

Livello Capital Management LP

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This “**Brochure**” provides information about the qualifications and business practices of Livello Capital Management LP (hereinafter “**Livello**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Joseph Salegna, by email at jsalegna@livellocap.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Livello Capital Management LP is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that Livello or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Livello Capital Management LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure is Livello Capital Management LP's annual update. Clients and prospective clients should carefully review the disclosure contained herein. There were no material changes made to this brochure since Livello's last update in October 2021

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Item 4: Advisory Business

Livello Capital Management LP (hereinafter “**Livello**”, “**we**”, “**us**”, “**our**”, “**Manager**”, or the “**Firm**”) is organized as a Delaware limited partnership with a principal place of business New York, New York.

Livello will provide discretionary investment management services to qualified investors through its private funds: Livello Capital Special Opportunities Master Fund LP, Livello Capital Special Opportunities Fund LP, Livello Capital Special Opportunities Fund Ltd. and LCM SPV I LP.

We serve as the investment adviser, with discretionary and non-discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Livello manages the following private, pooled investment vehicles on a discretionary basis:

- Livello Capital Special Opportunities Master Fund LP, a Cayman Islands exempted limited partnership (the “**Master Fund**”);
- Livello Capital Special Opportunities Fund LP, a Delaware limited partnership (the “**Onshore Fund**”);
- Livello Capital Special Opportunities Fund Ltd., a Cayman Islands vehicle (the “**Offshore Fund**”); and
- LCM SPV I LP, (the “**Special Purpose Vehicle**” or “**SPV**”).

The Master Fund, the Onshore Fund, the Offshore Fund and the SPV are herein each referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”.

Livello also provides investment advisory services on a non-discretionary basis to separately managed accounts (the “**SMAs**”), and collectively with the Funds, the “**Clients**”.

The Onshore Fund’s “**Limited Partners**” are hereafter collectively referred to as the “**Investors**” where appropriate.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**.”

We do not currently participate in any Wrap Fee Programs.

The Firm has a total of \$240,931,569 regulatory assets under management. Of that total, \$223,128,446 is managed on a discretionary basis and \$17,803,123 is managed on a non-discretionary basis.

Item 5: Fees and Compensation

The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

Management Fee

Livello is paid an investment management fee ("**Management Fee**") per annum of the net asset value of the Funds, and payable by the Master Fund quarterly in advance.

The Management Fee will range from 1% to 2%.

The Investment Manager, in its sole discretion, may waive or modify the Management Fee for any Investor.

There is no management fee for Separately Managed Accounts (**SMAs**).

Other Types of Fees or Expenses

The Funds will bear all expenses related to the operations and affairs of the Funds and the Master Fund and the business of investing and trading including, without limitation, interest on borrowings and other borrowing-related expenses, brokerage commissions, transfer taxes, custodial fees, indemnification, insurance, taxes, legal, administrative, tax and accounting fees and expenses, transaction fees, registration fees, filing fees, bank charges, fees and expenses of any custodian, escrow agent and other service providers, advisors and consultants, research, due diligence and information gathering expenses (including reasonable travel expenses), expenses incurred by the Manager or its affiliates or agents (or their respective employees) in attending conferences and meetings, offering and investor communication expenses, directors' fees, fees and expenses incurred with respect to trading consultants and/or as a participant in managed investments, fees and expenses related to valuation, other trading or investment-related expenses, regulatory expenses (including expenses related to any Form PF filings and other securities filings but excluding regulatory expenses solely related to the Manager, such as the Manager's registration as an investment adviser, provided that any costs related to registration required for marketing interests in the Funds shall be an expense of the Funds), reasonable travel expenses, expenses with respect to investor communications, expenses of meetings of Investors and costs of preparing, printing and distributing financial statements and other documents, litigation or other extraordinary expenses, expenses relating to any pricing vendors and such other expenses of or for the Funds as the Manager determines, in good faith, are typically borne by similarly-situated private investment funds.

Item 6: Performance-Based Fees and Side-By-Side Management

We and our affiliates are entitled to a performance-based compensation. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

Per the IMA, there is a SMA fee of 14% of the realized profit subject to a hurdle of \$500,000.

Allocation of Investment Opportunities

Livello manages multiple Client accounts. Accordingly, Livello has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities.

In allocating investment opportunities among the Funds, it is Livello's policy that all Funds should be treated fairly. To the extent a particular investment is suitable for more than one Fund, such investment will generally be allocated between the Funds *pro rata* based on assets under management or in some other manner that Livello determines is fair and equitable under the circumstances to all Funds. However, for a variety of reasons, investments may not be allocated to a particular Fund or may be allocated differently among Fund's accounts (*e.g.*, not on a *pro rata* basis), and Livello may allocate investment opportunities among Fund accounts that pursue the same or a similar strategy based on various factors it deems relevant, including, without limitation, the following: the investment strategy; the amount of capital available for investment; exposure targets; the investment objectives, guidelines or restrictions of a Fund account; the current composition of an account, the need to ramp up or rebalance a portfolio; risk management considerations; to avoid a *de minimis* allocation to one or more accounts; the need for cash to satisfy withdrawal requests or other obligations; tax considerations; the need to bring a Fund account in compliance with its investment guidelines; and any other information determined to be relevant to the fair allocation of investment opportunities.

