



**Whitebox Advisors LLC
Whitebox Capital Management LLC
Whitebox Advisors London LLP**

**Form ADV Part 2A – Disclosure Brochure
March 31, 2023**

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This Brochure provides information about Whitebox Advisors LLC and its relying advisors. If you have any questions about the contents of this Brochure, please contact us at 612-253-6001 or invrelations@whiteboxadvisors.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Whitebox Advisors LLC is registered with the SEC, pursuant to the Investment Advisers Act of 1940. Registration of an investment adviser with the SEC does not imply any level of skill or training.

This document does not constitute an offer to sell or a solicitation to buy interests or shares in any private investment fund. The information contained in this document is qualified in its entirety by reference to disclosures made in the relevant confidential private placement memorandum and related documentation (collectively, “Confidential Offering Memorandum”) and related attachments and exhibits for each private investment fund advised by Whitebox Advisors LLC and its affiliates. These documents should be carefully reviewed prior to making an investment decision.

Additional information about Whitebox Advisors LLC also is available on the SEC’s Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov.



Item 2 – Material Changes

This brochure dated March 31, 2023 amends our Brochure that was last filed on March 31, 2022. Since our last annual update, we have made the following material changes to the Brochure:

- Item 8 – reflects updated risk factors

Prospective and current clients and investors should carefully review this brochure in its entirety.

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Item 4 – Advisory Business

The Advisor

Whitebox Advisors LLC (the “Advisor” or “Whitebox”), a Delaware limited liability company, manages and advises private investment funds. The private investment funds (the “Private Funds”, including funds organized as issuers of collateralized loan obligations (“CLOs, including the predecessor CLO warehouse in which case and where relevant herein, such a CLO is referred to as “CLO warehouse”). Private Funds are organized to be exempt from registration under the Investment Company Act of 1940, as amended, (the “Investment Company Act”) and their securities or interests are expected to be exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”).

Whitebox also offers advisory services to separately managed accounts (“Separately Managed Accounts”). The Private Funds and any Separately Managed Accounts advised by Whitebox are referred to collectively as “Clients.” In certain cases, the Advisor provides investment advice to the Private Funds through special purpose investment advisers controlled by the Advisor (the “Relying Advisors”). References herein to the “Advisor” or “Whitebox” include Relying Advisors unless otherwise required by the context. Whitebox provides investment advisory services to Clients pursuant to investment objectives, strategies and, as applicable, guidelines set forth in each Client’s governing documents, received by and agreed to by investors in Clients prior to their investment and includes, as applicable, an investment management agreement, organizational documents (such as limited partnership agreements or memorandum and articles of association), private placement memoranda, side letters, investment management agreements and other documentation relevant to an investment in the Client and together are collectively referred to as “Client Documentation”

Founded in 1999, as of December 31, 2022, Whitebox managed approximately \$9,519,581,000 in discretionary regulatory assets under management and as of the same date employed approximately 68 professionals. As of December 31, 2022, 75.96% of the Advisor is owned by Partner and Chief Investment Officer, Robert Vogel (via Skagday, Inc.), 11.75% owned by Partner, Jacob Mercer and 9.20% owned by Partner, Paul Roos, 2.06% owned by Partner, Nikolas Stukas and 1.03% owned by Partner, Brian Lutz. Dyal Capital Partners II (A), LP and Dyal Capital Partners II (B), LP (together, the “Dyal Fund”), third-party private Funds managed by Dyal Advisors LLC, hold non-voting minority equity interests in each of the Advisor and Whitebox General Partner LLC, the General Partner of certain Private Funds (the “General Partner”). Neither the Dyal Fund, Dyal Advisors LLC nor any affiliate thereof is involved in the day-to-day management of the Advisor, nor does any such party have any control over the investment decisions of the Private Funds. However, the business services platform affiliated with the Dyal Fund provides various consulting services to the Advisor, on an informal basis, including business development, talent management, and operational and business best practices consultation. While certain investors in the Dyal Fund could also be investors in the Private Funds, confidentiality obligations applicable to the Dyal Fund preclude the dissemination of certain confidential information relating to the Advisor, the General Partner or the Private Funds to such investors.

Whitebox is headquartered at 3033 Excelsior Blvd, Suite 500, Minneapolis, Minnesota 55416. The Advisor’s website at www.whiteboxadvisors.com contains additional information that may be useful.

Item 10 herein provides additional information regarding the Relying Advisors.

Co-Investments

Whitebox can, but is not obligated, to offer co-investment opportunities to its affiliates and/or third-parties (including existing and prospective Clients and investors either directly or through the formation of one or more co-investment vehicles). Whitebox has sole and complete discretion to determine whether and to whom a co-investment will be offered, and in doing so, will take into account its own interests. Unless provided to the contrary in Client Documentation, no Client or investor has any right, and should not expect, to participate in a co-investment. In Whitebox's discretion, certain co-investors pay no or reduced fees and expenses, including management fees, carried interest and administrative fees. In certain cases co-investment vehicles or other co-investors will evaluate a potential investment alongside existing Clients. If a potential co-investment is not consummated, the expenses relating to such unconsummated transaction are expected to be borne by those Clients expected to have participated and there is no assurance that Clients will not bear more than their pro rata share of such expenses; while potential third-party participants may bear a smaller portion or none of the related expenses. In the case of a consummated co-investment, eligible Clients will receive a smaller allocation of an investment than if there were no co-investors.

Item 5 – Fees and Compensation

Whitebox generally receives a management fee (“Management Fee”, as defined below) and performance-based compensation (“Incentive Compensation”, as defined below) for advisory services. The description below is intended to provide a summary of the typical compensation received by the Advisor and is not intended to represent every scenario. Please refer to specific Client Documentation for details. To the extent there is a conflict between the general descriptions contained in this brochure and the disclosures in Client Documentation, the terms of the Client Documentation shall govern.

Private Funds

Consistent with Client Documentation, Whitebox generally receives a periodic Management Fee based on assets under management in connection with its advisory services and is, typically, entitled to receive Incentive Compensation from eligible Clients, which is based on a percentage of net realized and unrealized profit of the portfolio.

With respect to Private Funds, the Incentive Compensation, when applicable, is generally determined for each investor at the end of each calendar year. Subject to Client Documentation, the Incentive Compensation will generally be equal to percentage amounts up to 20% of net profits allocated to each investor, subject to, when applicable, a net loss recovery account commonly referred to as a “high water mark” (pursuant to which a loss allocated to an investor must first be offset by profits earned in ensuing Incentive Compensation periods).

The Advisor has entered into placement agent agreements with unaffiliated promoters and registered broker dealers whereby certain series of interests/classes of shares (as applicable) in certain Private Funds are referred by such placement agents to its clients. The terms of these series/classes are generally consistent with the terms set forth in Client Documentation but can



contain different terms including, among others, minimum initial investment amount, minimum additional investment amount, and Management Fee rate. Placement agents may charge their own fees to certain clients who become investors in Private Funds.

Whitebox is not prohibited from rebating, reducing and/or waiving some or all of its Management Fee and/or Incentive Compensation with regard to any investor or sharing a portion of the Management Fee and/or Incentive Compensation with a placement agent in connection with a referred investor. Whitebox generally will rebate, reduce and/or waive some or all of its Management Fee and/or Incentive Compensation with respect to, but not limited to, principals, employees, certain affiliates as well as certain Clients. For those Clients which do not pay fees or compensation until capital is drawn or investments are made, there is an incentive for Whitebox to call capital or invest Client capital earlier than it would have if Management Fees were not based on capital commitments.

