBOR as a benchmark for derivatives, floating rate business loans and for lending arrangements such as any credit facility is anticipated to be phased out no later than the end of 2021. The elimination of a reference rate or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for, or value of, any securities or payments linked to those reference rates and raises certain conflicts of interest.

There remains uncertainty regarding the likely replacement benchmark rate for LIBOR. As such, the potential effect of a transition away from LIBOR on the Funds or the financial instruments in which the Funds invest cannot yet be fully determined. However, actions by regulatory authorities, financial institutions or others to phase out or eliminate LIBOR or to propose or require transition to a particular alternative rate (the “Benchmark”) in a certain manner upon the occurrence of one or more future events may (i) increase the volatility of LIBOR, (ii) increase pricing volatility with respect to and liquidity of the loans and derivatives or (iii) cause interest rate mismatches between Fund assets and liabilities.

Furthermore, the transition away from LIBOR may adversely affect the Funds’ ability to manage and hedge exposures to fluctuations in interest rates using derivative instruments. The transition may also result in a reduction in the value of certain investments held by the Funds or reduce the effectiveness of related Fund transactions such as hedges. The effect of any changes to, or discontinuation of, LIBOR on the Funds will vary depending on, among other things, provisions in individual contracts, industry response to the ISDA 2020 IBOR Fallbacks Protocol and when industry participants develop and adopt new reference rates and alternative reference rates.

When LIBOR is phased out or eliminated as a benchmark rate, it is uncertain whether and how broad replacement conventions in the leveraged loan and credit facility markets will develop or be required by relevant regulators and, if conventions develop. Some new conventions may create adverse consequences for the Funds and/or any investments. The Federal Reserve Board and the Federal Reserve Bank of New York’s

Alternative Reference Rates Committee (“ARRC”) have however identified the Secured Overnight Financing Rate (“SOFR”) as the replacement rate for derivatives, and it is likely that SOFR (or a SOFR-based rate) will become the replacement rate for syndicated loans as well. Because SOFR is a secured, risk-free rate, while LIBOR is an unsecured rate reflecting counterparty risk, SOFR will not be equivalent to LIBOR. Any transition to and adoption of SOFR may adversely impact the pricing, liquidity, value of, and return on Fund investments. Whether SOFR attains market acceptance as a LIBOR replacement remains in question. The transition from LIBOR to an alternative reference rate could adversely affect the Funds’ activities, operations, and performance. To the extent industry-wide solutions are not adopted, individualized determinations on individual credit and debt arrangements and derivatives contracts may need to be determined and negotiated. Abrams Capital is unlikely to be in a position to make individualized determinations regarding replacement benchmark rates based on the particular impact to each affected Fund investment.

***General Real Estate Risks.*** Real estate investments generally are subject to the risks incident to the ownership and operation of real estate and/or risks associated with the making of nonrecourse mortgage loans secured by real estate, including (i) risks associated with both the domestic and international general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks and operating problems arising out of the absence of certain construction materials; (v) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of overbuilding); (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in availability of debt financing; (viii) energy and supply shortages; (ix) changes in the tax, real estate, environmental and zoning laws and regulations; (x) various uninsured or uninsurable risks; (xi) natural disasters; and (xii) the ability of operating partners to manage the real properties. With respect to investments in real estate-related securities, the Funds will in large part be dependent on the ability of third-parties to successfully operate the underlying real estate assets. There is no assurance that there will be a ready market for resale of investments because investments in real estate generally are not liquid.

***Commercial Mortgage-Backed Securities.*** The Funds invest in commercial mortgage-backed securities from time to time, which are securities backed by obligations that are principally secured by interests in real property having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. Commercial mortgage-backed securities have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. Commercial mortgage loans generally lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the repayment of all or substantially all of the principal only at maturity. All of these factors increase the risk involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to-four family lending since it typically involves larger loans to a single borrower than residential one-to-four family lending. In addition, certain mortgage loans

may be secured by residential properties where the occupant is not the owner. These mortgage loans may present a greater risk of loss because these borrowers may be more likely to default on a mortgage loan secured by non-owner-occupied property than a mortgage loan secured by a primary residence of a borrower.

Commercial mortgage lenders typically look to the debt service coverage ratio of a loan secured by income-producing property as an important measure of the risk of default on a loan. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage loan at any given time. Net operating income of an income producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, pandemics, social unrest and civil disturbances. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project as well as upon the liquidation value of the underlying real estate. The value of commercial real estate is also subject to a number of laws and regulations, such as regulations and laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Most commercial mortgage loans underlying mortgage-backed securities are effectively non-recourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related mortgage-backed securities are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of mortgage-backed securities may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed-in-lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related mortgage-backed securities. Revenues from the assets underlying such mortgage-backed securities may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is

generally not recoverable without a court-appointed receiver to control collateral cash flow.

Commercial mortgage-backed securities may pay fixed or floating rates of interest. Fixed-rate commercial mortgage-backed securities, like all fixed income securities, generally decline in value as rates rise. Moreover, although generally the value of fixed income securities increases during periods of falling interest rates, the inverse relationship may not be as marked in the case of commercial mortgage-backed securities due to the increased likelihood of prepayments during periods of falling interest rates. This effect is mitigated to some degree for mortgage loans providing for a period during which no prepayments may be made.

