

LEUCADIA ASSET MANAGEMENT LLC

3|5|2 Capital Division

FORM ADV PART 2A

The Brochure

September 2021

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This brochure provides information about the qualifications and business practices of Leucadia Asset Management LLC (f/k/a Jefferies Investment Advisers, LLC) ("LAM"). If you have any questions about the contents of this brochure, please contact us at (212) 323-3380. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. LAM is registered as an investment adviser with the SEC. Registration does not imply that a registered adviser has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.

Additional information about LAM also is available on the SEC's website at www.adviserinfo.sec.gov.

September 2021

Item 2. Material Changes

- *The description of the investment strategy in Item 4 has been updated.
- *Additional risk factors have been added to Item 8.
- *Additional potential conflicts of interest have been added to Item 10.

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Item 4. Advisory Business

Leucadia Asset Management LLC (f/k/a Jefferies Investment Advisers, LLC) (“LAM”, the “Manager”, or “we”), a registered investment adviser, is a wholly owned subsidiary of Jefferies Group LLC, an indirect wholly owned subsidiary of Jefferies Financial Group Inc. (“Jefferies”). LAM, established in 2002, has been registered as an investment adviser with the Securities and Exchange Commission (“SEC”) since January 2003. LAM provides investment advisory and portfolio management services to private investment funds, including the Onshore Feeder, the Offshore Feeder and the Master Fund (each as defined below) (each, a “Fund” and collectively, the “Funds”) and through separately managed accounts (the “SMAs”, and together with the Funds, collectively, the “Accounts”). This Brochure relates only to the Manager’s 3|5|2 Capital Division (“3|5|2”). 3|5|2 engages in the business of offering advisory and portfolio management services to clients through SMAs and Funds. Our other brochures describe other services which we offer outside of 3|5|2.

Our principal place of business is in New York, New York, where we perform portfolio management, research, systems development, trading, operations, accounting, legal and compliance functions. 3|5|2 also maintains an office in Fishers, Indiana. Various affiliates of LAM perform administrative functions and services (such as Human Resources, Information Technology, Accounts Payable, Treasury, and Purchasing) in New York, New York, Jersey City, New Jersey and other U.S. locations of Jefferies Group LLC and its subsidiaries.

LAM currently serves as the investment manager of an affiliated SMA (the “Affiliated SMA”). LAM also serves as the manager of: (i) 3|5|2 Capital ABS Fund LLC, a Delaware limited liability company (the “Onshore Feeder”); 3|5|2 Capital ABS Fund (Cayman) LP, a Cayman Islands exempted limited partnership (the “Offshore Feeder”); and (iii) 3|5|2 Capital ABS Master Fund LP, a Cayman Islands exempted limited partnership (the “Master Fund”). Fund interests in the Onshore Feeder and Offshore Feeder are privately offered to U.S. persons whom are both “accredited investors” pursuant to the Securities Act of 1933, as amended (the “Securities Act”), and “qualified purchasers” pursuant to the Investment Company Act of 1940, as amended (the “Company Act”).

The 3|5|2 strategy seeks to generate attractive risk-adjusted returns primarily in the cash securitized products market. 3|5|2 aims to structure a portfolio of asset-backed securities, loans and other financial instruments (collectively, “ABS”) to enhance long-term return goals. ABS are investment products collateralized by pools of assets, such as loans (including consumer loans), leases, credit card debt and other receivables. The 3|5|2 strategy will invest in ABS primarily in the consumer (such as the solar, student loans, credit card, rental car, triple net lease, and marketplace lending sub-sectors), transportation (such as the shipping container, aviation, automobile and railcar sub-sectors), equipment, small business, structured settlement and whole business securitization industries, as well as other esoteric classes. Investments in ABS can take the form of direct investments, participations, options, total return swaps and other derivatives, and other structures. The 3|5|2 strategy may also invest in other securities and financial instruments that the Manager reasonably believes have risk and return profiles substantially similar to ABS or are reasonably related thereto (including for hedging purposes), including, without limitation, equity securities (including preferred equity), secured or unsecured debt, futures, swaps (including interest rate swaps, and credit default swaps) and other derivatives, as well as cash equivalents (including U.S. government securities and/or money market funds) for cash management purposes (collectively, with ABS, the “Financial Instruments”). The portion of an Account’s assets invested in ABS and Financial Instruments may vary over time based on prevailing opportunities and market conditions as determined by 3|5|2. As part of the investment strategy, an Account may use leverage when the Manager deems it appropriate. Leverage is expected to primarily be incurred through repurchase agreements although an Account may enter into other forms of direct or indirect borrowing and invest in Financial Instruments that are inherently leveraged. The leverage ratios may be changed from time-to-time at the discretion of the Manager. The Manager may seek to mitigate market, sector, geographical and other certain risks by investing in Financial Instruments that hedge out portfolio risk as determined by the Manager.

However, the Manager is not required to engage in any level of hedging on behalf of an Account and may elect to leave certain risks unhedged

As of February 28, 2021, 3|5|2 had Regulatory Assets Under Management totaling \$75,000,000 on a discretionary basis. 3|5|2 does not manage assets on a non-discretionary basis. The term “Regulatory Assets Under Management” is defined by the SEC in the instructions to Form ADV and is calculated in accordance with the requirements prescribed by the SEC.

Item 5. Fees and Compensation

We typically receive management fee and/or incentive fees, which can vary by Fund and by SMA.

For the Funds, management fees, which accrue monthly and are payable monthly in arrears, are generally equal to 1.5% *per annum* of an investor's capital account. Management fees are appropriately prorated for partial periods. The incentive allocation or incentive fee is typically 20% of net new income attributable to each investor's capital account. The incentive allocation or incentive fee is paid or allocated at the end of the calendar year or upon a withdrawal by the investor. With the assistance of the Funds' third party administrator, we deduct our fees directly from the accounts of our Fund clients. Management and incentive fees with respect to SMAs may be similar to those charged to the Funds; however, we may agree with our SMA clients to alternate fee structures. We directly invoice our SMA clients for any management fees periodically in arrears (typically quarterly), although we may agree to alternate billing arrangements. We do not deduct fees directly from SMA client accounts.

The fees received by us are explained more fully in the offering memorandum for each Fund (the "Offering Memorandum") or, in the case of an SMA, are set forth in the investment management agreement between the client and ourselves (together with any Offering Memorandum, the "Disclosure Document").

The fees described above are our typical fee rates. We may, in our sole discretion, vary or waive all or a portion of the fees due to us. Each Account has the right to enter into agreements with one or more of its investors providing for a waiver or modification of certain terms of the Account. Such arrangements are documented in the offering documents, investment management agreement or side letter agreements with particular investors in certain Accounts.

When we consider appropriate, we may invest a portion of an Account's assets in one or more money market funds or exchange-traded funds. When any such investments are made, the Account will be paying, in addition to the compensation payable to us, the Account's proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

Our SMA clients bear their own trading and operational expenses directly, and Funds generally bear all such expenses (other than initial organizational and offering expenses), as well as the costs related to the pro rata share of their respective master fund's operations. For both Funds and SMAs, we bear our own overhead costs (such as rent and salaries). Operational expenses borne by Accounts include audit, tax, administration, execution, exchange, financing, clearing and custody fees.

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

PERFORMANCE BASED FEES.

We receive performance-based fees from all of our clients in the form of either an incentive allocation or incentive fees. Prospective investors should note that (i) the fact that an incentive allocation or incentive fees may be payable or allocable out of increases in net gains may create an incentive for us to make investments that are riskier or more speculative than would be the case if we were compensated solely based on a flat percentage of capital and (ii) we may receive increased compensation because the incentive allocation or incentive fees are calculated on a basis that includes unrealized gains as well as realized gains.

SIDE-BY-SIDE MANAGEMENT.

We may trade on behalf of multiple client Accounts. As described in “Fees and Compensation” above, we receive performance-based compensation from all Accounts. Some Accounts also pay us management fees. As a result, we may have a conflict of interest, because we can potentially receive proportionately greater compensation from those Accounts that pay us an incentive allocation or incentive fees and management fees than from those Accounts that pay us an incentive allocation or incentive fees only.