For the Separately Managed Account, Livello will engage in direct conversations with underlying management of the managed account for final decision making on whether or not an investment is suitable for their specific account. Livello will not make any investment decisions for the SMA without prior consent from the underlying management team of the SMA.

When Livello has determined, based on the above factors, among others, that an investment opportunity is appropriate for more than one Client (inclusive of the SMA), Livello will seek to allocate such investment in a manner aimed at achieving equal exposures across the Clients with respect to the particular position, in each case based on each Client's net asset value or total capital commitments, as applicable.

Accounts may, from time to time, receive differing allocations of securities based on consideration of the above factors, including but not limited to if a position is at a different percentage at a particular Client account, in which case generally the undersized position will be allocated to first, then the remaining order will be allocated between the Clients. The CCO is responsible for monitoring Livello's Client trading for compliance with this policy. At least periodically, the CCO, with the assistance of the CIO, if necessary, will compare the performance of Livello's Client accounts with substantially similar investment objectives, guidelines and restrictions.

Item 7: Types of Clients

Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors. With respect to the SMAs, Livello does not have any standard requirements for opening or maintaining a separately managed account and may, in its discretion, require a different investment minimum for any account.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

Risk of Loss Factors

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Livello.

Investment Objective

The Fund is a credit-focused, special situations fund, that seeks to achieve superior risk adjusted returns and capital preservation. The Manager intends to employ an opportunistic and flexible investment strategy for the Fund focused on distressed credit and deep value, event-driven situations. The Manager will seek to purchase bank debt and bonds at a significant discount to intrinsic value. Sometimes, the Manager may utilize an in-court proceeding, or out-of-court restructuring to enhance Fund returns. Through actively managing the investment process, the Fund will seek to increase the margin of safety of acquired Fund securities, seek to lower the loan-to-value, all while targeting to maintain the equity-like upside. Typical duration of Fund trades will be from 6-24 months. The portfolio will be relatively concentrated, and primarily North America focused although the Fund may make investments outside North America. Position size generally will range between 1-5% of the total portfolio. The Fund portfolio intends to contain a mixture of senior/current pay securities, levered bonds, distressed bonds (the expectation of which is to be taken out or receive reorganized equity) and idiosyncratic shorts. From time-to-time, the Fund may invest

in claims and credit default swaps. The Manager's principals will seek to utilize a vast network of investment professionals, sell-side relationships and financial advisers to source idiosyncratic ideas.

Investment Philosophy and Approach

The Manager intends to make Fund investments based upon a process characterized by deep fundamental research. Credits will generally be assessed individually according to a two-prong approach. The Manager intends to first develop an unlevered view of a target company's value. Second, the Manager intends to overlay a stringent analysis of what the Manager refers to as the "gameboard". Ultimately, the Manager seeks to acquire securities on the Fund deeply below intrinsic value, while decreasing the duration of the investment. The Manager believes that the Fund portfolio should be a combination of low loan-to-value securities with a high current pay feature, and bonds that have return potential seen in equity with credit-like protection. The Manager intends that market cycles, and relative risk premia, will determine relative weighting. The Manager's proprietary sourcing methods seek to ensure a constant pipeline of misunderstood and off-the-run situations or strategically important securities within larger capital structures.

Risk Management

The Funds engage in a business involving substantial risks, including those discussed below and elsewhere in this Memorandum. Accordingly, prospective investors should consider the following factors in determining whether an investment in the Funds is a suitable one:

Potential Loss of Investment

An investment in the Funds entails a high degree of risk and is suitable only for sophisticated individuals and institutions for whom an investment in the Funds does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment in the Funds. There can be no assurance that the Funds will be able to achieve its investment objective, and investment results may vary substantially on an annual basis. As is true of any investment, there is a risk that an investment in the Funds will be lost entirely or in part.

Illiquidity

Some of the securities in which the Master Fund may invest will be illiquid and not traded in any public market. The Master Fund may also acquire substantial positions in some securities relative to the total amount of such securities outstanding. The Master Fund may not be able promptly to liquidate such investments if the need should arise or may be able to liquidate investments only at substantial discounts from cost, and it may be extremely difficult to value any such investments accurately (See "*Risk Factors—Valuation*"). In some cases, the Master Fund may be contractually prohibited from disposing of such securities for a specific period of time (see "*Risk Factors—Trading Risks*"). In connection with its dissolution, the Funds may be required to distribute to the Limited Partners securities for which no public market exists.