Certain commercial mortgage-backed securities lack regular amortization of principal, resulting in a single “balloon” payment due at maturity. If the underlying mortgage borrower experiences business problems or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default.

**Bank Loans.** The Funds have in the past and may again in the future invest in corporate bank debt and participations therein (“Bank Loans”) originated by banks and other financial institutions. Risks associated with bank loans include (i) the fact that prepayments may occur at any time without premium or penalty and that the exercise of prepayment rights during periods of declining spreads could cause the Funds to reinvest prepayment proceeds in lower-yielding investments; (ii) the borrower’s inability to meet principal and interest payments and interest payments on its obligations (i.e., credit risk); and (iii) price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the borrower and general market liquidity (i.e., market risk). Purchasers of Bank Loans are predominantly commercial banks, investment funds and investment banks and there can be no assurance that current levels of supply and demand in Bank Loan trading will provide an adequate degree of liquidity. The Funds acquire interests in Bank Loans either directly (by way of assignment) or indirectly (by way of participation or other derivative contract). The assignee of a Bank Loan typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations and other derivatives, Abrams Capital on behalf of the Funds generally has no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Funds may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Funds will assume the credit risk of both the borrower and the institution selling the participation or other derivative contract.

As a result of the additional debt incurred by the borrower, the borrower’s creditworthiness is often judged by the ratings agencies to be below investment grade. To

the extent that the Funds purchase Bank Loans that include revolving credit facilities, the Funds may be obligated to fund future drawdowns on such revolving credit facilities, which may require the Funds to invest additional capital in an issuer at a time when it might otherwise choose not to invest, absent such requirement to fund.

***Investment in Junior Securities.*** Certain securities in which the Funds from time to time invest will be among the most junior in a portfolio company's overall capital structure and, thus, subject to the greatest risk of loss. There may be little or no collateral to protect an investment by the Funds in such securities.

***Third Party Investment Vehicles.*** The Funds invest in pooled investment vehicles (both publicly traded and privately held) managed by investment advisers that are not affiliated with Abrams Capital (each, an "Unaffiliated Fund") from time to time. Such Unaffiliated Funds invest in a wide variety of securities and other assets. No assurance can be given that the investment strategies used by such Unaffiliated Funds will be successful under all or any market conditions. The Funds' investments in Unaffiliated Funds typically are subject to withdrawal limitations that prevent the Funds from terminating investments in Unaffiliated Funds that are poorly performing or have otherwise had adverse changes, although in certain instances the Funds have negotiated terms that seek to minimize such risks. Investments in Unaffiliated Funds also typically result in the payment by the Funds directly or indirectly of management fees, carried interest or other compensation to third parties. Investments in Unaffiliated Funds result in Abrams Capital and its affiliates lacking full control over the assets of the Funds, which lack of control represents a significant risk.

***Portfolio Company Leverage.*** The Funds invest in leveraged companies from time to time. Investing in leveraged companies offers the opportunity for capital appreciation, but it also involves a higher degree of risk. The companies in which the Funds invest incur varying degrees of leverage and, in turn, recessions, operating problems, and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Funds may suffer a partial or total loss of capital invested in the portfolio company. Furthermore, leverage may result in such companies being subject to restrictive financial and operating covenants. Once acquired, businesses may face significant fluctuations and unexpected operating results, may need to engage in acquisitions or dispositions of assets in order to successfully compete within their industries, may be operating at a loss, may be engaged in a rapidly changing business environment (and subject to obsolescence), may require substantial additional capital (which may not be forthcoming) to support operations, to finance expansion or to maintain competitive positions.

***Cybersecurity Risk.*** With the increased use of technologies such as the internet to conduct business, the Funds and Abrams Capital are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious

software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Fund's and Abrams Capital's service providers and counterparties have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, and additional compliance costs. Similar adverse consequences could result from cyber incidents affecting governmental and other regulatory authorities, exchanges and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. Neither the Funds nor Abrams Capital can control the cybersecurity plans and systems put in place by their service providers, issuers of securities in which the Funds invest, or any other third parties whose operations may affect the Funds or Abrams Capital. The Funds and Abrams Capital could be negatively impacted as a result.

***Risks of Financial Fraud.*** Instances of fraud and other deceptive practices committed by senior management of certain companies in which the Funds invest may undermine Abrams Capital's due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of the Funds' investments. In addition, when discovered, financial fraud may contribute to overall market volatility which can negatively impact the Funds' investment program.

***Reliance on Corporate Management and Financial Reporting.*** Abrams Capital selects investments for the Funds in part on the basis of information and data filed by issuers of securities with various government regulators and through other sources. Although Abrams Capital evaluates such information and data and seeks independent corroboration when it considers it appropriate and reasonably available, Abrams Capital will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available. Abrams Capital is dependent upon the integrity of the management of these issuers and of such servicers and the financial and collateral performance reporting processes in general.

***Possibility of Fraud and Other Misconduct of Employees and Service Providers.*** Misconduct by employees of Abrams Capital, service providers to Abrams Capital or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds.