We owe a fiduciary duty to our clients not to favor one Account over another, without regard to the types and amounts of fees paid by those Accounts. In light of the conflicts of interest described above, we have allocation policies and procedures in place to ensure that Accounts are treated fairly. However, we do not necessarily trade for Accounts on a *pari passu* basis, as some Accounts may be distinguished from one another by their investment objectives, investment methodology, fee terms or other investment or trading parameters. Accordingly, our investment professionals may cause purchases or sales to be effected for one or more Accounts while not causing such purchases or sales to be effected for other Accounts. We may determine also to use substantially different degrees of leverage in certain Accounts when effecting a transaction, when maintaining a position, or in conducting Accounts activities generally. Discretion as to which Accounts will receive allocations of particular positions may occur whether investment opportunities are limited or unlimited, and opportunities to participate in transactions may not necessarily be allocated among the Accounts in any particular proportion. For example, but without limitation, proprietary accounts of our affiliates or client Accounts, in trading a new, experimental or different strategies, may enter the same markets earlier than (either days before or on the same day as) other Accounts.

If multiple Accounts qualify for participation in the purchase of a specific security or investment opportunity by such portfolio group, we will, in general, allocate the instruments among the Accounts for which the instrument or investment opportunity is appropriate, on a fair and equitable basis. Common trades on the same day for Accounts managed by the same portfolio management group generally are allocated, where possible, on the basis of the relative assets committed to the strategy at the average price per security among such Accounts. While no Account will be given investment priority over any other Account, each Account may have separate investment objectives and investment restrictions which we are required to follow; as a result, certain investment opportunities may be appropriate for certain Accounts and not for others. We apply such considerations as we deem appropriate, including relative size of such entities, amount of available capital, size of existing positions in the same or similar securities, leverage and tax considerations and other factors. Nevertheless, prospective investors should understand that we, and our investment professionals, may have an incentive to favor certain Accounts over others.

Item 7. Types of Clients

We provide advisory services to the following types of clients:

- Private funds (e.g., hedge funds);
- Corporations and other business entities; and
- Other institutional investors.

Private funds are generally organized as “master-feeder” structures whereby a U.S. feeder fund domiciled in Delaware and a non-U.S. feeder fund that is a Cayman Islands domiciled entity invest in a master fund that is also a Cayman Islands domiciled entity. Each private fund is excepted from the definition of an “investment company” pursuant to Section 3(c)(7) of the Company Act. The investors in these private funds are generally “accredited investors,” as that term is defined in Regulation D promulgated under the Securities Act, and “qualified purchasers” as that term is defined in the Company Act and the rules promulgated thereunder. Each of the private funds sets minimum investment requirements for the investors in such vehicle. These minimum investments are typically \$5,000,000.00. Such minimum investment requirements may be waived at our discretion, except to the extent that such waiver is expressly prohibited by the constituent documents of the private fund or applicable law.

SMA clients are typically institutional investors. These clients must be “qualified eligible persons” as that term is defined in Commodity Futures Trading Commission Rule 4.7 and/or “qualified clients” as defined in SEC Rule 205-3, as applicable. We review any requests for managed accounts on a case-by-case basis, but the minimum investment is typically \$50,000,000, which minimum we may waive in our discretion.

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

The following is a summary of the investment strategies and methods of analysis we generally employ on behalf of our clients. Specific descriptions of such strategies and methods are included in the relevant Disclosure Documents. All investments involve risk of loss that investors should be prepared to bear.

INVESTMENT STRATEGY AND METHODS OF ANALYSIS

3|5|2 offers strategies which seek to achieve an investment objective agreed with the applicable client or as set forth in the relevant Disclosure Documents (the “Investment Objective”). Our strategies present risks to our clients and clients must fully understand and accept those risks before making any investment or establishing a SMA.

Each strategy, as well as trading approaches used in the strategies, is proprietary and highly confidential. Accordingly, clients should note that the descriptions set out below are general only and are not intended to be exhaustive.

While strategies offered through 3|5|2 are largely comprised of consumer-oriented ABS, our strategies rely on the discretion of our investment professionals, who may employ one or more proprietary investment and/or trading strategies and methodologies (collectively “Strategies”). Our Strategies may include additional markets and products including futures, swaps, loans and ABS on other esoteric asset classes as well as cash equivalents.

Unless as otherwise disclosed in a Disclosure Document, we are under no requirement to limit ourselves to a particular Strategy level of exposure. In general, our Strategies are determined by the judgment or discretion of our investment professionals.

We may formulate new approaches and investment strategies to carry out our principal Investment Objectives based on, among other factors, changing market circumstances. This includes (without limitation) the incorporation of new markets, instruments and strategies. We will notify a client of such changes only if they amount to material changes to the Investment Objective.

Clients should note that the foregoing is not intended to be an exhaustive description of the strategies and Strategies that may be employed by us. At various times, we may employ on behalf of Accounts any of the Strategies discussed herein in various proportions as well as others, some of which may involve higher levels of risk. There is risk associated with each Strategy and there is no assurance that any of the Strategies will be profitable or that we will be able to achieve the Investment Objective or avoid losses. The Strategies used present special and significant risks which investors should carefully consider in conjunction with their investment, legal and tax advisors. In addition, clients may request, and/or we may develop, additional strategies with some similarities to existing strategies. Any such strategies may be subject to risks and conflicts of interest, and also may be subject to additional risks and conflicts of interest that may be described in the applicable Disclosure Documents. A description of certain of those risks appears below.

RISKS RELATING TO THE INVESTMENT STRATEGY AND THE FINANCIAL INSTRUMENTS TRADED

Asset-Backed Securities. The Accounts invest in asset backed securities (“ABS”) primarily in the consumer (such as the solar, student loans, credit card, rental car, triple net lease and marketplace lending sub-sectors), transportation (such as the shipping container, aviation, automobile and railcar sub-sectors), equipment, small business, structured settlement and whole business securitization industries, as further described below. ABS

are investment securities collateralized by pools of assets, such as loans (including consumer loans), leases, credit card debt and other receivables. In the case of ABS collateralized by loans, interest and principal payments ultimately depend on payment of the underlying loans, although the securities may be supported by letters of credit or other credit enhancements. The underlying assets (*e.g.*, loans, leases, credit card debt or other receivables) are subject to prepayments that shorten the securities' weighted average life and may lower their returns. A reduction in interest rates may increase prepayments with respect to the underlying assets and in turn a reduction in yield to maturity for ABS holders purchasing such securities at a premium. An increase in interest rates or other factors may slow prepayments which would result in a reduction in yield to maturity for ABS holders purchasing such securities at a discount. If the credit support or enhancement is exhausted, losses or delays in payment may result if the required payments of principal and interest are not made. The value of ABS also may change because of changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the pool, or the financial institution providing the credit support or enhancement. Some ABS may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices very volatile and they are subject to liquidity risk.

Non-mortgage ABS are not issued or guaranteed by the U.S. federal government or its agencies or government-sponsored entities; however, the payment of principal and interest on such obligations may be guaranteed up to certain amounts and for a certain time period by a letter of credit issued by a financial institution (such as a bank or insurance company) unaffiliated with the issuers of such ABS. In addition, such ABS generally will have remaining estimated lives at the time of purchase of five years or less.

Consumer ABS. The Accounts may invest in consumer ABS (including auto ABS, credit card ABS and student loan ABS) which are pools of unsecured consumer debt, leases, loans or other receivables. Consumer ABS are subject to the risks of the underlying unsecured consumer debt, leases, loans and/or receivables. Many of these underlying assets are sub-prime receivables with obligors who do not qualify for conventional financing as a result of, among other things, a lack of or adverse credit history, low income levels and/or the inability to provide adequate down payments. While the underwriting guidelines of issuers of consumer loans and debt, including specialty finance companies, are designed to establish that, notwithstanding such factors, the obligor would be a reasonable credit risk, this consumer obligor pool will nonetheless likely experience higher default rates than a portfolio of obligations of prime obligors. Secured consumer loans may involve collateral that is too highly leveraged, or limited by rehabilitation needs or poor management. Nonperforming consumer loans may also involve loan modifications that could reduce the loan's principal or interest rate, among other options. Consumer bankruptcy may also render a consumer loan partially or fully uncollectable. Additionally, there may be a limited market for the sale of consumer loans, or the collateral of defaulted consumer loans.