Trading Risks

All securities positions risk the loss of capital. The Master Fund believes that its trading program and the Manager's research techniques will moderate this risk through a careful selection and balancing of securities and other financial instruments. No guarantee or representation is made that the Master Fund's program will be successful. The Master Fund's

trading program may utilize such trading techniques as trading in put and call options and other derivatives, limited diversification, margin transactions, short sales and forward contracts, which practices can, in certain circumstances, increase the adverse impact to which the Master Fund may be subject. (See “*Investment Strategy—Trading Objectives, The Trading Program.*”)

The Master Fund may trade in “distressed securities” – securities, private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties, such as loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities may result in significant returns to the Master Fund, but may involve a substantial degree of risk. The Master Fund may lose a substantial portion or all of its investment in a distressed position or may be required to accept cash or securities with a value less than the Master Fund’s investment. Among the risks inherent in positions in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such positions also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such positions are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. (See “*Investment Strategy—Trading Objectives, The Trading Program.*”)

The Master Fund may also trade in “distressed” sovereign debt obligations. There are particular risks relating to the investment and trading of these instruments. These risks include the uncertainties involved in enforcing and collecting debt obligations against sovereign nations. The ability to enforce and collect obligations against foreign sovereigns may be affected by world events, changes in U.S. foreign policy, and other factors outside the control of the Master Fund.

The Master Fund may also trade in illiquid securities, such as unregistered securities of publicly held companies and securities of privately held companies. Such positions may require a significant amount of time from the date of initial investment before disposition. At various times, the markets for securities purchased or sold by the Master Fund may be “thin” or illiquid, making the purchase or sale of securities at desired prices or in desired quantities difficult or impossible. There may be no market for unlisted securities traded by the Master Fund. In some cases, the Master Fund may be contractually prohibited from disposing of such securities for a specified period of time. Further, the sale of any such positions may be possible only at substantial discounts and such positions may be extremely difficult to value. If a substantial number of Limited Partners were to redeem their Interests from the Funds (and thus indirectly from the Master Fund), and the Master Fund did not have a sufficient number of liquid securities, the Master Fund and accordingly the Funds might have to meet such redemptions through distributions of illiquid securities. (See “*Redemptions.*”)

The Master Fund may invest a portion of its assets in securities that are not registered under the Securities Act. The Master Fund will purchase such securities in reliance upon the exemption from registration provided by Regulation D or in similar exempt transactions. Securities purchased pursuant to Regulation D and other exempt transactions are often illiquid because, unless such securities are subsequently registered under the Securities Act,

they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities law.

Some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available, particularly for private companies. (See *“Investment Strategy—Trading Objectives, The Trading Program.”*)

The Master Fund will trade in bonds or other fixed income securities, including without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities, when the Master Fund believes that such securities offer opportunities for profit. Such securities may be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. It is likely that a major economic recession or an environment characterized by a shortage of liquidity could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn or liquidity squeeze could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Trading in real estate-related securities may involve additional risks that are specific to these securities, such as exposure to change in values of real estate assets on a national, regional or local basis.

In certain transactions, the Master Fund may not be “hedged” against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the Master Fund or the degree of legal and regulatory risk. This can result in losses, even if the proposed transaction is consummated.

The Master Fund will attempt to assess the foregoing risk factors, and others, in determining the extent of the position it will take in the relevant securities and the price it is willing to pay for such securities. However, such risks cannot be totally eliminated.

No Formal Diversification Requirements

While the Manager implements a general risk management framework, it is not restricted as to the percentage of the Funds’ assets that may be invested in any particular country, asset class, issuer, instrument or market. The governing agreements of the Funds, as well as the Management Agreement, do not impose any formal fixed requirements for diversifying the Funds’ and the Master Fund’s portfolio among countries, asset classes, issuers, instruments or markets. Even when the Manager is seeking to diversify the Funds’ portfolio, certain risks may be correlated in unanticipated ways, resulting in unintended risk exposures.

Distressed Securities

Investment in the securities of financially troubled issuers and operationally troubled issuers involves a high degree of credit and market risk. Although the Master Fund will invest in select companies that, in the view of the Manager, have the potential over the long-term for capital growth, there can be no assurance that such financially troubled issuers or operationally

troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Master Fund may incur substantial or total losses on its investments or that such investments may not show any return for a considerable period of time. Under such circumstances, the returns generated from the Master Fund's investments may not compensate investors adequately for the risks assumed. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There can be no assurance that the Manager will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. During an economic downturn or recession, securities of financially troubled or operationally troubled issuers are more likely to go into default than securities of other issuers. In addition, it may be difficult to obtain information about financially troubled issuers and operationally troubled issuers.

Securities of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements, and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Master Fund's portfolio investments may not be widely traded and that the Master Fund's investment in such securities may be substantial relative to the market for such securities. As a result, the Master Fund may experience delays and incur losses and other costs in connection with the sale of its portfolio securities.

Troubled company and other asset-based investments require active monitoring and may, at time, require participation in business strategy or reorganization proceedings by the Manager. To the extent that the Manager becomes involved in such proceedings, the Master Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by the General Partner in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Master Fund's ability to liquidate its position in the issuer or increase the likelihood of the Master Fund being involved in litigation.

Short Sales

The Master Fund may sell securities short. Selling securities short runs the risk of losing an amount greater than the amount invested. Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A short sale may result in a sudden and substantial loss if, for example, an acquisition proposal is made for the subject company at a substantial premium over market price. In addition, the supply of securities which can be borrowed fluctuates from time to time. The Master Fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found, or if the Master Fund is otherwise unable to borrow securities which are necessary to hedge its positions.