With respect to CLOs, the CLO Relying Advisor, as defined below, is compensated for the performance of its obligations as collateral manager through a management fee which consists of a senior management fee as well as a subordinated management fee. Such fees are typically payable quarterly in arrears and are calculated and paid by the CLO trustee. In addition, performance compensation is payable to the CLO Relying Advisor) as a percentage of excess cash flow available after paying liability costs and expenses and achieving a certain IRR for CLO equity, consistent with Client Documentation. CLO investors and prospective investors should refer to the relevant Client Documentation for information with respect to the fees associated with any CLO.

Subject to Client Documentation, certain Private Funds invest in the CLOs. To the extent a Client purchases CLO notes or equity of a Whitebox managed CLO, it is expected that Whitebox will reduce or rebate all or a portion of the management fee that would have been paid indirectly by the Client to Whitebox as the collateral manager of the CLO.

Additionally, CLO Relying Advisor has entered into a staff and services agreement with Whitebox pursuant to which Whitebox provides certain services associated with the management of CLOs, including access to its full team of research analysts and portfolio managers employed by Whitebox, office space, back office services such as loan settlement, legal and compliance services, and performance of trade executions upon instruction from Whitebox. Such services also include services provided through one or more of Whitebox's affiliates. By way of compensation for these services, Whitebox receives a services fee from the CLO Relying Advisor.

Separately Managed Accounts

The Advisor does not maintain a standard fee schedule for Separately Managed Accounts; thus, fees are negotiated on an individual basis and generally include both a Management Fee and Incentive Compensation.

Additional Expenses

Each Client is responsible for bearing or reimbursing Whitebox, as the case may be, its operating and other expenses, to the extent permitted under applicable law and Client Documentation. These expenses typically include, but are not limited to, the below-listed expenses.



Expenses are further detailed in relevant Client Documentation. In the event of a conflict between the Client Documentation and the following disclosure, the terms of the Client Documentation shall govern.

- Cost and expenses related to the formation, ongoing operation and liquidation or wind down of the Private Fund entity and any related special purpose vehicles'
- Costs and expenses in connection with purchasing, holding, selling, or exchanging securities and other assets (whether or not ultimately consummated), including brokerage fees, interest on borrowed money, real or personal property taxes on investments, costs, and expenses in connection with the registration of investments under applicable securities laws, and related legal, professional, accounting and other fees and expenses;
- Fees and expenses in connection with the maintenance of bank, brokerage or custodial accounts;
- Legal (including offering document updates and supplements and side letters), accounting, administration, auditing, bookkeeping, tax compliance services and tax return preparation, performance verification, consulting, valuation, and other professional fees and expenses;
- Costs or expenses in connection with the maintenance or operation of an Oversight Committee/Board, including fees payable to independent members of the Oversight Committee/Board;
- Premiums for insurance in which a Client is a named beneficiary, including, without limitation, errors and omissions, directors and officers and cybersecurity insurance;
- Costs and expenses in connection with meetings of and communications with investors and maintenance of online portals for the delivery of information, transparency and reports to investors, prospective investors, counterparties, and service providers (such portals include, without limitation, third-party risk aggregation services and other client reporting tools);
- Costs of research (including ESG data and analysis, subject matter experts and other consultants), data, data delivery systems, execution services and related software and hardware not otherwise provided by brokers (e.g., systems and tools, such as Bloomberg, Thomson Reuters, Markit, IDC, Capital IQ, and similar tools and systems) utilized by Whitebox or a Private Fund's General Partner in connection with the following, without limitation: (1) the management and operation of Clients; (2) the evaluation and monitoring of investments and potential investments; (3) fundamental, qualitative and quantitative analysis; (4) risk oversight, including stress testing, monitoring risk thresholds and adherence to investment guidelines; (5) valuation of a Client's investment portfolio, including the cost of data, tools and pricing services utilized by Whitebox; and (6) costs of the settlement of investment transactions (while the Clients bear such costs described in items (1) through (6) of this paragraph, Whitebox uses or benefits from certain of the foregoing and does not reimburse Clients for such use or benefit);
- Costs and fees relating to preparation and filing of required regulatory filings and reports in the United States (including state-specific filings and reports) and foreign jurisdictions (including, without limitation, filings under the Securities Act such as Form D, filings under the Securities and Exchange Act, of 1934 (the "Exchange Act") such as Section 13 and Section 16 filings, investment company related filings under the Investment Company Act and



the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”), such as Form ADV and Form PF, filings under the U.S. Commodity Exchange Act, state “blue sky” filings, filings in connection with International Swaps and Derivatives Association (“ISDA”) protocols, such as ISDA protocol adherences, filings and reporting in connection with AIFMD, such as Annex IV reporting), and tools and systems put in place to comply with the foregoing;

- Costs and fees incurred in connection with the preparation and provision of transparency, ISDA Open Protocol and similar reports;
- Registered agent and office costs and expenses (including costs and expenses related to corporate services and administrative services) and other regulatory costs and expenses, including fees and expenses associated with investors and prospective investors in the United States and foreign jurisdictions;
- Taxes applicable to Clients on account of its operations;
- Costs and expenses arising out of Clients indemnification obligations; and
- Investment-related travel expenses.

Further, Whitebox and other Clients will benefit from certain products and services paid for by Clients and thus, a specific Client will not necessarily be the direct or exclusive beneficiary of a service or product for which it bears an expense. Specifically, Whitebox uses for itself and other Clients, data and data delivery systems (such as Bloomberg terminals or similar systems and tools and order management systems) for settlement of investment transactions, maintenance of Whitebox’s restricted securities list, security pricing and other services paid for in whole or in part by Private Funds. In addition, Whitebox uses risk reporting, data and systems paid for in whole or in part by the Private Funds for the provision of investment management services to Clients and for purposes of investor or prospectived investorreporting, including in connection with risk oversight and monitoring, stress testing and monitoring adherence to investment guidelines for the benefit of Clients. Whitebox benefits from using these services and products without having to pay for them at the expense of Clients.

Each Client bears its own expenses as set forth in its respective Client Documentation. As such, expenses borne by one Client can differ from the expenses borne by other Clients. In certain instances, one Client can bear its proportion of expenses that Whitebox and/or its affiliates have agreed to bear for other Clients. There can be circumstances when a Client or group of Clients would bear none of such expenses.

When Whitebox incurs expenses on behalf of multiple Clients, it seeks to allocate expenses among relevant Clients consistent with its practices in effect from time to time. To the extent that Whitebox uses blocker entities or special purposes vehicles as a means of investing or co-investing, the expenses of forming, operating and maintaining such entities will be borne in accordance with the formation documents of the blocker entity. Clients and investors should not expect to be able to negotiate the formation documents of such entities and will not be in a position to determine or influence the scope of the expenses payable by such entities. Whitebox has a conflict of interest in determining whether a service or product that it uses should be borne by a Client and to what extent.

Additional Compensation

Whitebox and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products. Whitebox has no formal agreements, verbal or written, where it is paid cash by or receives some economic benefit (including commissions, equipment, or non-research services) from a non-Client in connection with giving advice to Clients.

Certain Expense-Related Conflicts

Whitebox uses some of the same service providers as are retained for Clients, and is often responsible for recommending service providers to, or selecting service providers for, Clients and negotiating fees with service providers. In some cases, rates or discounts will be offered to Whitebox that differ from those offered to Clients by such service providers. Where Whitebox is able to control the costs of services, it seeks to apply favorable rates or discounts extended to it to costs borne by Clients, to the extent such services are of a similar scope, type, and nature. There is no assurance that Whitebox will be successful in securing favorable rates or discounts for Clients.