Abrams Capital has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that Abrams Capital will be able to identify or prevent such misconduct.

***Joint Ventures.*** Certain Funds hold a portion of their investments through partnerships, joint ventures, or other entities with third-party investors. Joint venture investments involve various risks, including the risk that the Funds will not be able to implement investment decisions or exit strategies because of limitations on the Funds' control of the investments under applicable agreements with joint venture partners, the risk that a joint venture partner may become bankrupt or may at any time have economic or business interests or goals that are inconsistent with those of the Funds, the risk that a joint venture partner may be in a position to take action contrary to the Funds' objectives, the risk of liability based upon the actions of a joint venture partner and the risk of disputes or litigation with such partner and the inability to enforce fully all rights (or the incurrence of additional risk in connection with enforcement of rights) one partner may have against the other. In addition, the Funds may be liable for actions of its joint venture partners. Investments in joint ventures also may result in the payment by the Funds directly or indirectly of management fees, carried interest or other compensation to third parties.

***Third-Party Litigation Costs.*** The Funds' investment activities may subject them to the risk of becoming involved in litigation by third parties with respect to a portfolio investment. This risk is somewhat greater if the Funds exercise control of, or significant influence on, a portfolio investment's business operations or if employees of Abrams Capital serve as directors or managers of a portfolio investment. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent certain conduct by the officers or employees of Abrams Capital or its affiliates, be borne by the Funds, would reduce their net assets and could require investors to return to the Funds previously distributed amounts. Abrams Capital and its affiliates, employees and others are entitled to indemnification by the Funds in connection with such litigation, subject to limited exceptions in each Fund's organizational document.

***Certain Tax Consequences.*** The Funds' activities could cause adverse tax consequences to limited partners in the Funds, including liability for interest and penalties. Abrams Capital may refrain from making certain investments on a Fund's behalf because those transactions could have significant adverse tax effects for some Fund investors but could be profitable for others. Abrams Capital also may consider the potential tax impact on some investors of the timing of transactions (for example, whether disposing of an investment or closing a position at a particular time could have different tax effects than disposing or closing somewhat sooner or later). The tax implications of timing may benefit certain investors, including the General Partner of a Fund and its affiliates, and not others, and in some cases could adversely affect a Fund's investors.



## **Item 9 – Disciplinary Information**

Abrams Capital is not aware of any legal or disciplinary events that are material to a client's or prospective client's evaluation of Abrams Capital's advisory business or the integrity of Abrams Capital's management.

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

We are affiliated with a group of entities (identified below) that serve as the general partner to one or more of the Funds.

- Abrams Capital, LLC serves as the general partner to Abrams Capital Partners I, L.P., Abrams Capital Partners II, L.P. and Whitecrest Partners, LP;
- Great Hollow Partners, LLC serves as the general partner to Great Hollow International, L.P.;
- Riva Capital Management II, LLC serves as the general partner to Riva Capital Partners II, L.P.;
- Riva Capital Management III, LLC serves as the general partner to Riva Capital Partners III, L.P.;
- Riva Capital Management IV, LLC serves as the general partner to Riva Capital Partners IV, L.P.; and
- Riva Capital Management V, LLC serves as the general partner to Riva Capital Partners V, L.P.

Abrams Capital and its management persons are not registered, and do not have any application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Abrams Capital and its management persons are not registered, and do not have any application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Abrams Capital, from time to time, invests in partnerships and joint ventures with other investment advisers, which results in payment of additional management fees and carried interest/performance allocations to such advisers by the investing Funds.

## **Potential Conflicts of Interest**

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts are disclosed throughout this Brochure (and in certain Fund organizational documents), and the Brochure should be read in its entirety for other conflicts.

### ***Resolution of Conflicts***

In the case of all conflicts of interest, Abrams Capital's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Abrams Capital's best judgment, but in its sole discretion. In resolving conflicts, Abrams Capital considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless Abrams Capital believes that such investment is an appropriate investment considered from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the organizational documents for the Funds;
- (3) Abrams Capital has adopted and implemented certain policies and procedures designed to mitigate certain conflicts of interest; and
- (4) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

While Abrams Capital endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. In addition, certain provisions of a Fund's organizational documents are designed to protect the interests of investors in situations where conflicts actually exist or may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund or one or more investors in such Fund.

### ***Allocation of Investment Opportunities***

Abrams Capital is the investment manager to the Abrams Funds and the Riva Funds. All of the Abrams Funds have similar investment objectives and strategies, however, certain Funds including Whitecrest Partners, LP, are subject to different limitations under the terms of their organizational documents. Accordingly, the same investments typically are made for all of the Abrams Funds; however, such investments are not required to be the same, particularly when tax, regulatory, portfolio concentrations, investment restrictions, anticipated capital changes or other matters make such investments inadvisable. Abrams Capital makes allocation determinations consistent with the Funds' organizational documents and in accordance with its written policies and procedures.