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance such as consumer loans and debt, including requirements regarding the adequate disclosure of contract terms and limitations on contract terms, collection practices and creditor remedies. These laws include the Truth in Lending Act, the Equal Credit Opportunity Act, the Federal Trade Commission Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Magnuson-Moss Warranty Act, the Consumer Financial Protection Bureau's Regulations B and Z, the Gramm Leach Bliley Act, the Servicemembers Civil Relief Act, state adoptions of the National Consumer Act and of the Uniform Consumer Credit Code, consumer lending laws, unfair or deceptive practices acts including requirements regarding the adequate disclosure of contract terms and limitations on contract terms, collection practices and creditor remedies and other similar laws. Also, state laws impose finance charge ceilings and other restrictions on consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. Applicable federal and state consumer laws may make an assignee of a receivable, such as the Accounts, liable to the obligor for any violation by the lender. Under certain

circumstances, the liability of the Accounts to the obligor for violations of applicable federal and state consumer protection laws may be limited by the applicable law. In some cases, this liability could affect an assignee's ability to enforce its rights related to such consumer loans.

Auto ABS. Auto ABS are based on the cash flow of customer (or dealer) payments from a particular pool of auto loans. Consequently, holders of auto ABS are affected by payments, defaults, and losses on the underlying auto loans. Economic slowdowns and periods of economic uncertainty may adversely affect the performance and market value of an Account's investment in auto ABS. Rising unemployment, decreases in home values and the values of other consumer assets may lead to increased default rates and losses in respect of an Account's investments in auto ABS. Economic slowdowns are generally accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding automobile loan contracts, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Automobile loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. Accordingly, distributions on the auto ABS will depend solely upon the amount and timing of payments and other collections on the related underlying automobile receivables. There are also particular considerations relating to the financing of the underlying auto loans. For example, most organizations that issue ABS relating to motor vehicle installment purchase obligations perfect their interests in their respective obligations only by filing a financing statement and by having the servicer of the obligations, which is usually the originator, take custody of the obligation. In such circumstances, if the servicer were to sell the same obligations to another party, in violation of its duty not to do so, there is a risk that such party could acquire an interest in the obligations superior to that of holders of the ABS. Also, although most such obligations are secured by a security interest in the motor vehicle being financed in most states the security interest in a motor vehicle must be noted on the certificate of title to perfect such security interest against competing claims of other parties. Due to the large number of vehicles involved, however, the certificate of title to each vehicle financed, pursuant to the obligations underlying the ABS usually is not amended to reflect the assignment of the seller's security interest for the benefit of the holders of the ABS. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on those securities. State laws may prohibit, limit, or delay repossession and sale of the vehicles to recover losses on defaulted automobile loans. For example, various state and federal laws give the motor vehicle owner the right to assert against the holder of the owner's obligation certain defenses such owner would have against the seller of the motor vehicle. The assertion of such defenses could reduce or delay payments on the related ABS and as a result, an Account could suffer losses. A portfolio of auto ABS may be backed by automobile loans originated in only a few states or regions. As a result, the receivables may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas, and natural disasters affecting such areas, than would be the case for a pool of receivables having more diverse geographic locations.

Credit Card ABS. Credit card ABS generally entitle the holders thereof to receive payments that depend on the cash flow from balances outstanding under prime or subprime revolving consumer credit card accounts. Credit card ABS are structured so as to mimic the cash flow of a typical bond, but the timing of the cash flow is usually not guaranteed. As the cardholders pay on their accounts monthly, the money is used to fund additional receivables during the revolving period and paid out to holders of credit card ABS, including an Account, at maturity.

Distributions on credit card ABS will depend upon the amount and timing of payments and other collections on the related underlying credit card receivables and the rate of default by cardholders, as well as the extent of credit card usage by cardholders and the creation of additional receivables. Payment patterns of cardholders

and the creation of account receivables may not be consistent over time due to a variety of economic, competitive, political, social, and legal factors. Economic factors include the rate of inflation, unemployment levels, and relative interest rates. The availability of incentive or other award programs may also affect cardholders' actions. Competitive factors include not only attractive terms and conditions offered by other credit card lenders, but also the attractiveness of other consumer lending products, such as mortgages and home equity loans. Competition in the credit card and consumer lending industry may result in a decline in ability to generate new receivables. Social factors include consumer confidence levels and the public's attitude about incurring debt and the consequences of personal bankruptcy. In addition, acts of terrorism and natural disasters in the United States, including the COVID-19 pandemic and related public health containment measures, and the political and military response to any such events may have an adverse effect on general economic conditions, consumer confidence and general market liquidity. Any reductions in the amount, or delays in the timing, of interest or principal payments will reduce the amount available for distribution on the credit card ABS. This may result in the payment of principal earlier or later than the expected principal payment date, or in reduced principal payments on the credit card ABS.

The portfolio of credit card receivables underlying a related issue of credit card ABS is subject to change and new credit card receivables may be added to the portfolio. The accounts from which these receivables arise may have different terms and conditions, such as higher or lower fees or interest rates or different payment terms, from the credit card accounts already designated for the portfolio. If receivables are added to those already underlying the credit card ABS, no assurances can be given that the new accounts will be of the same quality as those currently or historically designated for the credit card ABS. If the added receivables were to result in a deterioration in the credit quality of the assets securing the repayment of any related issue of credit card ABS, such event could adversely affect the payment of principal and interest on those credit card ABS.

In addition, structural and legal risks exist with regard to the credit card ABS. No assurances can be given that the issuing entity or any related party has been established so as to minimize the risk of insolvency or bankruptcy. If the originator or servicer (often the same entity or affiliates) of the credit card receivables were to enter into bankruptcy or a similar proceeding, the assets of the originator of the credit card receivables could be treated as never having been sold by the originator (either as a result of a temporary stay, or a permanent determination) and could be substantively consolidated with the bankruptcy estate of the originator or the transfer of the assets to the issuer could be voided as a fraudulent transfer or subject to similar challenges and actions for avoidance under the laws of any jurisdiction relevant to the credit card ABS, including the domicile of the issuer of the security, the originator or servicer of the security, or an obligor of assets underlying the security. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of credit card ABS. In addition, in an event of bankruptcy or similar proceeding, no assurances can be given that the Federal Deposit Insurance Corporation or any other such regulatory agency would not attempt to exercise control over the receivables or the other assets of the originator or any related party on an interim or permanent basis. If any such event occurred, payments of interest and principal on the credit card ABS could be adversely affected.

Furthermore, if a cardholder sought protection under federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the cardholder's obligations to repay amounts due on its account and, as a result, the related receivables would be written off as uncollectible. The Accounts bear the risk of loss as a result to the extent no credit enhancement or other source of protection is in place to protect against discharge of the cardholder.

Student Loan ABS. Student loan ABS are secured by the receivables on private student loans. Private student loans are not secured by any collateral of the underlying student loan obligors. Accordingly, due to the limited recourse available to student loan lenders, borrowers may prioritize payments of secured loans to avoid

foreclosure or repossession, increasing the likelihood of default on their student loans. Borrowers of private credit student loans may be more likely than other student loan borrowers as a whole to default on their payments or may have a higher rate of delinquencies, deferments and forbearances than student loans guaranteed by the U.S. federal government. Failures by borrowers to timely pay the principal and interest on their private credit student loans or an increase in deferments or forbearances of such loans, if not covered by a private guarantor, could adversely affect an issuing entity's ability to pay principal and interest on the private student loan ABS.

Private student loan ABS is highly dependent on the credit criteria of the related sponsor. Many borrowers of student loans have little to no credit history on which a sponsor may base such credit criteria. Credit criteria may also be based on future, contingent events such as a borrower getting a certain job upon graduation. While student loans are generally not dischargeable in bankruptcy, in certain circumstances a court may determine that not discharging the debt would impose an undue hardship on the obligor and upon the death or disability of a student obligor, the debt will generally be discharged.