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

The Advisor receives Incentive Compensation from eligible Clients, as set forth in relevant Client Documentation and as permitted by applicable law. Additionally, the Advisor will have, from time to time, other pecuniary interests in Clients, such as General Partner interests and personal or proprietary investments. Each of these arrangements create a variety of risks and conflicts, including but not limited to, those described below. Where the timing or amount of Incentive Compensation is impacted by decisions to buy, hold or sell an asset, Whitebox has an incentive to sell in order to realize a gain (or minimize a loss) when doing so could accelerate or increase fees, even though the Client might have benefitted from continuing to hold the asset. Conversely, Whitebox might have an incentive to increase, decrease or hold an asset, when it believes that doing so could benefit it, even if it might have benefitted the Client to sell.

In the case of CLOs, Incentive Compensation is paid as a percentage of available cash flow, not net unrealized appreciation of assets, and only after equity holders have achieved a specified internal rate of return consistent with the terms of Client Documentation.

Receipt of Incentive Compensation from Clients, differences in the manner in which such compensation is determined, differences among Client positions with regard to return hurdles or thresholds and the presence of affiliates' and employees' ownership interests in Clients creates a potential conflict of interest between Whitebox's interest to generate revenue for itself, its personnel and affiliates, and the interests of Client and investors. Specifically, Incentive Compensation specifically ownership and other pecuniary interests create an incentive for Whitebox to make investments that are riskier or more speculative than those that might otherwise be made under a different fee arrangement. Client Documentation which contains specific investment guidelines and restrictions constrain the Advisor's discretion and mitigate this conflict. This is particularly relevant for CLOs where the Client Documentation limits the portfolios to certain types of investments as well as imposing diversification, credit quality and concentration tests by industry issuer and other



metrics. Clients organized as Private Funds generally do not have the same limitations and Whitebox relies on internal risk management to monitor for speculative activity and mitigate the conflict.

Further, not all Clients are subject to the same level of Incentive compensation and Whitebox can therefore potentially earn higher fees from accounts with a higher Incentive Compensation than others. For example, Whitebox could have an incentive to direct profitable investment ideas to Clients that pay a higher Incentive Compensation or allocate a sequence of trades in favor of the higher performance fee account. Such “side-by-side management” generally refers to the simultaneous management of multiple types of Clients. Whitebox manages investments for a variety of Clients who pursue similar, competing or complementary investment objectives, policies or strategies. Side-by-side management gives rise to a variety of conflicts for Whitebox and its personnel and affiliates including the incentive to favor certain Clients with performance-based compensation or where the Advisor or its affiliates or respective personnel have a pecuniary interest. Whitebox has implemented trade allocation policies and procedures designed to mitigate conflicts by seeking to allocate investment opportunities among eligible Clients in a manner deemed by Whitebox in its sole discretion to be fair and equitable over time, subject to and consistent with Client Documentation. *See Item 11. Code of Ethics, Participating or Interest in Client Transactions and Personal Trading* for more information regarding Whitebox’s allocation policy, including the section entitled “Allocation of Investment Opportunities.”

Item 7 – Types of Clients

The Advisor provides investment management services for the following Clients.

Private Funds and Separately Managed Accounts

Generally, investors in Private Funds must be eligible as “Accredited Investors” as defined as the Securities Act and must also be “Qualified Purchasers” as defined under the Investment Company Act or a “knowledgeable employee” as defined under the Investment Company Act.

Separately Managed Accounts would also be required to meet certain sophistication and eligibility requirements.

Clients subject to Incentive Compensation compensation will also be required to be a “Qualified Client” within the meaning of the Advisers Act and otherwise eligible as required by applicable law.

Subject to Client Documentation, minimum initial investment for investors in Private Funds ranges from \$1 million to \$10 million. Investors in a CLO must also meet certain eligibility requirements under the Securities Act and the Investment Company Act. The minimum initial investment amount for investors in a CLO is generally at least \$250,000. Minimum initial investment amounts for Separately Managed Accounts are subject to negotiation and is often driven by the requirements of the underlying strategy. Lower investment minimums can be established by the Advisor or General Partner, unless prohibited by law or otherwise.



Side Letter Agreements. Certain Private Funds have and will from time to time enter into a side letter or similar agreement which has the effect of establishing rights under or altering or supplementing the terms of the Client Documentation with respect to the investors party to the side letter. For example, such terms and conditions could provide for special redemption-related rights (such as the aggregation of related investor capital in the calculation of the Withdrawal Fees, and limitations on mandatory withdrawals from a Private Fund); capacity rights up to a specific percentage of total assets, a reduction or rebate in the management fee or incentive compensation; confirmation of reporting and notice rights that are generally provided to Private Fund investors; rights to receive risk aggregation reports from third-parties regarding the Private Fund's portfolio; representations and warranties by the General Partner and Whitebox; and such other rights as negotiated by the Private Fund and such Private Fund investors. The modifications will, among other things, in the discretion of Whitebox, be based on the size of the Private Fund investor's investment in the Private Fund or affiliated investment entity, an agreement by a Private Fund investor to maintain such investment in the Private Fund for a significant period of time, or other similar commitment by a Private Fund investor to the Private Fund. Any information or data in any report or notice provided to side letter recipients will generally be available to any other Private Fund investor upon request, or available from third parties at the expense of the requesting Private Fund investor.

The Advisor can create Classes of shares or series of interests in Private Funds which contain different economics terms or different strategies which could have an adverse impact on existing investors in such Private Funds.

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

General Investment Strategy and Methods of Analysis Overview

Whitebox's disciplined approach combines bottom-up trade identification with a top-down view on markets and strategies. Each of the following principal investment strategies employed in furtherance of the investment objective are generally designed to capture alpha from systematic inefficiencies and idiosyncratic opportunities across asset classes and market cycles.

- Convertible Arbitrage – Opportunistic approach to convertible investing
- Credit - Focused predominantly on distressed, restructuring and event-driven credit trades
- Credit Arbitrage – Capital structure arbitrage with a credit focus
- Equity Arbitrage – Relative value approach to equity event, predominantly in global markets
- Municipals – Fundamental and tactical trading within the municipal market
- Structured Credit - Opportunistic approach to structured credit including, among others, residential mortgage-backed securities and collateralized loan obligations

SPECIAL CONSIDERATIONS AND RISK FACTORS

There are various risks, some substantial, associated with an investment in a Private Fund or the investment strategies employed by Whitebox. There are many market-related and other factors



some of which may be beyond the control of the Advisor which could cause a Client or investor to lose some or all of its investment. No person should invest in a Private Fund or undertake such strategies unless fully able, financially and otherwise, to bear such a loss, and unless it or its agent has the background and experience to understand thoroughly the risks of investment. For risk factors and considerations and specific information about relevant risks, see the Client Documentation.

The returns realized under each Client's investment strategy will be affected by many factors, including, but not limited to, the following:

General Risk Factors

No Guarantee of Investment Performance. The Advisor cannot guarantee that a given Client will achieve its stated investment objective or achieve its target return or generate positive or competitive investment returns. The Advisor cannot control market, regulatory, and other factors which will affect the performance of Clients. Clients and/or fund investors bear the risk that they could lose a portion or all of their investment.