The Riva Funds focus on private equity-type investments as well as investments in publicly traded and private securities. Although the Abrams Funds generally pursue a broader investment strategy than that of the Riva Funds, the Abrams Funds are expected to invest in a substantial portion of the portfolio investments of the Riva Funds and the Abrams

Funds generally have priority with respect to allocations thereof, subject to certain limitations. For instance, an investment opportunity may be allocated exclusively to a Riva Fund if the Abrams Funds are at or approaching their investment limit with respect to side pocketed investments or if Abrams Capital believes the Abrams Funds are sufficiently concentrated in a particular sector or in side pockets in general.

Abrams Capital International, Ltd. (“Abrams Capital International”) is in the process of liquidating its portfolio and winding up its affairs, although this process is expected to take a number of years. As a result, Abrams Capital International is not expected to make any new investments through its master fund, Great Hollow International, L.P., or otherwise. Disposition of the remaining assets owned by Abrams Capital International shall be made at such times and in such amounts as determined by Abrams Capital, and any such disposition transactions shall be allocated among Abrams Capital International and the other applicable Funds in accordance with the Abrams Capital’s trade allocation policy.

Subject to the foregoing, allocation of investment opportunities among the Funds will be made in Abrams Capital’s judgment based upon such factors as the investment objectives, investment portfolio, investment restrictions, the amount of capital available for investment by a Fund, the life-cycle stage of a particular Fund, and risk tolerance of the Funds. Allocation determinations are inherently subjective and give rise to conflicts of interest due to inherent biases in the process. The application of the factors and judgment set forth above will occasionally results in allocation on a non-pro-rata basis and there can be no assurance that a Fund will participate in all investment opportunities that fall within its investment objectives.

Abrams Capital may have a conflict of interest in rendering advice to a Fund because the financial benefit from managing another Fund may be greater (e.g., in the event that such account generates higher fees or allocations or has a larger portion of its capital attributable to Abrams Capital or its affiliates), which may provide an incentive to favor such other Fund. Abrams Capital will have considerable discretion with respect to decisions relating to the Funds’ affairs. In particular, Abrams Capital will have substantial discretion in identifying, structuring and negotiating acquisitions and dispositions of investments for the Funds.

### ***Conflicts Related to Abrams Capital and the General Partners***

Abrams Capital, the general partners, their affiliates, and their respective officers, directors, members, managers, partners, and employees are engaged in other activities, and are not required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort to any Fund. Each will devote such time and effort to the Funds and their affairs as each deems necessary and appropriate.

As discussed in **Item 11** below, subject to compliance with applicable law and the provisions of Abrams Capital’s code of ethics, including pre-clearance requirements for purchases and sales of certain securities, Abrams Capital, the general partner entities, their affiliates, and some of their respective officers, directors, members, partners, managers,

and employees trade in securities for their own accounts, including securities owned by one or more Funds and securities being researched on behalf of the Funds. In addition, Funds from time to time invest in securities of companies in which Abrams Capital personnel have previously invested for their own accounts. In certain instances, the Funds incur costs and expenses in connection with a particular position owned by, or being researched on behalf of, the Funds that is also owned by a supervised person of Abrams Capital in his/her personal account (e.g., the cost of a research report, litigation-related expenses, etc.). In such instances, the supervised person receives a benefit that he/she otherwise would not have received but for the payment of such cost and expense by the Funds.

In addition, Abrams Capital personnel, subject to the restrictions in the Abrams Capital's code of ethics, may also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds. Such Abrams Capital personnel could have a conflict of interest with respect to their personal investment holdings. For example, there could be situations in which such investment vehicles invest in the same portfolio companies as the Funds. Abrams Capital personnel may be incentivized to cause a Fund to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles.

David Abrams and certain employees of Abrams Capital are currently directors of a number of companies and he/they could serve as a member of other boards of directors in the future, including boards of publicly traded companies in which the Funds have invested. In their capacity as board members, Mr. Abrams and others sometimes become subject to fiduciary, reporting or other duties that could adversely affect the Funds. For example, the Funds will be unable to sell securities if Mr. Abrams is in possession of material, non-public information relating to such investment or during designated blackout periods. There is no assurance that the Funds will be or will continue to be, as applicable, invested in a company for which Mr. Abrams or an employee of Abrams Capital or its affiliates serves as a director.

Investors in the Abrams Funds are subject to significant restrictions on their ability to withdraw capital from the applicable Abrams Fund. The general partner of the Abrams Funds (or, in the case of Abrams Capital International, its board of directors) has the right, in its sole discretion, to waive or alter some or all of the applicable liquidity restrictions (e.g., lock-up period, notice requirements, etc.) for investors in the Abrams Funds. Employees of Abrams Capital and its affiliates who are investors in the Abrams Funds generally are permitted by the general partner of the Abrams Funds to withdraw capital from such Funds at the end of a quarter upon request (excluding any capital attributable to side pockets).

### ***Management of the Funds***

Information received by Abrams Capital with respect to certain investments and potential investments could restrict the Funds' ability to engage in certain trading activities. For

example, in the course of investing in certain debt instruments for a Fund, Abrams Capital may elect to receive non-public information concerning the borrower. Even if the Abrams Capital elected not to receive such non-public information, the possibility exists that it could learn material non-public information about the borrower via its ownership of certain loans. If Abrams Capital, its affiliates, or any of their respective members, partners, or employees receive information they deem material and non-public, whether in connection with the Funds' activities or otherwise, the Funds may become restricted from trading in any publicly issued securities of such companies. These restrictions on the ability of the Funds to make or unwind their investments because of the receipt of material, non-public information could have material adverse consequences for the Funds.