Marketplace Lending ABS. Marketplace lending ABS are collateralized by loans originated by online "platforms" that connect consumers or businesses who seek to borrow money with investors willing to buy or invest in the loan, which includes "peer-to-peer" online lending platforms. These loans may be consumer loans or small business loans, will generally be unsecured, and will generally have terms of five years or less. Online marketplace loans are originated, issued, and serviced in ways that are relatively novel, and they present unique risks and uncertainties. If the online lending platform through which the underlying loans are originated experiences a material adverse event, including allegations of regulatory noncompliance in its origination activity, violations of any consumer protection laws or the platform's business fails, an Account's investments in marketplace lending ABS that are collateralized by these loans may be materially and adversely affected as borrowers might delay making payments on these loans or cease making payments at all. The performance of the Accounts' investments in marketplace lending ABS will depend primarily on the interest rates that the underlying loans pay and borrower default rates. If a borrower fails to make a required payment, after a period of delinquency the servicer (often the originating online lending platform) may pursue collection on its own or may refer the loan to a collection agency. Such collection efforts may be subject to a service fee before an Account receives payments of principal or interest. There is very little historical information about the performance of marketplace lending ABS in different economic and interest rate environments. Changes in various economic conditions, as well as developments with particular online origination platforms and other participants involved, could have unpredictable results on the performance of the marketplace lending ABS in which an Account invests.

Aircraft ABS. Aircraft ABS represent interests in pools of operating leases of various aircraft types leased by airlines located throughout the world. No assurance can be given that the aircraft will be re-leased after the expiration of the initial term, or if re-leased, on the same terms or on more favorable terms. Factors that can affect re-leasing the aircraft include, among other things, the general health of the economy, the health of the airline industry, obsolescence and the type of aircraft. The COVID-19 pandemic and related public health containment measures have had a material adverse effect on the airline industry, which has resulted in and is likely to result in additional non-payments and lease deferral requests. In addition to the above-mentioned factors linked to the aviation industry generally, many other factors may affect the resale value and lease rates of aircraft, including, without limitation, the particular maintenance, operating history and documentary records of the aircraft; the number of operators using that type of aircraft; the regulatory authority under which the aircraft is operated; the age of the aircraft; the negotiability of clear title free from mechanics liens and encumbrances; any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased; deterioration of lessee creditworthiness; compatibility of aircraft configurations

or specifications with other aircraft owned by operators of that type; comparative value based on newly manufactured competitive aircraft; and the availability of spare parts.

In depressed economic markets, lease values could decrease greatly in value, especially for older aircraft. Lease rates are tied to interest rates and any change in interest rates could negatively impact such lease terms by reducing the cash flow generated by the aircraft. In addition, manufacturer production rates may also materially affect the current and future values and lease rates of aircraft. Excess production reduces incentives of the operators to purchase used aircraft, which may, in turn, reduce lease rates and the values of used aircraft. Further, favorable export credit agency financing has made new aircraft purchases more attractive to lessors and operators, although no assurance can be given that such favorable financing will continue. Accordingly, any decrease in the resale value and lease rates of aircraft could have a material adverse effect on Aircraft ABS in which the Accounts invest.

Equipment ABS. The receivables underlying equipment ABS are typically equipment contracts secured by the underlying equipment. Delinquencies, repossessions, and net losses on these types of receivables are affected by economic conditions generally. Adverse economic conditions affecting any state or region could increase delinquency, credit loss, or repossession experience of the receivables originated in that state or region. Delinquencies, repossessions, and net losses on agricultural equipment receivables, for example, may be affected by commodity market prices and weather conditions such as flood, drought and early frost, and the level of farmers' income. Delinquencies, repossessions, and net losses on construction equipment receivables may be affected by the demand for new houses and the level of nonresidential construction. If losses are incurred on the receivables and there are no funds available that are sufficient to cover the resulting shortfalls in payments due an Account, such Account will incur losses.

Solar ABS. Solar ABS are securities collateralized by receivables that are originated by solar energy companies, and are comprised of loans, leases, and power purchase agreements used to finance photovoltaic ("PV") systems. These loans allow consumers to finance the purchase of a PV system from a solar installer and solar leases and power purchase agreements involve renting the equipment from a solar company, all of which allow consumers to bypass the substantial upfront costs of purchasing a solar system. While the consumer market for solar power products is emerging and rapidly evolving, the Accounts' investments in solar ABS depend on the future success, growth and viability of the solar energy industry, which is highly dependent on consumer demand for solar power products. However, sufficient consumer demand for solar power products could take longer to develop than anticipated. Many factors affect the consumer demand for solar power products and the ability of solar energy companies to originate loans including: (i) the availability of government and utility company subsidies, rebates, tax credits and incentives to support the development of the solar energy industry by decreasing the cost of acquiring solar systems for consumers and stimulating consumer demand; (ii) fluctuations in economic and market conditions that affect the viability of conventional and non-solar renewable energy sources, such as changes in the price of natural gas and other fossil fuels; and (iii) cost-effectiveness (including the cost of solar panels), performance and reliability of solar energy systems when compared with conventional and other non-solar renewable energy sources and products.

Whole Business Securitization ABS. Whole business securitizations ("WBS") ABS are debt securities collateralized by cash and royalty revenue streams and assets of an operating company. WBS is generally used by operating companies that are able to generate stable streams of cash income, including (but not limited to) music royalties, drug royalties and clothing brand licenses and is used by operating companies as an alternative to issuing traditional corporate bonds, which would most likely not have investment-grade ratings. WBS is particularly used by restaurants, gyms and spas in the corporate franchise industry. The use of WBS by an operating company faces particular risks because the cash flows generated by an operating company's assets are generally tied to the revenues of an operating company, which can be adversely affected by the inability

of an operating company to generate cash flows during periods of economic downturns and stress, the extent of an operating company's dependence on key suppliers, new entrants in the market leading to increased competition, brand prominence, increased labor and operating costs and changing consumer tastes and preferences. An operating company may be unable to pay its operating expenses and make required payments on its debt which could lead to losses for the Accounts. If an operating company files for bankruptcy, an Account could also suffer substantial delays in receiving payments.

Repurchase Agreements. The Accounts expects to finance ABS or other Financial Instruments by entering into repurchase agreements. When an Account enters into a repurchase agreement, an Account "sells" ABS or other Financial Instruments to a broker-dealer or financial institution and agrees to repurchase such ABS or other Financial Instruments for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate, at a later date. The use of repurchase agreements involves certain risks including, among others, risks that the value of the ABS or the other Financial Instruments being "sold" may decline below the price that must be paid when the transaction closes or that the counterparty will be unable or unwilling to complete the transaction as scheduled. An Account may incur losses if the repurchase price exceeds the value of the ABS or the other Financial Instruments at the time of repurchase.

Hedging Risks. The Accounts may employ hedging techniques designed to protect an Account against changes in currency prices, corporate bankruptcies and/or interest rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. These risks include: (i) the possibility that the market will move in a manner that would have resulted in gain for an Account had a particular hedging transaction not been entered into, in which case an Account's performance would have been better had such Account not engaged in the hedging transaction, (ii) imperfect correlation between the hedged risk and the hedging transaction; and (iii) illiquidity of the hedging instrument, which may make it difficult or costly for a Fund to close out or unwind a hedging transaction. Thus, while an Account may benefit from hedging, hedging may also result in poorer overall performance for an Account.

Derivative Instruments. The Accounts may invest in various derivative financial instruments. Derivative financial instruments include credit derivatives, interest rate swaps, total return swaps, overnight index swaps, options and futures. Such derivative instruments may be highly volatile, involve certain special risks and expose investors to a high risk of loss. The risks relating to over-the-counter ("OTC") derivatives that are not otherwise cleared through a central clearing party include, but are not limited to, the following: (i) credit risk (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset or commodity); (iii) legal risk (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) systemic risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivatives and other Financial Instruments and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the financial instruments hedged; (ii) imperfect correlation between movements in reference assets on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible

impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

Transactions in OTC derivatives may involve other risks as well. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. The initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Lastly, regulatory restraints may restrict the notional amount of instruments that an may trade. There can be no assurance that any derivatives and other hedging transactions will be effective in mitigating risk in all market conditions or against all types of risk, thereby resulting in losses to an Account.

Engaging in derivatives and other hedging transactions may result in a poorer overall performance for an Account than if it had not engaged in any such transaction. Additionally, the mandatory cash payments an Account is required to post with a counterparty as margin deposits will reduce the amounts of cash available to an Account to make investments in Financial Instruments, which will reduce an Account's overall returns, and an Account's ability to hedge existing risks with OTC derivatives.