Short selling is continually the subject of regulatory scrutiny, and regulatory restrictions in one or more markets in which the Manager trades could severely impair its ability to engage in short selling and render the Master Fund's strategy unprofitable. Restrictions may be imposed with little or no warning, which could result in substantial losses.

Securities Options

The Master Fund may engage in options trading, which is speculative and involves a high degree of risk. If the Master Fund purchases a put or a call option, it may lose the entire

premium paid. If the Master Fund writes or sells a put or call option, its loss is potentially unlimited.

Event-Driven Analysis

The success of strategies employing event-driven analysis depends on the successful prediction of whether various corporate events will occur or be consummated. The Master Fund may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems or issuers that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial business risks that can result in substantial or total losses. The market prices of such securities are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked price of such securities may be greater than normally expected.

Derivative Instruments

The Funds may, directly or indirectly, use various derivative instruments primarily, but not exclusively, for hedging purposes. To the extent not mitigated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, if at all, the risks posed by the use of such instruments and techniques, which can be extremely complex and may involve leverage of the Funds' assets, include the following:

- *Tracking.* When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Funds from achieving the unintended hedging effect or expose the Partnership and the Master Fund to the risk of loss.
- *Liquidity.* Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Funds may not be able to close out a position without incurring a loss. In addition, daily limits of price fluctuations and speculative position limits of exchanges on which the Funds may conduct their transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Funds to the potential of greater losses.
- *Leverage.* Trading in derivative instruments can result in large amount of synthetic leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Funds and could cause the Funds' Net Asset Value to be subject to wider fluctuations than would be the case if the Funds did not use the leverage feature in derivative instruments.
- *Over-the-Counter Trading.* Derivative instruments that may be purchased or sold by the Funds may include instruments not traded on an exchange. Over-the-counter options, unlike exchange-traded options, are bilateral contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Funds can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchange are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection

with such transactions. For OTC derivatives that are cleared through a clearinghouse, there is the additional risk that the clearing house may become insolvent or lack the financial resources to assure performance in the event of a clearing house member's default.

Herding Risk

The substantial growth of the hedge fund industry, including banks and investment banks trading large, highly-leveraged positions of the same nature as those held by hedge funds, has augmented herding risks. Whatever the "fair price" of a security or a relationship, its trading price is sometimes radically altered or influenced by the market activity of traders executing parallel trading programs. This factor may provide surprising and sudden losses at unpredictable times, even after long periods of calm. The negative impact of herding is greatest when markets are under stress and traders holding large leveraged positions seek to liquidate or cover positions simultaneously. The Master Fund will try not to allow its portfolio to be substantially affected by such herding, and will try to tailor its position sizes to take herding into account.

General Market Risks

The Master Fund's investment strategies are subject to some dimension of market risk: directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality," "credit squeezes," among other. The Manager's style of investing may be no less speculative than traditional investing strategies. Due in part to the degree of leverage which the Master Fund may employ and the leverage embedded in the derivative instruments in which the Master Fund may invest, the Master Fund may from time to time incur sudden and dramatic losses.

The particular or general types of market conditions in which the Master Fund may incur losses or experience unexpected performance volatility cannot be predicted, and the Master Fund may materially underperform other investment funds with substantially similar investment objectives and approaches. The performance of the Master Fund's portfolio depends to a great extent on the accuracy of the assessments of the Manager on the future course of market price movements. There can be no assurance that the Manager will be able to predict accurately these price movements.

Interest Rate Fluctuations

The Master Fund will invest in interest rate markets. Unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions that were not initially anticipated. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Master Fund's assets to losses.

The Manager may attempt to minimize the exposure of the Master Fund's portfolio to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Manager will be successful in fully mitigating the impact of interest rate changes on the Master Fund's portfolio.

Counterparty Risk

The Master Fund has established relationships to obtain financing, derivative exposure and prime brokerage services that permit the Master Fund to trade in a variety of markets or asset classes; however, there can be no assurance that the Master Fund will be able to maintain

such relationships or establish additional relationships. An inability to establish or maintain such relationships would limit the Master Fund's trading activities and could create losses, preclude the Master Fund from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Master Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Master Fund establishes additional relationships could have a significant impact on the Funds' business due to the Master Fund's reliance on such counterparties.

Some of the markets in which the Master Fund may effect transactions are not "exchange-based," including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Master Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. Generally, the Master Fund will not be restricted from dealing with any particular counterparties. The Manager's evaluation of the creditworthiness of the Master Fund's counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Master Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

Counterparty Default

The stability and liquidity of financing agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transaction. The Master Fund monitors on an ongoing basis the creditworthiness of firms with which it has such arrangements. If there is a default by the counterparty to such a transaction, the Master Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the Net Asset Value of the Master Fund being less than if the Master Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Master Fund's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Master Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Master Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency

on the Master Fund and its assets. Limited Partners should assume that the insolvency of any counterparty would result in a loss to the Funds, which could be material.

Litigation Risk

In some cases, the Master Fund's trading program results in the Master Fund taking an activist position with respect to a company, or securities issued by a company. For example, the Master Fund may challenge action sought to be taken by a company that the Master Fund believes will have an adverse impact upon the value of a class of such company's securities. In such case, either the Master Fund itself, or other market participants with positions adverse to that of the Master Fund, may institute litigation against the Master Fund challenging its activist conduct. Alternatively, the Master Fund may initiate litigation as a tool to further activist goals, and such litigation may precipitate counterclaims. Litigation, even if successful, is often expensive. Unsuccessful litigation could result in losses to the Funds.