Reliance on Key Investment Personnel; Passive Investment. Each Client is managed exclusively by the Advisor. Each Client's future profitability will in large measure depend upon the business and investment acumen of key investment personnel of the Advisor and its affiliates. Should anything happen to key investment personnel of the Advisor, Client performance could be adversely affected. There is no assurance that the business and results of operations of any Client will not be adversely affected. Moreover, certain management agreements contain key man provisions and can be terminated in the event of a key person event or departure. The Advisor and its personnel intend to devote such time as they deem necessary to perform its duties. However, the Advisor and its personnel will be involved from time to time with other investment management activities and will not devote all of their time to any single Client.

Effects of Health Crises and Other Catastrophic Events. Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war, or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and will in the future have an adverse effect on Clients' investments and the Advisor's operations. For example, any preventative or protective actions that governments take in respect of such diseases or events result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for Client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Advisor and service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

Market Disruption and Geopolitical Risk; Sanctions. Clients are subject to the risk that war, terrorism, and related geopolitical events have lead, and in the future will lead, to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of Clients' investments.. Those events as well as other changes in U.S. and non-U.S. economic and political



conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of the Clients' investments. At such times, Clients' exposure to risk can increase. Government imposed sanctions on individuals or investments can have an adverse effect on Clients, investors and related performance. Such governmental action can compel the Advisor to take certain actions, such as freezing investor or Client assets, disposing of investments prematurely, or avoiding investments or counterparties it would otherwise have pursued or made. Sanctions affecting individual investors can, under some circumstances adversely affect unsanctioned investors. For example, if sanctions mandated a redemption or liquidation the investment of a Client or a sanctioned investor. Further, sanctions can create an overall adverse effect to markets in general causing a loss in Clients which would otherwise be unaffected directly by such sanctions. Government imposed sanctions are difficult to predict and beyond the control of the Advisors.

No Market for Shares/Interests – Although the shares/interests of the Private Funds that are structured as open-end funds can be redeemed on a periodic basis (unlike shares/interests in the closed-end funds which cannot be redeemed periodically), the shares/interests cannot be assigned, pledged or otherwise transferred without prior written consent as set forth in Client Documentation. There is no market for the shares/interests and none is expected to develop. Shares/interests will not be registered under the securities law of any jurisdiction and will be subject to strict restrictions on resale and transferability. Therefore, investors must be prepared to bear the risk of their investment for a substantial period of time.

Restrictions on Transferability and Withdrawal – Closed-End Funds. Interests will not be registered under the Securities Act or any state securities laws and will not be transferred unless registered under applicable United States federal and state securities laws or unless an exemption from such laws is available. The Interests are not transferable, divisible, or otherwise encumberable, except with the prior written consent of the General Partner which can be withheld in its sole and absolute discretion, and investors may not make full or partial withdrawals from a Private Fund.

Legal Proceedings. Clients and the Advisor, as independent legal entities, are and in the future are expected to be subject to lawsuits or proceedings by government entities or third parties which can be costly and divert significant portions of staff time and resources. Litigation does and will occur in the ordinary course of the management of the investment portfolio of Clients. Certain legal proceedings will result in recoveries for a Client, but the outcome of any legal proceeding is uncertain. The risk of litigation will increase if the Advisor on behalf of a Client exercises control or significant influence over a company or invests in restricted or closely held securities or other assets. Litigation risk will also arise because of defaults, bankruptcies and/or other reasons. Except in the event of a lawsuit or proceeding arising from the Advisor's intentional misconduct, bad faith, fraud, gross negligence, material breach of an Investment Management Agreement or the Advisor's violation of U.S. federal securities law as determined in a final order by a court of competent jurisdiction, expenses or liabilities of a Client arising from any legal proceeding shall be borne by the Client. The costs and expenses associated with these legal proceedings reduces the net investment performance of a Client.

Service on Boards of Portfolio Companies. As a result of a Client's investment in portfolio companies, a representative of the Advisor, usually an employee, will from time to time serve on the board of directors or as a board observer of certain of a Client's portfolio companies or on creditor committees of certain issuers in that such Client has invested. As a consequence, there will often be certain restrictions on a Client's ability to purchase or sell securities of such portfolio companies at



certain times and such representative of Advisor has and is likely to in the future be sued because of their service on such committees or boards for claims of breach of duty of loyalty, securities claims and other director related claims. In general, Clients will indemnify the General Partner, Advisor and their representatives from such claims. Fees associated with such service will be waived by the Advisor or will be for the benefit of the Client(s) participating in such investment.

Investment of New Capital. A Client from time to time, could receive substantial additional investable capital at certain times. It could take the Advisor a significant period of time to appropriately invest any such new investable capital which will negatively impact Client performance.

Possible Adverse Effect of Large Redemptions. The Advisor's trading strategies could be disrupted by large redemptions or withdrawals. For example, such redemptions or withdrawals could require the Advisor to prematurely liquidate securities positions it had established.

Private Funds - No Trading Guidelines; Changes in Trading Strategies and Instruments. There are typically no restrictions in Client Documentation on such matters as the instruments or markets the Advisor or its affiliates trade for the Private Funds, the strategies it uses, the amount of leverage it employs or the amount of portfolio diversification it must maintain. The trading strategies employed by the Advisor and its affiliates are continually developing. The Advisor and its affiliates are free (without notifying investors) to make changes in trading strategies and to trade new instruments or markets.

Non-Diversification and Concentration. Subject to Client Documentation, Client portfolios can be concentrated in a limited number of issuers, market sectors or asset classes. Non-diversification among issuers involves an increased risk of loss if the market value of a security or issuer should decline. If the Advisor concentrates investments in a market sector, asset class, financial, economic, business, and other developments affecting issuers in that sector will have a greater effect, positive or negative, on that portfolio than if the Advisor had not concentrated its assets in such a manner. Likewise, a Client portfolio could be heavily weighted toward a particular investment strategy or asset class. The failure of that investment strategy or asset class will likely have a more adverse effect on the results of such Client portfolio had the assets been more widely allocated among the other Whitebox strategies.

High Portfolio Turnover. Subject to Client Documentation, certain of the strategies employed by the Advisor are expected to lead to frequent changes in investment portfolios. Higher portfolio turnover generally involves additional expense to a Client, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities.

Private Funds - Absence of Regulatory Oversight. While the Private Funds are pooled investment vehicles and somewhat similar to regulated investment companies the Private Funds are not registered and do not intend to register as such under the Investment Company Act, in reliance upon an exemption available to privately offered investment companies. Accordingly, the provisions of the Investment Company Act (which, among other matters, requires investment companies to have a board of directors or trustees comprised in part of disinterested persons, requires securities to be held in segregated custody accounts, and closely regulates the relationship between the investment company and its investment adviser) will not be applicable to the Private Funds. Private Funds are subject to less international, federal or state regulation and supervision than registered investment companies.



Substantial Charges to the Private Funds. The Private Funds are subject to substantial expenses, regardless of whether a Private Fund generates any profits. The Private Funds will be required to make substantial profits to avoid depletion of its assets from these charges. The Private Funds' "master-feeder" structure subjects Private Funds to a higher expense/equity ratio than other investment funds or structures.

Operational and Human Error. Success of the Advisor's various strategies depends in part upon the accurate calculation of valuation, the communication of precise trading instructions and ongoing position monitoring. In addition, the Advisor's strategies require active, ongoing management and dynamic adjustments to the investment portfolio. There is the possibility that, through human error, oversight or operational weaknesses, mistakes could occur in this process and lead to significant trading losses for Clients.