For certain of the Funds, Abrams Capital monitors on an on-going basis the tax characteristics of such Funds' investment activities and portfolio. Occasionally, the timing and substance of investment and trading decisions of Abrams Capital is influenced by the expected tax results for such Funds and their investors that could arise as a result of such decisions. There can be no guaranty that such decisions will result in the expected tax results, nor will all investors necessarily benefit from such decisions, based on their individual tax situations. In seeking to improve the tax efficiency of their investment activities, the Funds could be exposed to risks that would not have occurred in the absence of such tax considerations, such as changes in market prices and liquidity. Investors that are exempt in whole or in part from taxation are unlikely to benefit from tax considerations that are designed to minimize U.S. taxation and bear the risks of such considerations. Certain Funds' portfolios may diverge from other Funds' portfolios due, in part, to tax-efficiency considerations, investment guidelines, subscriptions and redemptions and other factors.

### ***Conflicts Relating to Purchases and Sales***

Investment opportunities are from time to time appropriate for more than one Fund at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts arise in determining the terms of investments, particularly where these Funds may invest in different types of securities in a single portfolio company. Questions arise as to whether payment obligations and covenants should be enforced, modified or waived, whether payments should be accelerated, or whether debt should be refinanced. 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 or other concessions that may be given in such a situation raise conflicts of interest, and Abrams Capital may be incentivized to choose a course of action that benefits one Fund to the detriment of another Fund.

From time to time, the Funds invest in bank debt and securities of companies in which another Fund holds securities, including equity securities. Equity holders and debt holders have different (and often competing) motives, incentives, liquidity goals and other interests with respect to a portfolio company. In the event that such investments are made by a Fund, the interests of such Fund will at times conflict with the interest of such other Fund,

particularly in circumstances where the underlying company is facing financial distress. In such instances, it may be in the best interest of the Fund holding debt securities to declare a default, accelerate a loan or take other protective actions, while such actions would harm another Fund's equity investment in the portfolio company. The involvement of such Funds at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds could be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest.

### ***Brokerage Conflicts***

Abrams Capital uses brokerage commissions to obtain research products and services from time to time, which would create a conflict of interest between the Abrams Capital and the Funds if Abrams Capital would otherwise be required to pay for such products and services itself. To the extent that Abrams Capital is able to acquire these products and services without expending its own resources (including Management Fees paid by the Funds) or at reduced prices, Abrams Capital's use of "soft-dollars" would increase the Abrams Capital's profitability. Such research products and services may also be used by Abrams Capital in its other investment activities, and therefore, the Funds may not, in any particular instance, be the direct or indirect beneficiary of the research and brokerage products and services provided. Abrams Capital does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. Abrams Capital uses soft dollars to benefit all of the Funds rather than only those who paid for the benefit, although in many instances all of the Funds participating in a particular trade pay their pro rata portion of the commissions or mark-ups/downs, as applicable, that generate soft dollar credits.

### ***Other Potential Conflicts***

The organizational documents of a Fund establish complex arrangements among the Funds, Abrams Capital, investors, and other relevant parties. From time to time, questions arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the organizational documents, if any, are broad, unclear, general, conflicting, ambiguous, and vague and allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While Abrams Capital will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

Abrams Capital purchases insurance on behalf of itself, its affiliates, and the Funds. Abrams Capital will make judgments about the allocation of premiums, fees, costs and expenses for such insurance policies among one or more Funds, and/or Abrams Capital and its affiliates on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance

that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Certain provisions of a Fund's organizational documents are designed to protect the interests of investors in situations where conflicts exist, although these provisions do not eliminate such conflicts. Furthermore, Abrams Capital has adopted and implemented certain policies and procedures designed to mitigate certain conflicts of interest. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives.

Valuations of the Funds' assets are determined by Abrams Capital and its affiliates, and involve uncertainties and judgmental determinations. The compensation of Abrams Capital and its affiliates is based upon the value of the Funds' assets in many instances. As a result, it is possible for there to be situations where Abrams Capital is incentivized to influence the valuation of investments. This conflict is mitigated in part because the Funds' independent accountants test valuations when auditing the Funds' financial statements each year.

Recent changes to the U.S. tax code allow general partners of partnerships to obtain long term capital gains treatment on investments that are held for a minimum of three years; however, investors in the Funds are able to obtain long term capital gains treatment on investments that are held for only one year. This could give Abrams Capital an incentive to hold investments for longer than it otherwise would have in order to obtain the long term capital gains treatment, which may result in an unforeseen loss on the investment that otherwise might not have been incurred if sold prior to the end of the three year period.

Abrams Capital has the authority to execute cross transactions between two or more Funds for a variety of reasons, including, without limitation, to rebalance one or more portfolios without incurring the transaction costs that arise in an open market transaction. Such transactions create conflicts of interest because, by not exposing the cross transaction to market forces, a Fund may not receive the best price otherwise possible. Abrams Capital mitigates this conflict in part by only effecting a cross transaction when it determines that such cross transaction will not harm any of the participating Funds, and is consistent with the investment objectives and policies of such Funds. Neither Abrams Capital nor any of its affiliates receive any transaction-specific compensation in connection with cross transactions.