Regulatory Risk

The Master Fund's trading program is carried out in many jurisdictions and trading markets (both within and outside the United States), often in an intensively regulated environment. Other than registration of the Master Fund and the Offshore Fund under the Mutual Funds Law, the Funds are not currently registered pursuant to any other applicable law, rule or regulation, including the Investment Company Act. Consequently, Limited Partners will not benefit from certain of the protections afforded by such other laws or regulations. If the Manager determines that it is in the best interests of the Funds to become registered pursuant to any other applicable law, rule or regulation (including the Investment Company Act), then the Funds, as applicable, will take all necessary steps in order to achieve such registration.

The Funds make significant efforts to comply in all material respects with laws, rules and regulations affecting their conduct and activities. However, regulators often have broad discretion to interpret compliance requirements, and no assurances can be given that, in one or more instances, a government regulator will not take a position with respect to the Funds to the effect that the Funds' compliance efforts do not satisfy applicable requirements. Any such determination could result in increased compliance expenses and/or losses to the Funds.

Legal, tax and regulatory changes in various jurisdictions could occur during the lifetime of the Funds, the General Partner and the Manager which may adversely affect them. Should any of those laws change, the legal requirements to which the Funds, the General Partner and the Manager may be subject could differ materially from the current requirements.

Regulatory Approvals

The Master Fund may be restricted in its investments in various countries as a foreign company and may require the approval of various regulatory bodies. There is no guarantee that the policies of relevant regulatory authorities towards investment by foreign companies will remain unchanged. Any adverse changes in such policies may have a significant impact on the Master Fund's ability to invest, or to dispose of investments, in countries in which such restrictions or policies exist.

Limitations on Redemptions

A Limited Partner's right to redeem Interests will be limited and subject to certain restrictions, limitations, conditions and the Funds' right to suspend the determination of Net Asset Value, limit or suspend redemptions and/or delay the payment of redemption proceeds, as described

under “*Redemptions*.” Accordingly, an investment in the Funds should be considered illiquid and not a readily available source of liquid funds.

Redemptions in respect of the Interests offered pursuant to this Memorandum may only be made as of any calendar quarter-end (or at such other times as may be determined by the General Partner in its sole discretion) upon ninety (90) days’ prior written notice (or such shorter notice period as may be agreed by the General Partner in its sole discretion) to the General Partner. A Limited Partner’s Interests will be subject to the applicable Lock-Up Period, the Investor-Level Gate, the Audit Hold-Back and, if applicable, the Early Redemption Charge. Because notices of redemptions must be submitted significantly in advance of the actual Redemption Date, the value received upon a redemption may differ materially from the value at the time a decision to request a redemption is made. Redemption proceeds may be reduced due to the charging or accrual of Funds Expenses or the establishment of reserves.

Short Sales

A short sale involves the sale of a security that the Master Fund does not own. To make delivery to the buyer, the Master Fund must borrow the security and the Master Fund is obligated to return the security to the lender. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss, as well as the risk that the lender of the securities may require them to be returned at a time that is unfavorable to the Master Fund’s trading strategy. The extent to which the Master Fund will engage in short sales will depend upon its trading strategy and perception of market direction and the value of individual securities.

Leverage; Interest Rates; Margin

The Master Fund may leverage its capital because the Manager believes that the use of leverage may enable the Master Fund to achieve a higher rate of return. Accordingly, the Master Fund may pledge its securities in order to borrow additional funds for investment purposes. The Master Fund may also leverage its return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which the Master Fund may have outstanding at any time may be substantial in relation to its capital. The Funds may also engage in borrowing for operating purposes, including to fund redemption requests, and the Master Fund may be leveraged as deemed appropriate by the Manager in connection with any direct investments made by the Master Fund.

While leverage presents opportunities for increasing the Master Fund’s total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Master Fund would be magnified to the extent the Master Fund is leveraged. The cumulative effects of the use of leverage by the Master Fund in a market that moves adversely to the Master Fund’s investments could result in a substantial loss to the Master Fund which would be greater than if the Master Fund were not leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Master Fund. When financial instruments are traded on a leveraged basis, the financial instrument can be purchased by depositing only a percentage of the instrument’s face value and borrowing the remainder (margin). As a result, a relatively small adverse price movement in a financial instrument’s value may result in immediate and substantial losses to the investor. Like other leverage investments, any purchase or sale of a financial instrument on margin may result in losses in excess of the amount invested. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the investments purchased. In addition, should the securities pledged to brokers to secure

the Master Fund's margin accounts decline in value, the Master Fund could be subject to a "margin call" pursuant to which the Master Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Master Fund's assets, the Master Fund might not be able to liquidate assets quickly enough to satisfy their margin requirements.