Institutional Risk. The institutions, including brokerage firms and banks, with which Clients (directly or indirectly) do business, or to which securities have been entrusted for custodial purposes, can encounter financial difficulties that impair the operational capabilities or the capital position of Clients.

Cybersecurity Breaches and Identity Theft. The information and technology systems of the Advisor and of key service providers can be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Advisor has implemented various measures reasonably designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it will be necessary for the Advisor to make a significant investment to fix or replace them and to seek to remedy the effect of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Advisor or its management of Clients and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information. Further, a successful penetration or circumvention of the security of Whitebox or its service provider's systems and counterparties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to computer or network systems or costs associated with system repairs or upgrades. Such incidents could cause Clients, investors, the Advisor, service providers and counterparties to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

ESG. Whitebox considers a number of factors when evaluating investment opportunities. When deemed relevant, Whitebox considers ESG factors in its investment process which can have a meaningful impact on investment results. Accordingly, Whitebox could make or decline to make certain investments, or avoid certain industries, based upon a determination of such ESG factors. The Advisor does not negatively screen investments based on ESG considerations, unless specified in Client Documentation. The Advisor does not currently represent any Client as ESG or impact portfolios or meeting any particular ESG-related standards. Clients can hold investments that pose ESG risks.

Liability Resulting from Investing Through Commingled Special Purpose Vehicles. Whitebox has and will establish special purpose vehicles to hold Client investments. Holding investments through



special purpose vehicles exposes a Client to risks not present in direct investments, particularly when it participates in a special purpose vehicle in conjunction with third parties. In certain circumstances, depending on the jurisdiction of organization, applicable tax treaties and other tax, legal or business considerations, special purpose vehicles through which multiple Clients make investments do not provide for complete segregation of assets and liabilities. Accordingly, if any of the other Clients are unable to meet all of their respective obligations to the underlying investment in which they hold an interest through a special purpose vehicle, the other Clients will be adversely affected.

Indemnification Risk. Subject to Client Documentation, Clients indemnify the Advisor, its affiliates, and the Private Funds' third-party administrator (and their respective principals, agents and affiliates), and directors (with respect to offshore Private Funds), against certain losses and expenses they might incur in acting for the Private Fund. Such obligations could require the Client to pay considerable sums to those persons.

Changing Regulatory Environment. The U.S. and international regulatory environment for investment funds is evolving, and changes in regulation could occur that will adversely affect Clients and their investment results, or some or all of the investors. Clients will be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the U.S. Commodity Futures Trading Commission, the U.S. Internal Revenue Service, the European Union (such as the Alternative Investment Fund Managers Directive (Directive (2011/61/EU), or other U.S. or applicable non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets). Clients or investors also will be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations, proposals or initiatives, or whether any of the proposals will become law. Compliance with any new laws or regulations could be more difficult and expensive and could affect the manner in which the Advisor and Clients conduct business. New laws or regulations could also subject Clients or investors to new or increased taxes or other costs.

Exposure to Material Non-Public Information: From time to time, Whitebox and/or its affiliates will receive material non-public information ("MNPI") with respect to issuers of publicly traded securities. In such circumstances, all Clients will be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. Whitebox is prohibited from improperly disclosing or using MNPI in connection with the purchase or sale of a security for its benefit or for the benefit of any other person, including Clients. It is not uncommon for transactions to occur in the loan market on the basis of asymmetrical information (i.e., one loan participant has only public information while its counterparty has both public information and MNPI), and Whitebox will be trading in loans with counterparties who have access to MNPI while it does not or vice versa. The Advisor can elect to participate on either the "public" or "private" side; however, in an effort to avoid restrictions, Whitebox will generally make its investment decisions on behalf of Clients based on public information. As a result, Whitebox would not possess all the information that other investors could access. Consequently, the Advisor will, from time to time, take actions or refrain from taking action on behalf of Clients that it would otherwise take or refrain from taking were it in possession of private information known to other market participants. As a result, Client performance can be affected, perhaps adversely. There are instances, however, when Whitebox elects to accept private information and investment activities on behalf of Clients will be restricted even if the private information is not for their benefit. In making decisions



to accept or reject private information and being restricted or not, the Advisor could be influenced by and take into consideration the activities of certain Clients and those of its employees. For example, Whitebox could accept private information regarding the obligor of leveraged loans even though it results in a securities restriction and limits the activity of other Clients which hold related securities. When Whitebox operates on the public side, it avoids securities trading restrictions and will not access private information which could be potentially advantageous to Clients, including those investing in loans. The Advisor does not maintain internal information barrier policies. As such, the receipt by any person within Whitebox of MNPI will generally be imputed to all of Whitebox employees. Actions taken by Whitebox with respect to MNPI has resulted in it abstaining from making an investment or taking action which it might have otherwise pursued, which is to the benefit or detriment of a particular Client. For example, Whitebox could decline to accept MNPI even though it is beneficial for an investment held by certain Clients to avoid being restricted with respect to that investment opportunity in other Client accounts. Conversely, Whitebox could elect to accept MNPI to benefit certain Clients even though doing so restricts existing positions of other Clients.

Investments Longer than Term. With respect to closed-end funds and subject to Client Documentation, the Advisor will make investments which are not expected to be advantageously disposed of prior to the date the closed-end fund is dissolved, either by expiration of the closed-end fund's term or otherwise. Although Whitebox expects that closed-end fund investments will be disposed of prior to the fund's dissolution and the General Partner has a limited ability to extend the term of the fund, there is no assurance that the closed-end fund will not have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the closed-end fund, the General Partner (or the relevant liquidator) will seek to use its best efforts to reduce to cash and cash equivalents such assets of the fund as the General Partner or such liquidator shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the investors will occur.

Diverse Investors. The investors in each Private Fund will include investors that have conflicting investment, tax and other interests with respect to their investments in that Private Fund. The conflicting interests among the investors relate to or arise from, among other things, the nature of investments made by a Private Fund, the structuring of the acquisition of investments and the timing of the disposition of investments, as well as the structure of the Private Fund. As a consequence, conflicts of interest will arise in connection with decisions made by Whitebox, including with respect to the nature or structuring of investments, that will be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Private Fund, Whitebox will consider the investment and tax objectives of the Private Fund and the investors as a whole, not the investment, tax or other objectives of any investor individually. Additional conflicts will arise with respect to decisions of the Board/Oversight Committee or votes of the investors to the extent representatives of the Board/Oversight Committee or interests of a Client or its investors differ.

ERISA – Certain Private Funds. It is anticipated that, at various times, the assets of certain Private Funds will be deemed to be “plan assets” subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”). During these periods, the Advisor will be a fiduciary with respect to plans or accounts subject to Title I of ERISA and/or Section 4975 of the Code investing in the Private Fund



directly or indirectly through a “Benefit Plan Investor” and will be prohibited from causing the Private Fund to engage in certain transactions. While the Advisor believes that it can effect the applicable Private Fund’s investment strategies utilizing various statutory and class exemptions to ERISA’s prohibited transaction regime, there will be particular transactions which ERISA and/or the Code will prevent the Private Fund from entering or investments which the Private Fund must sell before it might otherwise do so.

Market and Strategy Risk Factors

Investment Competition. The market for some types of securities is highly competitive. The Clients will be competing for investment opportunities with a significant number of financial institutions, private funds, as well as various institutional investors. Many of these competitors are larger and have greater financial, human and other resources than the Advisor and will in certain circumstances have a competitive advantage. As a result of this competition, there will be fewer attractively priced investment opportunities, which could have an adverse impact on the ability of the Clients to meet investment objectives or the length of time that is required for a Client to become fully invested. There can be no assurance that the returns on a Client’s investments will be commensurate with the risk of investment for Clients.