Interest Rate Risk. Given the historically low interest rate environment, risks associated with rising interest rates are heightened. The value of investments made by the Accounts may change as interest rates fluctuate. For example, as interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. A change in interest rates can have a significant effect on any portfolio of ABS and an Account may suffer if interest rates move in opposition to the Manager's expectations. Interest rate risk will be greater for long-term ABS than for short-term ABS. There can be no guarantee that the Manager will be successful in fully mitigating the impact of interest rate changes on an Account's investments.

Credit Risk of Investment Grade and Non- or Lower-Rated Securities. An Account's investment portfolio may include both investment-grade and non- or lower-rated securities. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. Lower-rated securities may be more susceptible to losses and real or perceived adverse economic and competitive industry conditions than higher grade securities. Securities that are in the lowest rating category are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal. The secondary markets on which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the value of an Account's portfolio. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower rated securities, especially in a thinly traded market. Furthermore, higher-rated securities also carry credit risk because they run the risk of a down grading if their credit deteriorates. Finally, rating agencies may re-rate securities, which could cause substantial loss as the ratings are downgraded.

Rating Agencies. Ratings assigned by Moody's Investors Service Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and/or Fitch Inc ("Fitch"), to ABS acquired by an Account reflect only the views of those agencies. Ratings of ABS and other debt instruments represent the rating agencies' opinions regarding their credit quality and are not a guarantee of future credit

performance of such securities. Rating agencies may fail to make timely or accurate changes to credit ratings to reflect credit events occurring since an ABS or debt instrument was rated, so that outstanding ratings may not reflect the issuer's current credit standing. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of Moody's, Standard & Poor's or Fitch, the risk of default increases. Additionally, the use of credit ratings as a method of evaluating lower-rated securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of lower-rated securities.

There is No Operating History for 3|5|2. 3|5|2 was recently established and has no operating history upon which potential investors may evaluate its likely future performance. While certain personnel of 3|5|2 have substantial experience investing in the types of Financial Instruments that the Accounts will pursue, there can be no assurance that the Accounts will generate performance results equivalent to the past results generated by the Manager or that the Accounts will avoid losses. Market conditions and trading approaches are continually changing, and the fact that certain individuals of the Manager may have achieved certain positive performance in the past may be largely irrelevant to an Account's prospects for profitability. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

Potential Loss of Investment. No guarantee or representation is made that an Account's investment program will be successful. Any past performance of the Manager, the Accounts or certain personnel of 3|5|2 is not necessarily indicative of the future performance of an Account. As is true of any investment, there is a risk that an investment in the Accounts will be lost entirely or in part. An Account is not a complete investment program and should represent only a portion of an investor's portfolio management strategy.

Illiquid Financial Instruments. Financial Instruments purchased by the Accounts may lack a liquid trading market, which may result in the inability of an Account to sell any such Financial Instrument or to close out a transaction or to cover the short sale of a position, thereby forcing an Account to incur potentially unlimited losses in such Financial Instruments. Such lack of liquidity and depth could be a disadvantage to an Account both in the realization of the prices that are quoted and the execution of orders at desired prices. In addition, Financial Instruments that are at one time marketable could become unmarketable (or more difficult to market) for a number of reasons. Illiquid Financial Instruments may also be more difficult to value, and any Financial Instruments for which market quotations are not readily available will be valued at fair value as reasonably determined in good faith by the Manager. Liquidity risk arises in the general funding of an Account's trading activities. It includes the risk of an Account not being able to fund trading activities at settlement dates, or liquidate Financial Instrument positions in a timely manner at a reasonable price. The sale of illiquid Financial Instruments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses. An Account may not be able to readily dispose of such illiquid Financial Instruments and, in some cases, may be contractually prohibited from disposing of such Financial Instruments for a specified period of time.

Performance-Based Compensation. The incentive allocation or incentive fee may create an incentive to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation.

Performance May Be Adversely Affected by Increased Assets Under Our Management. The success achieved by trading advisers or managers often diminishes as the assets under their management increases. We have not agreed to limit the amount of additional assets that we will manage.

Dependence Upon a Limited Group of Investment Professionals. The Strategies are substantially dependent upon the skill, judgment and expertise of a very limited group of our investment professionals. The death,

disability or other unavailability of one or more of our investment professionals could be material and adverse to the Accounts .

Lack of Diversification. The Accounts' investments will be concentrated in acquiring various types of ABS. The value of an investment in an Account may be subject to greater volatility and may be more susceptible to any single economic, political or regulatory occurrences or the fortunes of a single industry than would be the case if an Account's investments were more diversified.

Substantial Charges. An Account is subject to substantial charges, either directly or through its *pro rata* share of Master Fund expenses, and must generate profits and interest income which exceed its fixed costs in order to avoid depletion of its assets. Such charges include, among others, brokerage commissions, legal fees and management fees, regardless of an Account's performance. In addition, 20% of appreciation attained by an investor's capital account is allocated to the Manager as an incentive allocation.

Differing Fund Performance. While the Onshore Feeder has an investment objective and strategy that is substantially similar to that of the Offshore Feeder, 3|5|2 may determine that certain investments may be made only by the Onshore Feeder but not by the Offshore Feeder for legal, regulatory or tax reasons, as determined by the Manager in its sole discretion, including as a result of (i) restrictions imposed by the relevant issuer, (ii) tax considerations (including taxes, tax-related costs or other tax consequences), or (iii) other legal or regulatory considerations. The portfolio of the Onshore Feeder may therefore be different (sometimes significantly) from the portfolio of the Offshore Feeder. There may be times when the Onshore Feeder acquires an investment and subsequently (after regulatory, tax or other considerations are satisfied or otherwise) sells, assigns or transfers all or a portion of such investment to the Offshore Feeder. As a result of such portfolio differences, the return on investment in the Offshore Fund may differ from that of the Onshore Feeder.

COVID-19. In the winter of 2020, the global outbreak of Coronavirus (or COVID-19) created enormous unprecedented economic and social uncertainty throughout the world. As of the date hereof, that uncertainty continues and has increased in scope and intensity. The ultimate impact of the Coronavirus outbreak (or of any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, but as of the date hereof, Coronavirus and the reactions to it have already had dramatic adverse effects on global, national and local economies and on financial markets, and there is a significant likelihood that that negative impact will persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, "social distancing" practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact the Accounts' investments, both in the near- and long-term in a variety of industries and regions or globally. The imposition of such restrictions (including "shelter-in-place" or "lock-down" directives) could materially disrupt the investment manager's business activities, including travel and operations in general. Similar disruptions have occurred and may continue to occur in respect of our service providers and counterparties (including any providers of financing). In addition, the outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets, which may disrupt historical pricing relationships or trends, cause positions to become illiquid, disrupt the availability of financing or negatively impact the performance of the Accounts. Governmental responses to the Coronavirus outbreak may be inadequate to limit the outbreak's spread or to mitigate its impact on any nation's economy or the global economy, and these responses could have adverse effects, intended and unintended, on markets. The extent to which COVID-19 affects the investment manager and the Accounts will depend on developments, which can occur extremely rapidly but cannot be predicted -- including emerging new information about the severity of COVID-19, the actions taken to contain COVID-19, and actions proposed or taken to mitigate its impact.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client or a prospective client evaluation of our advisory business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations

MATERIAL FINANCIAL INDUSTRY AFFILIATIONS OF THE FIRM

In addition to our being a registered investment adviser, certain of our employees are registered representatives of our affiliate Jefferies LLC, a registered broker dealer.

Jefferies LLC is the principal subsidiary of Jefferies Group LLC. Jefferies Group LLC, a direct, wholly-owned subsidiary of Jefferies, is a global investment banking firm that provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth and asset management. Jefferies provides research and execution services in equity, fixed income, derivatives and foreign exchange markets, and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalization and other advisory services. Jefferies LLC and its London affiliates acts as a placement agent for the Funds which we manage. At the current time, no placement fees are charged to an investor in a Fund; however, we may pay a portion of our fees to Jefferies LLC or other placement agents, whether affiliated or unaffiliated, for having introduced an investor to the private fund. We may also pay such fees to Jefferies LLC for SMA clients to whom they introduce.

We may, but generally do not, currently use our affiliates as executing brokers for Accounts.