Non-U.S. Instruments

The Master Fund may trade in both U.S. and non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the United States. Such positions require consideration of certain risks not typically associated with trading in United States securities or property. Such risks include currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

Phantom Income

There can be no assurance that the Funds will have sufficient cash flow from other sources to permit it to make annual distributions in the amount necessary to pay all tax liabilities resulting from Limited Partners' ownership of Interests.

Valuation

Although most of the Master Fund's portfolio consists of positions which are either quoted on an exchange or traded in a dealer market, a portion of the portfolio consists of relatively illiquid securities. To the extent that the Master Fund trades in securities or instruments for which market quotations are not readily available, the valuation of such securities and instruments will be determined by the Manager on no less than a monthly basis.

Commodity Trading

Commodity futures prices are highly volatile. Price movements of futures contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, and national and international political and economic events.

Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses.

Call Options

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

Put Options

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Charges to the Funds

The Funds is obligated to pay certain fees and expenses, including its *pro rata* share of the Management Fee, brokerage commissions and other costs and expenses associated with the acquisition and disposition of investments that are charged at the Master Fund level, and operating costs and expenses, irrespective of profitability. There can be no assurance that the Funds will be able to earn sufficient income to offset these charges.

Unspecified Use of Proceeds

Purchasers of Interests will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Master Fund and, accordingly, will be dependent upon the judgment and ability of the General Partner and the Manager in investing and managing the capital of the Funds and the Master Fund. No assurance can be given that the Master Fund will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the Funds will be achieved.

Incentive Allocation

The Incentive Allocation may create, indirectly, an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of an Incentive Allocation. Prospective investors should note that the Management Fee and Incentive Allocation payable and allocable, as the case may be, to the Manager and the General Partner is based in part upon unrealized gains (as well as unrealized losses), and that such unrealized gains and losses may never be realized by the Funds.

Below are the risks related to the SPV.

The Partnership may be deemed to be a speculative investment and is not intended as a complete investment program. The Partnership is designed only for sophisticated persons who are able to bear the risk of an investment in the Partnership. The following does not purport to be a summary of all of the risks associated with an investment in the Partnership. Rather, the following describes certain specific risks to which the Partnership (and, therefore, the Partners) are subject and with respect to which the General Partner and the Investment Manager strongly encourage potential investors to carefully consider and to consult regarding the same with their professional advisors, as they deem necessary.

Investment and Trading Risks.

An investment in the Partnership involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Partnership's investment program will be successful or that the Partnership will achieve its objective. The Investment Manager will invest substantially all of the Partnership's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Partnership expects to invest may experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Partnership.

Undervalued Securities.

The Partnership will make long investments in securities issued by companies that the Investment Manager believes are undervalued. Opportunities in undervalued equity securities arise for various reasons, which may include market inefficiencies or a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Investments in High Yield and Distressed Securities.

The Partnership may invest, from time to time, in "below investment grade" securities and obligations of domestic and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence or other problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Some of these securities may not be publicly traded, and it therefore may be difficult to obtain information as to the true condition of such issuers or to buy or sell these securities. Additionally, in certain periods, there may be little or no liquidity in markets for these securities. The public market prices of distressed securities may be

subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such securities may be greater than normally expected. It may take a substantial period of time for the market price of such securities to reflect what the Investment Manager believes is their intrinsic value. In addition, the concentration of hedge funds (or similar participants) as owners of distressed companies could cause the value of such securities to be depressed if the hedge funds (or similar participants) are forced to liquidate their positions due to withdrawals, a credit crunch or other events affecting such funds.

Investments in distressed securities may also be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Partnership's investment in any instrument, and certain of the Partnership's investments may be less than investment grade. Any one or all of the investments the Partnership may make may be unsuccessful, a partial or complete loss or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high. There can be no assurance that the Investment Manager will correctly evaluate the value of the assets collateralizing the obligations owed to the Partnership or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Partnership invests, the Partnership may lose its entire investment, may be required to accept cash or securities with a value less than the Partnership's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Partnership's investments may not compensate the Limited Partners adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that, among other things, the reorganization will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security in respect to which such distribution was made. The administrative costs of a bankruptcy proceeding are frequently high and are paid out of the debtor's estate before any return to creditors (other than out of assets or proceeds thereof that are subject to valid and enforceable liens and other security interests) and equity holders. In addition, the amount of certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high. U.S. bankruptcy law permits the classification of "substantially similar" claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, the Partnership's influence with respect to a class of securities may be lost by inflation of the number and the amount of claims in, or other gerrymandering of, the class. In certain transactions, the Partnership may not be "hedged" against market fluctuations or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Troubled companies and other asset-based investments also require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Investment Manager. To the extent that the Investment Manager becomes involved in such proceedings, the Partnership may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by the Partnership in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the

Partnership's ability to liquidate its position in the issuer. The Investment Manager, on behalf of the Partnership, may elect to have representatives serve on creditors' committees or other groups to preserve or enhance the Partnership's positions as a creditor. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Investment Manager concludes that its obligations owed to the other parties as a committee or group member conflict with duties owed to the Partnership, it may be required to recuse itself or resign from that committee or group, and the Partnership may not realize the benefits, if any, of participation on the committee or group. In addition, if the Partnership is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in the applicable company. Further, the law is uncertain as to duties and restrictions applicable to an "ad hoc" creditors committee on which the Investment Manager participates or is deemed to participate.