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

Abrams Capital has adopted a code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act that is applicable to its officers, employees, partners, as well as officers and employees of its affiliates (the "supervised persons"). Pursuant to the code, each supervised person of Abrams Capital is required to comply with all applicable laws and regulations and acknowledge in writing his or her receipt and understanding of the code upon joining Abrams Capital and annually (or as amended) thereafter. In addition, the

code of ethics establishes guidelines for professional conduct. The code helps Abrams Capital detect and prevent potential conflicts of interest.

Abrams Capital's code of ethics also contains guidelines relating to personal trading by supervised persons. Each supervised person must receive prior approval before purchasing or selling securities for his or her own account (other than certain exempted securities, which include direct obligations of the United States of America, commercial paper, shares issued by money market funds, certain ETFs, and shares issued by open-end mutual funds). The code of ethics also requires supervised persons to provide Abrams Capital with quarterly transaction and annual holdings reports.

The code of ethics includes specific provisions prohibiting insider trading and also addresses (i) the ability of a supervised person to engage in certain outside activities, (ii) the giving and acceptance of gifts and/or entertainment from certain third parties, and (iii) confidentiality of client and investor information.

All violations of the code of ethics must be promptly reported to Abrams Capital's Chief Compliance Officer, who is primarily responsible for administering and enforcing the code of ethics. Abrams Capital personnel who violate the code may be subject to remedial actions, including, but not limited to, a verbal or written warning, profit disgorgement, censure, suspension or termination of the employment of the violator and/or referral to civil or criminal authorities. Supervised persons are required to promptly report any violation of the code of ethics of which they become aware.

Clients and prospective clients may obtain a full copy of Abrams Capital's code of ethics by contacting Abrams Capital at the following address:

Abrams Capital Management, L.P.  
222 Berkeley Street, 21st Floor  
Boston, Massachusetts 02116  
Attention: Chief Compliance Officer  
Telephone: 617-646-6100

From time to time, supervised persons of Abrams Capital invest in securities held by one or more Funds and, in certain instances, the value of such supervised person's holdings in such securities could be considered material. This practice presents certain potential conflicts of interest between the supervised person and the Funds. For example, the supervised person's research about a particular issuer could cause him or her to believe that the company is no longer a sound investment for either the Funds or himself or herself. This poses a potential conflict of interest because if the supervised person takes action on behalf of the Funds, such action could cause his or her investment in the issuer to become less valuable, whereas a delay in taking action on behalf of the Funds could have a negative impact on the Funds. In order to address the potential conflicts of interest, Abrams Capital's code of ethics includes a pre-approval process for transactions in a supervised person's personal account, which is described in more detail below. Additional



potential conflicts of interest presented by personal trading generally are described in this **Item 11** below.

Each supervised person must submit a request for approval before he or she enters into a transaction for his or her personal account (subject to limited exceptions described in further detail in the code of ethics). In the request, the supervised person must disclose if he or she is aware that the applicable security is actively being considered for purchase or sale for any Fund within 5 calendar days after the date the proposed transaction in the security is expected to occur. The supervised person generally must submit an approval request to an Abrams Capital trader, who determines if there is a trade pending for any Fund in any security of the issuer of the security for which pre-approval is being sought. If the trader determines that there is no trade pending, the trader approves the request and the request is then automatically submitted to the Chief Compliance Officer for review. If there is a pending trade, the trader will reject the request, subject to limited exceptions.

Upon receipt of the pre-approval request, the Chief Compliance Officer or his designee will either approve or deny the supervised person's proposed transaction. Such approval or denial is based on the standards set forth in Abrams Capital's code of ethics.

## **Item 12 – Brokerage Practices**

Abrams Capital is responsible for selecting broker-dealers to execute trades and negotiating any commissions paid on such trades on behalf of the Funds. In selecting a broker for each specific Fund portfolio transaction, Abrams Capital will use its reasonable judgment to choose the broker-dealer most capable of providing "best execution" on an overall basis. As a matter of policy, however, broker-dealers will not be selected by Abrams Capital solely on the basis of price, but will be selected based on an evaluation by Abrams Capital of the overall value and quality of the brokerage services provided by such firms to the Funds. For example, Abrams Capital also takes into account the financial strength, integrity and stability of the broker-dealers who execute trades on behalf of the Funds, as well as the quality, comprehensiveness and frequency of available research and other products and services considered to be of value, as discussed in more detail below.

Part of Abrams Capital's duty to the Funds is to negotiate favorable commission rates on transactions that it places with broker-dealers. Abrams Capital seeks to obtain favorable commission rates on transactions it places for the Funds, subject in all cases to the overriding obligation to seek best execution. As noted above, best execution does not necessarily mean paying the lowest available commission rate. In fact, Abrams Capital sometimes causes the Funds to pay a higher brokerage commission than would otherwise be paid, in recognition of execution and research services provided to Abrams Capital by the broker-dealer, subject to the factors and limitations described herein.