General Economic Conditions. Clients and the companies in which the Clients invest are typically adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which magnify the risks described herein and have other adverse effects. Deteriorating market conditions could result in increasing volatility and illiquidity in the global credit, debt and equity markets generally. The duration and ultimate effect of recent market conditions cannot be forecasted, nor is it known whether or the degree to which such conditions will remain stable or worsen. Deteriorating market conditions and uncertainty regarding economic markets generally could result in declines in the market values of potential investments or declines in the market values of investments after they are made or acquired by Clients. It would be expected that such declines will be exacerbated by other events, such as the failure of significant financial institutions or investment funds, dislocations in other investment markets or other extrinsic events beyond the control of Whitebox. In addition, such declines could lead to weakened investment opportunities for Clients, could prevent a Client from successfully meeting its investment objectives and/or could require a Client to dispose of investments at a loss while such unfavorable market conditions prevail.

Volatility of Securities Markets. Securities prices can be volatile, and securities price movements are influenced by unpredictable factors beyond the control of Whitebox. Consequently, there can be no assurance that the volatility of securities markets will not negatively affect performance of Client portfolios.

Structured Finance Securities. Subject to Client Documentation, Clients invest in structured finance securities such as, securities issued by collateralized loan obligations, collateralized debt obligations, collateralized bond obligations or similar instruments. Structured finance securities present risks similar to those of the other types of investments in which Clients may invest and, in fact, these risks are of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities entails a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance



security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Moreover, a rapid change in the rate of defaults or ratings downgrades will have a material adverse effect on such investments. It is therefore possible that a Client incurs losses on its investments in structured products regardless of their ratings by the ratings agencies. Additionally, the securities in which Whitebox is authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions often sell at a price lower than similar securities that are not subject to these restrictions.

Residential Mortgage-Backed Securities. Subject to Client Documentation, Clients invest in residential mortgage-backed securities. Investing in residential mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). Residential mortgage-backed securities generally provide for the payment of interest or principal (or both) on the mortgage-backed securities on a frequent basis and there also exists the possibility that principal will be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans. As a result of prepayments, a Client will look to reinvest assets which could be at an inopportune time, resulting in a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a residential mortgage-backed security, and has the effect of shortening or extending the effective maturity beyond what was anticipated. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments, and the ability to attract and retain tenants.

Securities of Smaller Companies and Issuers. Subject to Client Documentation, Clients can invest without limitation in securities of smaller companies and issuers. Small companies often offer opportunities for capital appreciation more than larger companies, but investments in such companies involve certain special risks. Securities issued by small companies or issuers can be collateralized, however making an actual foreclosure on and subsequent sale of these assets are lengthy and inefficient. Small companies often have limited product lines, markets, or financial resources and are dependent on a limited management group. Such securities trade less frequently and in smaller volume than more widely held securities. The values of these securities tend to fluctuate more sharply than those of other securities, and the Advisor can be expected to experience difficulty in establishing or closing out positions in these securities. There will be less publicly available information about the issuers of these securities or less market interest in such securities than in the case of larger companies and it will take a longer period of time for the prices of such securities to reflect the full value of their issuers' underlying earnings potential or assets.

Illiquid Securities. Subject to Client Documentation, Clients invest in illiquid securities. Illiquid investments are difficult to readily dispose of in the ordinary course of business. In addition, illiquid investments do not have an established trading market. In the absence of an established trading market, the Advisor will, in accordance with its valuation policies then in effect, value such investments in good faith. Accordingly, the valuation of such securities could be based in significant



part on the valuations determined by the Advisor and its agents without reference to an established market for such investments.

Convertible Securities. Subject to Client Documentation, the Advisor invests the assets of certain Clients, without limitation, in convertible securities, including non-investment grade convertible securities. A convertible security (a bond or preferred stock) is converted at a stated price within a specified period into a certain quantity of the common stock of the same or a different issuer. Convertible securities are senior to common stock in an issuer's capital structure, but are usually subordinated to similar non-convertible securities. While providing a fixed income stream (generally higher in yield than the income from common stocks but lower than that afforded by a similar non-convertible security), a convertible security also affords an investor the opportunity, through its conversion feature, to participate in the capital appreciation of the issuer's common stock. The Advisor can, but is not obligated to, choose to isolate the debt aspect of a convertible bond by taking a hedging or arbitrage position in the underlying common stock.

Debt Securities. Subject to Client Documentation, the Advisor invests the assets of certain Clients in debt securities, including debt securities rated lower than "investment grade" - debt securities rated lower than Baa or lower than BBB or if unrated that are judged by the Advisor to be of comparable quality. Non-investment grade debt securities (sometimes referred to as "junk bonds") are considered speculative and can be in poor credit standing or even in default as to payments of principal or interest. Moreover, such securities generally are less liquid than investment grade debt securities.

Trade Receivables and Bank Loans. Subject to Client Documentation, the Advisor invests the assets of certain Clients in trade receivables of operating companies as well as bank loans. Like privately issued securities, such instruments are typically difficult to value and are highly illiquid. Moreover, such instruments are typically in default, and collection on such instruments are through a lead bank acting as servicer for all participant lenders (in the case of bank loans) or through bankruptcy or other formal or informal collection proceedings. Although trade receivables and bank loans are typically available at substantial discounts to their face values, investments in such instruments should be considered highly speculative.

Operating and Financial Risks of Companies: Companies in which the Clients invest often face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, or a larger number of qualified managerial and technical personnel. As a result, portfolio companies which Whitebox expects to be stable at times will (i) operate at a loss or have significant variations in operating results, (ii) require substantial additional capital to support their operations or to maintain their competitive position or (iii) experience financial distress. Portfolio companies often issue certain types of debt, such as mezzanine or high yield, in connection with leveraged acquisitions or recapitalizations in which the portfolio company incurs a substantially higher amount of indebtedness than the level at which it had previously operated.

Troubled company investments require active monitoring and, at times, require significant participation in business strategy or reorganization proceedings by Whitebox. In addition, involvement by Whitebox in a company's reorganization proceedings could result in the imposition of restrictions limiting a Client's ability to liquidate its position in the company.



Zero-Coupon Securities. Subject to Client Documentation, the Advisor invests the assets of certain Clients in zero-coupon securities. Zero-coupon securities are debt obligations which are generally issued at a discount and payable in full at maturity, and which do not provide for current payments of interest prior to maturity. Zero-coupon securities usually trade at a deep discount from their face or par value and are subject to greater market value fluctuations from changing interest rates than debt obligations of comparable maturities which make current distributions of interest. If debt obligations have been stripped of their unmatured interest coupons by the holder, the stripped coupons can be sold separately. The principal is sold at a deep discount because the buyer receives only the right to receive a future fixed payment on the security and does not receive any rights to periodic cash interest payments. Once stripped or separated, the principal and coupons can be sold separately or grouped with other coupons with like maturity dates and sold in such bundled form. Purchasers of stripped obligations acquire, in effect, discount obligations that are economically identical to the zero-coupon securities issued directly by the obligor.