Our affiliates may be advising or may in the future play an advisory role or perform other services for our advisory clients and/or for one or more of a Fund's portfolio companies. Using information walls and similar policies and procedures, we seek to avoid becoming aware of the roles our affiliates are playing. However, if one of our affiliates decides to play such a role, e.g., act as adviser to a portfolio company, and in the unlikely event that we are aware or are deemed to be aware of that role, our advisory client Account may be required or expected to liquidate its position in such portfolio company. Such a transaction may cause the client Account to realize reduced profits or losses.

Similarly, if the client Account maintains a short position in a company for which our affiliate intends to play an advisory role, and if we become aware or are deemed to become aware of that role, the client Account may be forced to cover the short prematurely, which, in turn, may result in reduced profits or losses. If the client Account is permitted to maintain its position in such instance, our affiliate may take actions or provide advice with respect to the portfolio company that could result in adverse consequences to the client Account and the restriction on the ability to close such position.

By reason of the advisory, investment banking, and/or other activities of our affiliates, we and our affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. We will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to initiate a transaction for a client Account that we otherwise might have initiated. A client Account may be frozen in an investment position that it otherwise might have liquidated or closed out.

Certain of our affiliates are investment advisers and other financial institutions whose businesses have no material relationship to our business. Certain of our officers and directors also serve as officers and directors of other Jefferies' companies

POTENTIAL CONFLICTS OF INTEREST

Compensation. We could receive compensation in the form of management fees, even from Accounts that lose value. Additionally, we could receive substantial performance-based compensation. Since performance-based compensation is only received when there is an increase in an investor's capital account balance, this may create an incentive for us to make investments that are riskier or more speculative than would be the case if our compensation was solely based on a flat percentage.

Allocation of Time. We devote as much time to the business of each of our divisions and each of our Accounts, as in our judgment, is reasonably required. However, we also provide investment advisory services for other clients (including other managed accounts as well as pooled accounts) and engage in other business ventures in which our advisory clients have no interest. As a result of these separate business activities, we may have conflicts of interest in allocating management time, services, and functions among Accounts and other business ventures or clients.

Other Clients; Allocation of Investment Opportunities. We are responsible for the investment decisions made on behalf of Accounts. There are no restrictions on our ability to manage any number of accounts for other clients following the same or different Investment Objectives, philosophies and strategies. As a general matter, it would not be expected that Accounts with different portfolio managers would share information relating to potential transactions. Therefore, one Account may trade prior to and at a better price than another Account trading in the same instrument.

These situations may involve conflicts between our interests or those of our related persons, on the one hand, and the interests of our clients, on the other.

Allocation of Co-Investment Opportunities. The Manager may, in its sole discretion, make available co-investment opportunities to select investors, lenders, intermediaries, affiliates or other parties, including one or more limited partners (in their individual capacities), and may allocate co-investment opportunities that arise in connection with a Fund's investments (as determined by the Manager); provided that such offer is consistent with (i) the Manager's investment opportunity allocation policies; (ii) the interests of the Fund and any other Accounts and its affiliates and (iii) such opportunities will not reduce the Fund's level of investment in such investment opportunity below that which the Manager, in its sole discretion, deems appropriate. Neither any Fund nor any limited partner will have any rights in connection with any such co-investment opportunities.

The Manager will allocate co-investment opportunities among co-investors or among a Fund and any co-investors in any manner it so determines, taking into account those factors that it deems relevant under the circumstances, including, but not limited to: (i) whether a prospective co-investor has expressed an interest in participating in co-investment opportunities including, for example, by election in such investor's side letter; (ii) the character or nature of the co-investment opportunity (e.g., its size, structure, geographic location, relevant industry, tax characteristics and any contemplated minimum commitment threshold); (iii) the level of demand for participation in such co-investment opportunity; (iv) the ability of a prospective co-investor to analyze or consummate a potential co-investment opportunity on an expedited basis; (v) whether a prospective co-investor has previously declined to participate in a co-investment opportunity (and the number of times such prospective investor has previously declined); (vi) whether or not the prospective co-investor is willing to pay incentive compensation and management fees; (vii) the size of a prospective co-investor's investment; and (viii) as noted above, whether a prospective co-investor is also a strategic co-investor.

The Manager will be under no obligation to provide co-investment opportunities to any particular person and may offer a co-investment opportunity to one or more of the categories of co-investors described above

without offering such opportunity to the other categories of co-investors. Co-investment opportunities may be offered on a reduced or no fees and incentive compensation basis in the Manager's sole discretion.

Investment Professionals Also Act in a Similar Capacity for Other Accounts. We may place trades for Accounts as "bunched orders" or "block orders," in which trades for some or all Accounts are placed for execution in a group or bunch, and then are allocated to an individual Account when the order has been completed or at the end of the trading day. If used, this process is intended to improve the efficiency of trade placement. However, such a process may not necessarily result in better prices and may, in fact, result in inferior prices and/or failure to obtain executions in the desired volume. Because of price volatility, occasional variations in liquidity, and differences in order execution, it may be impossible for us to obtain identical trade execution for all of our clients. Such variations and differences may produce differences in performance among accounts over time. In an effort to treat its clients fairly when block orders for Accounts are filled at different prices, we use an allocation process that is deterministic and repeatable and that we deem fair and equitable in our sole discretion. We may combine orders for Accounts, which may result in a less favorable price than that which the client would have obtained had the client's order been executed separately.

Proprietary Trading. We, together with our principals and affiliates (including Jefferies Group LLC, Jefferies Financial Group Inc. ("JFG") and their respective affiliates and subsidiaries) and employees may trade in the securities, commodities, foreign exchange and derivatives markets for our own accounts and/or the accounts of our respective clients and, in doing so, may take positions opposite to, or ahead of, those held by the Accounts or may be competing with the Accounts for positions in the marketplace. Such trading may result in competition for investment opportunities or create other conflicts of interest on behalf of one or more such persons in respect of their obligations to the Accounts. Records of this trading will not be available for inspection by investors.

Because we, together with our investment professionals and affiliates may trade for our own or other client accounts at the same time that they are managing the Accounts, prospective investors should be aware that, as a result of, among other things, a neutral allocation system, testing a new trading system, trading their proprietary accounts more aggressively or other activities not constituting a breach of fiduciary duty, such persons may, from time-to-time, take positions in proprietary accounts or other client accounts which are opposite, or ahead of, the positions taken for the Accounts.

Our proprietary activities or portfolio strategies, our investment professionals and affiliates, and their employees, or the activities or strategies used for accounts we manage for other customer accounts could conflict with the transactions and strategies employed by the Accounts and affect the prices and availability of the instruments in which the Account invests. Issuers of instruments held by the Account may have publicly or privately traded securities in which we, and our affiliates are investors or make a market. Our trading activities and those of our affiliates generally will be carried out without reference to positions held indirectly by the Accounts and may have an effect on the value of the positions so held. Notwithstanding the foregoing, we maintain policies and procedures designed to ensure that we meet our fiduciary duties, to minimize and prevent conflicts of interest, and to prevent insider trading and manipulative and deceptive devices.

Material Non-Public Information. By reason of our and our affiliates' advisory, investment banking, and/or other activities of, we, together with our affiliates and employees, may acquire confidential or material non-public information or be restricted from initiating transactions in certain financial instruments. We, our affiliates and employees will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to initiate a transaction for the Accounts that it otherwise might have initiated. Accordingly, there may be certain cases in which the Manager may be

restricted from effecting purchases and/or sales of securities in certain issuers, or entering into certain transactions or exercising certain rights on behalf of an Account. Such restrictions may reduce returns or result in losses for an Account. There can be no assurance that the Manager will avoid receipt of material non-public information and therefore the occurrence of such restrictions.

Principal Trades; Cross Trades. To the extent permitted by applicable law, the Accounts may enter into transactions and invest in financial instruments that (i) Jefferies (as defined below), acting as principal or as agent for its customers, originated, structured, loaned, arranged or placed from which Jefferies received profits, commissions, fees and other compensation for its services or (ii) otherwise involving the participation of Jefferies. Such transactions may be considered a principal trade under the Advisers Act and, therefore, may be subject to the disclosure and consent requirements of the Advisers Act. Jefferies and its personnel may obtain and keep any profits, commissions, fees and other compensation accruing to them in connection with their activities as agent or principal in transactions for the Accounts and other activities for themselves and others, and management fees will not be reduced by any such amounts received.