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

Debtor-In-Possession ("DIP") Loans.

DIP loans involve a fundamental credit risk based on the debtor's ability to make principal and interest payments and the inherent risks of the bankruptcy process. DIP loans are subject to a court approval process in which parties-in-interest may be heard but there can be no assurance that the Fund would be successful in obtaining favorable results. If the Investment Manager's calculations as to the outcome or timing of a reorganization are inaccurate, a company that has filed for bankruptcy may not be able to make payments on a DIP loan on time or at all. In addition, DIP loans may be privately negotiated transactions that have individualized terms. These positions may be illiquid and difficult to value. DIP loans may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the debtor and general market liquidity.

Investments in Bankrupt or Restructured Companies.

As noted above, certain of the issuers of securities which may be purchased by the Partnership, may be involved in bankruptcy or other reorganization proceedings which involve a substantial degree of risk. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. Accordingly, a bankruptcy court may approve actions that are contrary to the Partnership.

Generally, the duration of a bankruptcy case can only be roughly estimated and, as noted above, the process can involve substantial legal, professional and administrative costs to the company and the Partnership; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Although the Partnership may invest all or a portion of its assets in debt, the debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

The Investment Manager may cause the Partnership to purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the

purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Restricted Investments.

The Partnership may invest its assets in restricted securities or securities that are subject to certain liquidity restrictions, including, without limitation, lock-up periods. These securities may be subject to legal or contractual restrictions on resale and transfer and, therefore, may be illiquid and subject to wide fluctuations in value. Such securities may be held by the Partnership until the occurrence of certain events or for an extended period, as determined by the Investment Manager. The resale of restricted and illiquid securities may be difficult to value and oftentimes may have higher brokerage charges.

Investments in Corporate Debt and other Fixed Income Securities.

The Partnership may invest a portion of its capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, limited partnerships and other similar entities. The Partnership may also invest in debt securities issued or guaranteed by the U.S. or foreign government or one of its agencies or instrumentalities, commercial paper, and “higher yielding” (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Loans and Loan Participations.

The Partnership may invest in corporate bank debt (“Bank Loans”) and participations therein originated by banks and other financial institutions. It is anticipated that such Bank Loans will primarily be term loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of Bank Loans are predominantly commercial banks, investment funds and investment banks and there can be no assurance that current levels of supply and demand in Bank Loan trading will provide an adequate degree of liquidity. The Partnership intends to acquire interests in Bank Loans either directly (by way of sale or assignment) or indirectly (by way of participation or other derivative contract). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations and other derivatives, the Investment Manager on behalf of the Partnership generally has no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Partnership may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Partnership will assume the credit risk of both the borrower and the institution selling the participation or other derivative contract.

General Market and Credit Risks of Debt Obligations.

Debt portfolios are subject to credit risk and interest rate risk. “Credit risk” refers to the likelihood that an issuer will default on the payment of principal and/or interest on an

instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Event Driven Investing.

The Partnership, as part of its investment program, may invest in companies with pending or anticipated corporate events or other catalysts that are likely to trigger the market's revaluation of a company. The ability to determine the impact of such events or catalysts on the price of an issuer's securities is very difficult to determine and will require the Investment Manager to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Investment Manager had anticipated, resulting in losses. Therefore, there is no assurance that such events or catalysts will occur, or if they occur, that they occur in the manner anticipated by the Investment Manager. Furthermore, the prices of securities of issuers with pending or anticipated corporate events or catalysts tend to be more volatile than that of other securities.

Equity Securities

Generally, the Partnership may invest in equity and equity-related securities of public and private companies in the U.S. and other countries. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Partnership may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Partnership has not hedged against such a general move. The Partnership also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering or otherwise qualifying restricted securities for public resale.

Equity Price Risk.

The Partnership's investment portfolios will include long and short positions in equity securities. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Partnership.

Convertible Securities and Investments in Equity-Related Convertible Securities.

The Partnership may invest a portion of its capital in convertible securities and equity-related convertible securities. Convertible securities are equities, bonds, debentures, preferred

stocks or other securities that may be converted into or exchanged for a specified fixed or variable amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is influenced principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Partnership is called for redemption, the Partnership will be required, depending on the terms of the security, to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third party. Any of these actions could have an adverse effect on the Partnership's ability to meet its investment objective.

Short Sales.

The Investment Manager will engage in short sales when it believes securities are overvalued and/or for hedging purposes. Short sales are sales of securities the Partnership borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Partnership will be able to make a profit by purchasing the securities at a later date at the lower prices. The Partnership will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. The Partnership's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Partnership. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate

permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Small-Cap and Mid-Cap Risks.

The Partnership may invest in equities of small- and mid-capitalization companies. While, in the Investment Manager's opinion, the securities of small- and mid-cap issuers may offer the potential for greater capital appreciation than investment in securities of larger-cap issuers, securities of small- and mid-capitalization issuers may also present greater risks. For example, some small- and mid-cap issuers have limited product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. In addition, due to thin trading in many smaller capitalization stocks, an investment in such stocks may be characterized by reduced liquidity. Further, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is potentially higher than for larger, "blue-chip" companies. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of larger-cap issuers. Transaction costs in securities of small- and mid-cap issuers may be higher than in those of large-cap issuers. There may be less information about small and mid-cap companies than larger cap companies.