Private Placements. Subject to Client Documentation, the Advisor invests the assets of certain Clients in privately issued securities which are subject to legal or contractual resale restrictions. The Advisor is generally unable to publicly sell these securities unless they are registered under applicable securities laws, or unless a registration exemption is available. Such securities are also typically difficult to value. For these reasons, disposition of privately issued securities is difficult and requires a lengthy period of time. Moreover, the issuers of such securities typically are early-stage companies which lack management depth and sufficient financial resources, with products for which there is no established market, or which are subject to competition from larger, more established companies. The Advisor could be asked to make “follow-on” investments in private issuers in order to provide the issuer with needed capital. However, there can be no assurance that the Advisor will be able to make any such follow-on investments, and that inability could impact the ability of the Advisor to recover, or to realize a meaningful return on its investment.

Private Investment in Public Equity (“PIPEs”). Subject to Client Documentation, the Advisor invests the assets of certain Clients in PIPEs. PIPEs are private (unregistered) offerings of common stock or other equity securities, usually at a discount to current market price, issued by public companies. The typical PIPE is subject to a “lockup” agreement that prohibits the owner from reselling the PIPE security until it is registered or until a designated holding period has elapsed. On occasion, the SEC has refused to allow PIPE securities to be registered due to the immediate impact such registration could have on the public market for such securities (for example, if certain owners of such PIPEs have sold the securities short in anticipation of their registration). By the time Clients are able to dispose of PIPE shares in a public sale the market may be below the price paid by the Client or such sale along with sales of other holders can cause the market price to decline substantially before the Client is able to dispose of some or all of its investment. Typically, PIPE securities are offered by small public companies, companies in need of regular cash infusions, companies in financial distress or companies where a public offering has failed. While PIPE financings have become very popular, PIPE securities are susceptible to special risks that are not present in the same company’s publicly traded securities. Substantial illiquidity could remain even after a PIPE security becomes registered for public sale. Moreover, all or part of a Client’s investment in PIPE securities could be lost if they never become registered.

Special Purpose Acquisition Companies (“SPACs”). Subject to Client Documentation, Clients invest in SPACs, which are publicly traded companies formed for the purpose of raising capital



through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in "blank check" companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, to the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies.

Derivatives. Subject to Client Documentation, the Advisor uses derivatives, such as options, futures and swaps for certain Clients. There are uncertainties as to how the derivatives market will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. If one or more markets move against the derivatives positions held by a Client, a loss, which could be substantial, can occur. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force the Advisor or its affiliates to close out positions). In addition, some derivatives carry the additional risk of failure to perform by the counterparty to the transaction. Many unforeseeable events, such as government policies, can have profound effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

Foreign Securities. Subject to Client Documentation, the Advisor may invest the assets of certain Clients in American Depositary Receipts ("ADRs"), which are U.S. dollar-denominated equity and debt securities of foreign issuers or directly in foreign securities. Interest or dividend payments on such securities are often subject to foreign withholding taxes. Investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies, including possible unfavorable changes in currency exchange rates, reduced and less reliable information about issuers and markets, different accounting standards, illiquidity of securities and markets, local economic or political instability and greater market risk in general.



The funds available to a CLO Client to pay certain fees and operating expenses are limited by restrictions governing the Client's priority of payments to pay for such fees and expenses. If such funds are not sufficient to pay the expenses incurred by the Client, the ability of the Client to operate effectively will be impaired, and the Client not be able to defend or prosecute legal proceedings that may be brought against it or that the Client might otherwise bring to protect its interests. In addition, service providers of a CLO that are not paid in full, may have the right to resign. This could ultimately lead to a Client default under applicable law.

Reliance on Corporate Management and Financial Reporting. Whitebox relies on the financial information made available by the issuers in which Clients invest. Whitebox does not independently verify the financial information disseminated by the numerous issuers in which Clients invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to the issuers of investments held by Clients can result in material losses.

Loan Participations and Assignments. Subject to Client Documentation, Whitebox invests in fixed- and floating-rate loans, which investments generally are in the form of loan participations and assignments of portions of such loans. Participations and assignments involve credit risk, interest rate risk, liquidity risk, and the risks of being a lender. Participations in commercial loans are secured or unsecured. Loan participations typically represent direct participation in a loan to a corporate borrower, and generally are offered by banks, other financial institutions, or lending syndicates. When purchasing loan participations, a Client assumes the credit risk associated with the corporate borrower and the credit risk associated with an interposed bank or other financial intermediary, and will be able to enforce its rights only through the lender/grantor of the participation, and assumes the credit risk of the lender/grantor of the participation in addition to the borrower. The participation interests in which Whitebox invests are not rated.

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

Senior Secured Loans, Secured Senior Bonds, High Yield Bonds and Mezzanine Obligations. Whitebox invests in (without limitation) secured senior loans, secured senior bonds, mezzanine obligations, high yield bonds and unsecured senior obligations. Such instruments are of a type generally incurred by the obligors thereunder in connection with highly leveraged transactions, often (although not exclusively) to finance internal growth, pay dividends or other distributions to the equity holders in the obligor, or finance acquisitions, mergers, and/or share purchases. As a result of the additional debt incurred by the obligor in the course of such a transaction, the obligor's creditworthiness is typically judged by the rating agencies to be below investment grade.



Secured senior loans, secured senior bonds and unsecured senior obligations are typically at the most senior level of the capital structure with mezzanine obligations being subordinated to any senior loans or to any other senior debt of the obligor.

Mezzanine obligations take the form of medium term loans or obligations of such type repayable shortly (perhaps six months or one year) after the senior loans or obligations of the obligor thereunder are repaid. Because mezzanine obligations are only repayable after the senior debt (and interest payments will be blocked to protect the position of senior debt interest in certain circumstances), they will carry a higher rate of interest to reflect the greater risk of such an obligation not being repaid. Due to the greater risk associated with mezzanine obligations as a result of their subordination below senior loans of the obligor, mezzanine lenders are often granted share options, warrants or higher cash paying instruments or payment in kind in the obligor which can be exercised in certain circumstances, principally being immediately prior to the obligor's shares being sold or floated in an initial public offering.

Although debt instrument share many similar features with other loans and obligations of its type, the actual terms will have been a matter of negotiation and will be unique. Any such particular loan or security contains non-standard terms and may provide less protection for creditors than are generally expected, including in respect of covenants, events of default, security or guarantees.

Cov-Lite Loans. Subject to Client Documentation, Whitebox invests in cov-lite loans, and relevant Clients are subject to greater risks (including with respect to liquidity, price volatility and ability to restructure loans) than is the case with loans that have maintenance covenants. In addition, the lack of maintenance covenants in cov-lite loans makes it more difficult for lenders to trigger a default in respect of such collateral obligations, making it more likely that payment defaults will arise under a cov-lite loan at a stage where the relevant obligor is in a greater degree of financial distress. Such a delay in the occurrence of a default makes any successful restructuring more difficult to achieve and/or result in a greater reduction in the value of the cov-lite loan as a consequence of any restructuring effected in such circumstances.

Security. Secured senior loans and secured senior bonds are often secured by specific collateral, including but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred shares of the obligor and its subsidiaries and any applicable associated liens relating thereto. In continental Europe, security is often limited to shares in certain group companies, accounts receivable, bank account balances and intellectual property rights.

Mezzanine obligations have the benefit of a second priority charge over such collateral obligations. Unsecured senior obligations do not have the benefit of such security. High yield bonds are also generally unsecured.

Secured senior loans and secured senior bonds usually have shorter terms than more junior obligations and often require mandatory prepayments from excess cash flows, asset dispositions and offerings of debt and/or equity securities.