The Manager may also enter into cross transactions where an affiliate acts as agent on behalf of an Account and the other party to the transaction. Cross transactions enable the Manager to purchase or sell a block of Financial Instruments for an Account at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. The relevant affiliate may have a potentially conflicting division of responsibilities to both parties to such cross transaction. The Accounts will only consider engaging in a principal or cross transaction with an affiliate of the Manager to the extent permitted by applicable law, including, if required or appropriate, the making of appropriate disclosure to and receipt of consent from the applicable governance committee.

General Investment Manager Conflicts. Our immediate parent company, Jefferies Group LLC (together with its subsidiaries, “Jefferies Group”), is a full service financial institution engaged in a wide range of investment banking and other activities (including, but not limited to, investment management, corporate finance, securities underwriting, trading and research and brokerage activities). Our ultimate parent company, JFG (collectively with its subsidiaries and affiliates (including Jefferies Group), “Jefferies”), is a diversified holding company engaged through its consolidated subsidiaries in a variety of businesses, including buying and selling companies and business lines and making strategic investments in other companies and businesses, in each case from which conflicting interests, or duties, may arise. In addition, Jefferies maintains certain officers, directors and employees who also perform the same or similar roles for Jefferies Group. In particular, the Accounts may invest in, or pursue transactions with, any issuer of a financial instrument for whom Jefferies Group is also providing investment banking and other services. Neither Jefferies Group nor any other part of Jefferies has or will have any duty to disclose to us or use for the Account’s benefit any non-public information acquired in the course of providing services to any other party, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business.

The Manager may use an affiliate, including Jefferies LLC, to act as an executing broker or initial purchaser for Financial Instruments where the Manager determines it to be necessary or desirable in the interest of an Account (for example, if the Manager deems it likely to result in cost savings for an Account or protection of the Account’s assets, or for interim periods when non-affiliated service providers are not available). In such event, the affiliate will receive customary profits, fees (including mark-ups/mark downs, dealer spreads, underwriters compensation, selling concessions), commissions and other compensation for providing these services, and the affiliate also may benefit when, among other things, it earns profits, fees, commissions and other compensation for selling or placing Financial Instruments to the Account. To the extent that any of the Account’s transactions are effected through the affiliate as executing broker, the affiliate would receive additional fees in the form of profits, commissions, fees and other compensation.

Jefferies Group LLC and its Affiliates May Publish Research and Market Commentary That Conflicts with Each Other and Which May Negatively Impact the Value of the Accounts. Jefferies LLC, Jefferies International Limited and its affiliates (including ourselves) may publish research and market commentary from time-to-time on financial markets and other matters that may influence the value of the interests in the Accounts, or express opinions or provide recommendations that are inconsistent with purchasing or holding Interests. Jefferies LLC, Jefferies International Limited and its affiliates (including ourselves) may have published, or may publish in the future, research, market commentary or other opinions that call into question the investment view implicit in an investment in the Accounts. Any research, market commentary, opinions or recommendations expressed by these entities may not be consistent with each other and may be modified from time-to-time without notice.

Jefferies Provides a Broad Array of Financial Services and Has Various Investment Banking, Advisory and Other Relationships. The Manager's immediate parent company, Jefferies Group, is a full service financial institution engaged in a wide range of investment banking and other activities including, but not limited to, investment management, corporate finance, securities underwriting, placement, trading and research and brokerage activities ("Other Business Activities"). The Manager's ultimate parent company, JFG, is a diversified holding company engaged through its consolidated subsidiaries in a variety of businesses, including buying and selling companies and business lines and making strategic investments in other companies and businesses, in each case from which conflicting interests, or duties, may arise. It is therefore possible that these Other Business Activities could create actual and potential conflicts of interest for the Manager. For example, Jefferies may act as an adviser to issuers in investment banking, loan arranging and structuring, underwriting services, financial advisory and other capacities related to the Financial Instruments that may be purchased, sold or held by an Account, and Jefferies may be engaged as underwriter for the issuer of, Financial Instruments that an Account may purchase, sell or hold where Jefferies, acting in these various capacities, will receive profits, commissions, fees and other compensation. Jefferies and its personnel may obtain and keep any profits, commissions, fees and other compensation accruing to them in connection with the foregoing activities or with their activities as agent or principal in transactions for the Fund and other activities for themselves and others, and the Fund will not participate in such amounts received. It is possible that an Account will have business relationships with and will invest in, engage in transactions with, or obtain services from clients and/or issuers for which Jefferies performs or seeks to perform certain financial services. Neither Jefferies Group nor any other part of Jefferies has or will have any duty to disclose to the Manager or use for an Account's benefit any non-public information acquired in the course of providing services to any other party, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business.

Asset Valuation. Our fees are based directly on the value of the Accounts as of various dates. To the extent that our agreements with our clients provide that we will value the clients' assets, we will have a conflict of interest in reviewing or determining such valuations because the valuations directly affect the value of the Account and thus the amount of fees that we receive. Prices assigned to portfolio positions by us may not necessarily conform to the prices assigned to the same financial instruments if held by our affiliates. There may be no public market price for a portion of an Account's assets.

Financing Arrangements. Certain conflicts of interest may arise should an Account enter into financing arrangements with any affiliates of the Manager. In such situations, the Manager will have a conflict between its obligation to act in the best interests of the investors and any interest it may have in generating fees and other revenues for itself or its affiliates. If the Manager engages in repurchase agreements with an affiliate, the terms of any particular transaction, including any pricing rate, repurchase price or margin percentages negotiated with the relevant affiliate may not individually or in the aggregate be the most favorable available.

Side Letters. As described above in Item 5, we may enter into side letters to agree to different fee terms or other negotiated terms.

General. We may, without prior notice to a client, arrange, recommend, and/or effect transactions in which, or provide services in circumstances where, we have, directly or indirectly, a material interest or relationship with another party that may present a potential conflict with our duty to a client.

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

CODE OF ETHICS

Our employees are subject to the Jefferies Group LLC Code of Ethics. Our own Code of Ethics (the “Code”) incorporates and supplements the Jefferies Group LLC Code of Ethics with policies and procedures applicable to our employees. The purpose of the Code is to identify the ethical and legal framework in which we and our personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct. A complete copy of the Code is provided to clients and prospective clients upon request.

The Code is based on a few basic principles: (i) the interests of our clients come before our interests and those of our personnel; (ii) the professional activities and personal investment activities of our personnel must be consistent with the Code and avoid any actual or potential conflict between the interests of clients and those of our firm or our personnel; (iii) the activities of our personnel must be conducted in a way that avoids any abuse of any such person’s position of trust with and responsibility to our firm and its clients; and (iv) our personnel may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

INTERESTED TRANSACTIONS

Participation or Interest in Client Transactions. We and our affiliates may have an interest in transactions for our advisory clients to the extent permitted by law and by the constituent documents of the applicable Account. For example, from time to time, we may take the following actions: (1) buy or sell instruments in which we or our related persons have an interest and (2) buy or sell instruments in which we, our related parties or other Accounts are at the same time effecting a sale or purchase. Furthermore, we may act as investment adviser for related persons. We have adopted policies and procedures with respect to permitted transactions with our affiliates designed to assure that our clients are treated fairly.

Various potential and actual conflicts of interest may arise from our overall advisory, investment and other activities and our affiliates and clients.

Instruments in Which We or Our Affiliates Hold Interests. We may, from time to time, recommend to or purchase or sell on behalf of clients, securities or other investment products in which we, our affiliates or other related persons have a financial interest.

We and our affiliates may receive fees from third parties for performing consulting, merger and acquisition structuring or other financial advisory services or acting as directors, officers or creditors’ committee members. These fees can relate to actual, contemplated or potential investments of our clients. Such fees may be retained entirely by us or our affiliates.

Proprietary Trading. Our proprietary activities or portfolio strategies and those of our principals, employees and affiliates, or the activities or strategies used for Accounts could conflict with the transactions and strategies employed for a client and affect the prices and availability of the instruments in which the client invests. Issuers of instruments held by the client may have publicly or privately traded securities in which we and our affiliates are investors or make a market. Our trading activities and those of our affiliates generally are carried out without reference to positions held directly or indirectly by Accounts and may have an effect on the value of the positions so held or may result in us and our affiliates having an interest in the issuer adverse to that of a client.