From time to time, Abrams Capital receives products or services other than execution from a broker-dealer or other third party in connection with Fund transactions. Such products and services include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial, political, and economic studies

and forecasts; and facilitating analyst visits, invitations to industry and other conferences, and discussions with research personnel. Research products and services received by Abrams Capital could be the proprietary research of a particular broker-dealer or research created or developed by a third party. Abrams Capital is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it directly, or indirectly through commission sharing arrangements, with such research and other products and services or to pay higher commissions to such firms, if Abrams Capital determines such prices or commissions are reasonable in relation to the overall services provided. Accordingly, the Funds pay for research and other products and services with "soft" or commission dollars. To the extent that Abrams Capital uses commissions or "soft dollars" to pay for products or services, it is anticipated that such uses will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934. Abrams Capital uses research obtained with soft dollars generated by a Fund to service accounts other than such Fund. In the rare instance where a product or service obtained with soft dollars provides both research and non-research assistance to Abrams Capital, Abrams Capital will make a reasonable allocation of the cost that will be paid with soft dollars. Non-permitted uses based on this allocation will be paid by Abrams Capital without the use of soft dollars. See **Item 10** (Other Financial Industry Activities and Affiliations – Brokerage Conflicts) for a discussion of the conflicts of interest associated with soft dollars.

Abrams Capital aggregates trades for the Funds, unless it believes that doing so would conflict or otherwise be inconsistent with its duty to seek best execution for the Funds and/or the terms of the respective investment management and other agreements and understandings relating to the Funds for which trades are being aggregated. When Abrams Capital believes that it can effectively obtain best execution for the Funds by aggregating trades, it will do so for all Funds for which the trades are both suitable and consistent with the respective investment management agreements, investment guidelines, and other agreements and understandings relating to such Funds, unless prohibited or restricted by law, contract, or otherwise.

Abram Capital allocates trades among the Funds in its sole discretion. Abrams Capital's overall objective when allocating trades among the Funds is to treat each Fund in a fair and equitable manner, depending on the particular facts and circumstances and the needs, life-cycle stage and financial objectives of all of the Funds, such that allocations are not based upon account performance or applicable fee structures, and tradable position sizes are retained in each Fund. Generally, purchases are allocated pro rata among the Abrams Funds (excluding Abrams Capital International and its master fund, Great Hollow International, L.P.); however, from time to time trades will be allocated in some other manner for a number of reasons, including capital availability of one or more Funds, concentration limits, investment restrictions, and legal, regulatory, tax, accounting and other practical reasons. As discussed above, the Riva Funds were created as "overflow" vehicles for situations in which the opportunity presented is larger than can be accommodated in the Abrams Funds; thus, there are situations where an investment opportunity is allocated only to the Abrams Funds and not the Riva Funds. Conversely, an investment opportunity may be allocated exclusively to a Riva Fund if the Abrams Funds

are at or approaching their investment limit with respect to side pocketed investments. Long sales generally are allocated among the Funds holding the applicable position based on the relative size of each participating Fund's position to the aggregate position size of all of the Funds.

On occasion, errors could occur with respect to trades executed on behalf of the Funds. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, and when the wrong quantity is purchased or sold (e.g., 5,000 shares instead of 50,000 shares are traded). Abrams Capital will endeavor to detect potential trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, Abrams Capital will strive to recover any losses associated with such error from such third party. If the trade error was caused by Abrams Capital, we will determine whether it violated the standard of care set forth in its investment management agreement with the applicable Fund(s) (as generally described in such Fund's organizational documents), and, unless it finds that to be the case, any losses likely will be borne by the Funds (subject in certain instances to insurance claims by the Funds that may offset any such losses). Any gains resulting from trade errors will be credited to the applicable Funds.

### **Item 13 – Review of Accounts**

The portfolios of the Funds are managed by David Abrams, who is the managing member of the general partner of Abrams Capital. Each Fund's portfolio is periodically reviewed by David Abrams and a number of Abrams Capital employees, including: (i) traders and research analysts who monitor and review positions and risk on a daily basis, (ii) operations staff who are responsible for confirmations, settlements, and position reconciliation on a daily basis, (iii) finance and accounting staff who perform daily cash, liquidity, and collateral management, allocate profits and losses among investors in the Funds, calculate the net asset value of each Fund, monitor investor account balances, and calculate and accrue management fees and performance-based compensation due Abrams Capital and its affiliates, among other things, and (iv) legal and compliance staff who support investment management personnel and monitor regulatory risks, among other things.

Abrams Capital intends to distribute to investors in the Funds (i) audited financial statements within 120 days of the end of the fiscal year of the applicable Fund (subject to **Item 15** below); and (ii) quarterly, unaudited account statements. In addition, investors receive letters from Abrams Capital (quarterly for investors in the Abrams Funds; annually at a minimum for investors in the Riva Funds) that discuss the investment performance of the Funds for the applicable period, current investment positioning of the Funds, and certain administrative matters related to Abrams Capital. Finally, investors in the Abrams Funds receive on a monthly basis estimated statements of the performance of such Funds for the previous month, which includes asset allocation details for the Funds.