Use of Leverage.

The Investment Manager expects to use leverage, from time to time, in connection with the Partnership's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the Partners if the Partnership earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the Partners if the Partnership fails to earn as much on such incremental investments as it pays for such funds. In the event that the Partnership leverages its portfolio, fluctuations in the market value of the Partnership's portfolio will have a significant effect in relation to the Partnership's capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Partnership utilizes leverage, the level of interest rates generally, and the rates at which the Partnership can borrow in particular, will be an expense of the Partnership and therefore affect the operating results of the Partnership. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Partnership's portfolio.

Credit Analysis and Credit Risk.

The strategies utilized by the Investment Manager require accurate and detailed credit analysis of issuers and there can be no assurance that its analysis will be accurate or complete. The Partnership may be subject to substantial losses in the event of credit deterioration or bankruptcy of one or more issuers in its portfolio.

Other Derivative Investments.

Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying

asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Partnership to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Manager from promptly liquidating unfavorable positions and subject the Partnership to substantial losses.

Counterparty Risk.

Some of the markets in which the Partnership may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Partnership is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Partnership to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

Conflicts of Interest.

There are certain actual and potential conflicts of interest that should be considered by prospective Subscribers before subscribing for Interests. These include that the General Partner, the Investment Manager, their members, partners and employees may engage in other activities, including providing investment management and advisory services to other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their members, partners or employees to the Partnership and its affairs. Any such other accounts may include other funds or separately managed accounts that may have the same or similar investment objectives as the Partnership. Although the Investment Manager will act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Partnership, it otherwise is not restricted in the nature or timing of investments for the Partnership and other accounts and may average the prices paid or received in connection with such investments.

Valuation.

Valuations of the Partnership's securities and other investments, such as options, may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of the Partnership could be adversely affected. Certain of the Partnership's investments may not be listed on established exchanges, which may make a determination of the fair market value of such securities difficult to accurately determine. Furthermore, even for listed securities, the Investment Manager, in consultation with the General Partner, may determine that the listed prices of the securities as determined in accordance with the valuation procedures set forth in the Partnership Agreement do not reflect the actual value of the securities and the Investment Manager may make such appropriate and reasonable modifications thereto to reflect the value of the securities, including to reflect liquidity conditions or other factors affecting such value. Third party pricing information may at times not be available regarding certain securities. Valuation determinations made by the Investment Manager, in consultation with the General Partner, which will be conclusive and binding, may affect the amount of the Management Fee and Performance Allocation.

Systems and Operational Risks.

The Partnership depends on the Investment Manager to develop and implement appropriate systems for the Partnership's activities. The Partnership relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Partnership's activities. In addition, the Partnership relies on information systems to store sensitive information about the Partnership, the Investment Manager, their affiliates and the Limited Partners. Certain of the Partnership's and the Investment Manager's activities will be dependent upon systems operated by third parties, including prime brokers, the Administrator, market counterparties and other service providers, and the Investment Manager may not be in a position to adequately verify the risks or reliability of such third-party systems. Failures in the systems employed by the Investment Manager, prime brokers, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Partnership's operations or breach of the Partnership's information systems may cause the Partnership to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory penalties or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Partnership and the Limited Partners' investments therein.

Cybersecurity Risk.

With the increased use of technologies such as the Internet to conduct business, the Partnership is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Investment Manager's and other service providers (including, but not limited to, Partnership accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Partnership's ability to value its securities or other investments, impediments to trading, the inability of Limited Partners to transact business, violations of applicable privacy and other laws, regulatory

fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Partnership invests, counterparties with which the Partnership engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for Limited Partners) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Partnership's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Partnership cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Partnership or its Limited Partners. The Partnership and its Limited Partners could be negatively impacted as a result.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE OFFERING.

Item 9: Disciplinary Information

To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

Code of Ethics

Livello has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees are not permitted to maintain personal brokerage accounts for the purpose of trading “**Reportable Securities**” (as defined in the Code of Ethics, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives) except for the purpose of holding or liquidating any such holdings after the commencement of employment. Employees are permitted to liquidate positions held at the time of employment in Reportable Securities (a “**Liquidating Trade**”) and are permitted to trade in ETF’s and ETN’s (equity and options), both trades subject to pre-clearance by the CCO. Employees are prohibited from participating in Initial Public Offerings (“**IPOs**”). Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm’s Restricted List.

Employees must also obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

Item 12: Brokerage Practices

Livello is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

Best Execution

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Soft Dollars

The Firm may use “**Soft Dollars**”. In such cases, Soft Dollar credits, generated by the Fund’s trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Fund expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

Neither Livello nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

Item 13: Review of Accounts

Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute monthly unaudited net asset value statements, month-end performance reports, and a quarterly investor letter to all Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

Item 15: Custody

We are deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Livello.

We comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an

independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

Item 16: Investment Discretion

We have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

Item 17: Voting Client Securities

In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with the Client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.