Notwithstanding the foregoing, all employees when trading for their own accounts will do so in accordance with our Personal Account Trading Policy (described below).

PERSONAL TRADING

Personal Securities Transactions. Our policies require that our employees do not trade securities or commodities for their own account, except for (i) government and municipal securities, open-ended mutual funds and registered commodity pools, or (ii) otherwise with pre-approval from our compliance personnel. Without limiting the foregoing, we may under certain circumstances permit an employee to maintain a position in a security even if an account trades the instrument. There is no current intention to change this policy, but the policy is subject to change in our sole discretion. The records of such trading, whether under the current or a new policy, are not made available to the clients for inspection.

Insider Trading. Our personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of our personnel and extends to their activities both within and outside their duties with us.

Item 12. Brokerage Practices

INVESTMENT OR BROKERAGE DISCRETION.

In selecting the brokers for performing portfolio executions, we take into account various factors, most notably, technology capabilities and systems capacity. We could also take into account such factors as the financial stability and reputation of the broker, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other ancillary services. Accounts may pay more than the lowest available commission in consideration for our receipt of any or all of the above services. Our SMA clients are expected to make their own arrangements for clearance and custody of their Account assets and to negotiate the fees in connection with those services. We assist in the selection of these service providers for our Funds and in the negotiation of related fees.

We are not required to allocate either a stated dollar or stated percentage of our brokerage business to any broker for any minimum time period, and we review brokerage relationships from time to time.

SOFT DOLLARS

“Soft dollars” refers to the provision by brokers of services and equipment to an adviser as a consequence of the adviser directing the trading of accounts it manages through such broker. 3|5|2 does not currently maintain soft dollar arrangements, although 3|5|2 may in the future direct commission business to sell-side brokers that provide standard research coverage and/or direct access communication links for trading within the “safe harbor” provided by Section 28(e) of the Securities and Exchange Act, as amended.

TRADE ERRORS

We reserve the right, depending on the circumstances, to decline to reimburse an Account for any clerical errors or mistakes with respect to our placing or executing trades for such Account (“Trade Errors”), as such errors may be considered by us to be a cost of doing business. However, we will reimburse such Account for any net loss from a material Trade Error resulting from our willful misfeasance, bad faith, or gross negligence. As a general matter, Trade Errors that result in a de minimis loss are generally not considered to implicate the foregoing standard of conduct, and therefore any such de minimis loss will be borne by the client. We have a conflict of interest in determining whether a loss is de minimis. We, subject to our fiduciary obligations, will determine whether or not any Trade Error is required to be reimbursed in accordance with such liability and exculpation provisions. Our reimbursement of an Account for any particular Trade Error or Trade Errors will not constitute a waiver of any policy to cause such Account to bear the losses from such Trade Errors. We have an inherent conflict of interest with respect to the discovery and treatment of Trade Errors. Any net gain resulting from Trade Errors will be for the benefit of the client and will not be retained by us. Though we attempt to correct trading errors committed by a broker as soon as they are discovered, we are not be responsible for poor executions or such trading errors.

TRADE AGGREGATION

We aggregate and allocate trades as discussed in Item 6, “Performance-Based Fees and Side-by-Side Management – Side-by-Side Management.”

Item 13. Review of Accounts

Accounts are monitored and reviewed as follows: For each Account, the portfolio manager(s) will monitor the performance of their respective Account(s) on an ongoing basis. On a daily basis our operations staff review and reconcile the positions and market value of each Account. In addition, a committee including legal, compliance, operations and finance staff meets periodically to review items related to trading in the Accounts.

We, either directly or through the third-party administrator to the Funds, provide the following reports to investors in our Funds: monthly statements, annual audit report for Funds, and for investors in U.S. Funds an IRS Schedule K-1. We may provide additional reports to the investors in the Funds as we deem necessary. Upon request, select Funds will provide weekly and monthly estimates to investors. Upon request, certain investors in a Fund may receive more frequent and/or more detailed information from us, in our sole discretion. Our investment staff is available for conference calls or meetings for those clients, investors or prospective clients or investors that wish to undertake a due diligence review of our operations.

SMA clients generally have daily access to account information through service providers other than ourselves. We may also provide such other reports to SMA clients as agreed to with the client.

Item 14. Client Referrals and Other Compensation

For a discussion of Jefferies LLC and its London affiliate as placement agent, please see Item 10.

We may also, from time to time, have one or more arrangements in place with unaffiliated placement agents. Investors solicited by such placement agents will be informed of any placement fee paid by us to the placement agent and will be informed of any placement fee to be paid by the investor, each to the extent required by law.

We do not direct brokerage for client referrals.

Item 15. Custody

We are typically deemed to have custody of the assets of certain of our Funds since we serve as managing member of those Funds. Investors will not receive statements from the Funds' custodian with regard to portfolio holdings and transactions. Instead, the Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days' of the Funds' fiscal year ends.

For SMA clients, we do not have custody. The terms of our Disclosure Documents do not permit us to withdraw our fees or transfer funds from our clients' Accounts. Additionally, we do not permit our SMA clients to custody Accounts with our affiliates.

Item 16. Investment Discretion

We have full discretionary authority with respect to investment decisions, and our advice with respect to the Accounts is provided in accordance with the investment objectives and guidelines as set forth in the Disclosure Documents.

Item 17. Voting Client Securities

The Financial Instruments in which the Accounts invest are unlikely to be subject to a proxy statement, however in the unlikely event that we may be responsible for voting on shareholder proxies, we may do so only in accordance with the following Proxy Voting Procedures, in the best interests of a client and as agreed to by the advisory client.

GENERAL GUIDELINES

LAM understands its fiduciary responsibilities and monitors corporate events. LAM will vote proxies and cast votes in the best economic interests of its clients and not put client interests second to its own economic interests. In the unlikely event that an Account holds a position in a security subject to a proxy statement, an independent proxy service may be engaged to assist in the proxy process, including the provision of research and analysis with respect to specific ballot issues, the transmission of voting instructions, and related recordkeeping.

Prior to voting any proxies, any conflicts of interest related to the proxy in question will be determined. If a conflict is identified, LAM will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. If no material conflict is identified pursuant to these procedures, proxies will generally be voted in accordance with management and any recommendations provided, unless otherwise mandated by an investment management agreement or applicable law.

Item 18. Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and we have not been the subject of a bankruptcy proceeding. We do not require any payment in advance.

Item 19. Privacy Policy

Jefferies

Your Privacy is Important to Us

At Leucadia Asset Management LLC, we understand that our relationship with you is based on trust. This is reflected in everything we do including the way we handle our clients' nonpublic personal information. The following disclosure explains what personal information we collect, what we do with that information and the steps we have put in place to protect the nonpublic personal information you have entrusted to us.

Information We Collect

From time to time, we gain access to your personal information through

- Our interaction with you on the telephone, in person or through e-mail
- Account Applications or other forms you complete
- Transactions in your accounts or on your behalf
- Our website or the websites of our affiliated companies
- Trading tools or other information tools we may make available to you
- Third parties with whom we deal, such as consumer-reporting agencies, to verify information we receive from you and your credit worthiness

Information We Disclose

Subject to legal, regulatory or other governmental requirements, it is our policy not to disclose any of your nonpublic personal information to third parties without your consent, unless those parties are providing services or support to us and have agreed to keep your nonpublic personal information confidential. Examples of these parties include, but are not limited to, the Fund administrator, attorneys and accountants and affiliates thereof. Even if you cease to transact business with us, we will continue to apply the same protections to your nonpublic personal information as we did when you were an active client.

The Jefferies Family of Companies

Leucadia Asset Management LLC is a member of a family of related companies which are owned in whole or in part by Jefferies Group LLC. These affiliated companies allow us to provide greater value to our customers, employees and shareholders. In the course of our business, employees or representatives of various affiliates will have access to your nonpublic personal information. They have agreed to hold your information confidential and to comply with the privacy policy established by Leucadia Asset Management LLC.

Protecting Your Information

Leucadia Asset Management LLC protects your nonpublic information from access by third parties by maintaining physical, electronic and procedural safeguards. We limit access to your information to those employees who are trained in the proper handling of nonpublic client information and who need access to the information to perform their job functions.