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

Abrams Capital does not receive any economic benefit from anyone other than its clients as a result of the provision of investment advice or other advisory services to the Funds, other than through the receipt of research obtained with soft dollars, as discussed in **Item 12 (Brokerage Practices)**. Furthermore, neither Abrams Capital nor any related person of Abrams Capital directly or indirectly compensates any person, including supervised persons of Abrams Capital, for client or investor referrals.

## **Item 15 – Custody**

The Funds contract with several “qualified custodians” (as defined in SEC Rule 206(4)-2) to hold assets of the Funds that must be held with a qualified custodian pursuant to such Rule. The Funds do not use a qualified custodian to send quarterly account statements directly to the investors in the Funds. Instead, each Fund expects to distribute to its investors annual financial statements that are audited by an independent public accounting firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, within 120 days of the Fund’s fiscal year-end. Notwithstanding the foregoing, in certain instances, a Fund may distribute its annual financial statements to investors within 180 days of such Fund’s fiscal year-end if the Fund invests 10% or more of its total assets in unaffiliated pooled investment vehicles.

Abrams Capital urges investors to carefully review the audited financial statements of the Funds in which they are invested.

## **Item 16 – Investment Discretion**

Abrams Capital has discretionary authority to manage the assets of each Fund in a manner that is consistent with the objectives and strategies set forth in the applicable Fund’s organizational documents. This authority is granted by each Fund to Abrams Capital pursuant to the investment management agreement between the applicable Fund and Abrams Capital. Investment advice is provided directly to the Funds, subject to the direction and control of the applicable general partner and not individually to investors in the Funds. Except as set forth above, there are no limitations placed on this authority. David Abrams makes the investment decisions on behalf of Abrams Capital; however, in certain instances, Abrams Capital traders may have (i) limited flexibility to determine which particular security to trade (e.g., when an issuer has a number of bonds outstanding with similar characteristics), (ii) a range of acceptable prices to trade a security, and (iii) authorization with respect to other ministerial actions in connection with trade execution. Abrams Capital has the authority to engage sub-advisers and consultants to assist Abrams Capital in providing investment management services to the Funds, including, without limitation, in respect of specific asset classes.

## Item 17 – Voting Client Securities

Abrams Capital has adopted proxy voting policies and procedures pursuant to Rule 206(4)-6 under the Investment Advisers Act. Proxies are assets of the Funds that must be voted by Abrams Capital in accordance with its fiduciary duty to the Funds. Abrams Capital generally seeks to vote proxies in a way that maximizes the value of the Funds' assets.

The right to vote proxies on behalf of the Funds has been delegated to Abrams Capital pursuant to its investment management agreement with each Fund. Neither the Funds nor the investors in the Funds may direct Abrams Capital's vote in connection with any particular proxy solicitation.

Abrams Capital considers whether it is subject to any material conflict of interest in connection with each proxy vote. Employees are required to notify the Chief Compliance Officer or General Counsel of Abrams Capital if they are aware of any material conflict of interest associated with a proxy vote. If Abrams Capital detects a material conflict of interest in connection with a proxy solicitation, a meeting of Abrams Capital's Proxy Voting Committee is convened to determine how to resolve the conflict.

Abrams Capital is authorized by each Fund to direct its participation in class actions, and Abrams Capital has adopted Class Action policies and procedures in connection therewith. Pursuant to such policies and procedures, Abrams Capital determines whether the Funds will (a) participate in a recovery achieved through a class action, (b) opt out of the class action and separately pursue their own remedy, or (c) not participate in a class action altogether. Potential reasons for not participating in a class action include, but are not limited to: (i) Abrams Capital does not believe the Funds would be eligible to participate in the class action because the Funds did not own the applicable securities during the class action period; or (ii) the Funds held the applicable securities during the class action period, but the cost of evidencing such ownership would be reasonably likely to outweigh the expected recovery or the expected recovery would be relatively de minimis. Furthermore, employees are required to notify David Abrams if they are aware of any material conflict of interest associated with a Fund's participation in class actions. The Proxy Voting Committee will evaluate any such conflicts and determine an appropriate course of action for Abrams Capital. Investors that have completely withdrawn from a Fund (and those who only have exposure to the Funds side pockets) do not receive any of the proceeds paid to the Fund from class action recoveries even if such investors were invested in the applicable Fund at the time the event that resulted in the lawsuit occurred, at the time the class action was filed, or at any time thereafter.

Clients may obtain a full copy of our proxy voting and class action policies and procedures and/or a record of proxy votes by contacting Investor Relations at the following address:

Abrams Capital Management, L.P.  
222 Berkeley Street, 21st Floor  
Boston, Massachusetts 02116

Attention: Head of Investor Relations  
Telephone: 617-646-6100

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the adviser's financial condition. Abrams Capital is not required to include a balance sheet for its most recent fiscal year. Abrams Capital has no financial commitment that is reasonably likely to impair its ability to meet contractual commitments to its clients, and has not been the subject of a bankruptcy proceeding at any time during the past ten years.

### **Item 19 – Requirements for State Registered Advisers**

Abrams Capital is not registered with any State as an investment adviser.