Second Lien Loans. A Client's collateral obligations include second lien loans, each of which will be secured by collateral, but which is subordinated (with respect to liquidation preferences with



respect to pledged collateral) to other secured obligations of the obligors secured by all or a portion of the collateral securing such secured loan. Second lien loans are typically subject to intercreditor arrangements, the provisions of which prohibit or restrict the ability of the holder of a second lien loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of the obligor, the holder of a second lien loan is typically required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) “debtor-in possession” financings. Liens arising by operation of law take priority over the Clients’ liens on an obligor’s underlying collateral and impairs the Clients’ recovery on a collateral obligation if a default or foreclosure on that collateral obligation occurs.

An example of a lien arising under law is a tax or other government lien on property of an obligor. A tax lien has priority over a Client’s lien on such collateral. To the extent that a lien having priority over a Client’s lien exists with respect to the collateral related to any collateral obligation, the Client’s interest in the asset will be subordinate to such lien. If the creditor holding such lien exercises its remedies, it is possible that, after such creditor is repaid, sufficient cash proceeds from the underlying collateral will not be available to pay the outstanding principal amount of such collateral obligation.

Corporate Rescue Loans. Corporate rescue loans are made to companies that have experienced, or are experiencing, significant financial or business difficulties such that they have become subject to bankruptcy or other reorganization and liquidation proceedings and thus involves additional risks. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Whitebox will correctly evaluate the value of the assets securing a corporate rescue loan or the prospects for a successful reorganization or similar action, and accordingly a Client could suffer significant losses on its investments in such corporate rescue loan. In any reorganization or liquidation case relating to a company in which a Client invests, such Client could lose its entire investment, be required to accept cash or securities with a value less than its original investment and/or be required to accept payment over an extended period of time.

Distressed company and other asset-based investments require active monitoring and will, at times, require participation by a Client in business strategy or bankruptcy proceedings. To the extent that a Client becomes involved in such proceedings, such Client’s more active participation in the affairs of the bankruptcy debtor could result in the imposition of restrictions limiting the Client’s ability to liquidate its position in the debtor.

Although a corporate rescue loan is often unsecured, where the obligor is subject to U.S. insolvency law, it has a priority permitted by section 364(c) or section 364(d) under the United States Bankruptcy Code, and at the time that it is acquired by the Client is required to be current with respect to scheduled payments of interest and principal (if any).



Currency Risks. Although Client assets will normally be invested in and receive any returns on such investment in U.S. Dollars, subject to Client Documentation, a Client's assets can be invested in securities and other financial instruments denominated in other currencies. Even if the trading of funds is profitable in such currencies, such profits are reduced or eliminated, or the underlying funds could experience losses, because of adverse currency fluctuations between the U.S. Dollars and the denominated currencies of the instruments it trades. Subject to Client Documentation, the Advisor is authorized to attempt to mitigate the risks associated with currency fluctuations at times by entering into, when available, forward or options contracts or by the purchase or sale of foreign currencies in connection with the acquisition, holding or disposition of investments. There is no assurance that such attempts will be successful. In addition, a Client's investments are adversely affected by the imposition of unfavorable mandatory exchange rates with respect to, or other limitations or prohibitions on, the exchange or repatriation of currencies in which the Client holds positions or in which securities or other investments of the Client are denominated.

Securities Believed to Be Undervalued or Incorrectly Valued. Securities which the Advisor believes are fundamentally undervalued or incorrectly valued could not ultimately be valued in the capital markets at prices and/or within the timeframe the Advisor or the affiliate anticipates. As a result, a Client is subject to the loss of some or all of its investment in any particular instance. With respect to certain Client, there is no minimum credit standard that is a prerequisite to the Client's investment in any instrument, and some obligations and preferred stock in which certain Clients invest will be less than investment grade.

Swaps. Subject to Client Documentation, Clients enter into swap agreements. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments or indices. A Client will not have any direct ownership of the underlying investments, and the Client does not have any rights of ownership or other rights to the underlying investments, either directly or indirectly. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount." Swap transactions are illiquid. Moreover, the Client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Advisor's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Credit Default Swaps. Subject to Client Documentation, the Advisor invests the assets of certain Clients in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap is terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.



In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, credit default swaps can be used to implement the Advisor's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Advisor "writes" credit default protection from which it receives spread income. The Advisor also "purchases" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of the Advisor or an affiliate, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants have divergent views. If the Advisor or an affiliate has a positive view of a company's credit outlook, it can enter credit default swap transactions in which it assumes the risk of default of an issuer. It can also enter into an opposite transaction, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

Futures Contracts. Subject to Client Documentation, the Advisor or its affiliates invests the assets of certain Clients in futures contracts in managing a Client investment portfolio. Futures contracts are exchange-traded contracts that provide for the future delivery of various commodities, currencies or financial instruments at a specified time and place. Contractual obligations, depending on whether one is a buyer or a seller, is satisfied either by taking or making physical delivery of the applicable commodity, or as often happens in financial futures, by cash settlement. Futures obligations is also be satisfied by making an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the designated delivery date. Most financial futures contracts are settled in this manner.

Futures contracts are customarily bought and sold on margins which range upward from less than two percent of the purchase price of the contract being traded. Because of these low margins, price fluctuations occurring in futures markets create opportunities for relative profits and losses greater than in other forms of investment. Margin is the minimum amount of funds which must be deposited by the futures trader with its broker in order to initiate futures trading or to maintain the trader's open positions in futures contracts. When the market value of a particular open futures position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call will be made. If the margin call is not met within a reasonable time, the broker can close out the position.

Exchanges on which futures are traded have the right to suspend or limit trading in the commodities that they list. Such a suspension or limitation could render it impossible for the Master Fund to liquidate its positions and thereby expose it to losses. There is no assurance that exchange and other secondary markets will always remain liquid enough for the Advisor to close out existing futures positions.

Futures exchanges seek to limit fluctuations in futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits" Meaning that during a single trading day, no trades on the relevant exchange are 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 neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Advisor from promptly liquidating positions in futures or commodity options. To the extent that such positions are unhedged, such occurrences could subject a Client to losses.

Counterparty and Custodial Risk. Many of the markets in which the Advisor effects Client transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes a Client 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 Client to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities where events intervene to prevent settlement, or where the Advisor has concentrated Client transactions with a single or small group of counterparties. The Advisor is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

The Advisor generally will maintain custody of Private Fund assets with Prime Brokers and other Custodians, which do not separately segregate such customer assets as would be required in the case of U.S. registered investment companies and therefore the bankruptcy of any such Prime Brokers and Custodians could have a greater adverse effect on the Private Fund. There is no certainty that, in the event of a failure of a broker-dealer or other custodian or sub-custodian that has custody of Private Fund assets, the Private Fund would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both. Additionally, to the extent that, the securities and other assets deposited with the custodian or broker are not clearly identified as being assets of the Private Fund and hence the Private Fund could be exposed to a credit or default risk with regard to such parties.

Distressed Investment Risk. Subject to Client Documentation, the Advisor invests the assets of certain Clients, directly or indirectly, in securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type involves substantial financial and business risks that can result in substantial, or at times even total, losses. Among the risks inherent in investments in troubled entities is the fact that it frequently is difficult to obtain information as to the true condition of such issuers. Such investments also are adversely affected 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. 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 prices of such securities can be greater than those prevailing in other securities markets. It can often take a number of years, if at all, for the market price of such securities to reflect the Advisor’s opinion of the intrinsic value. There is no assurance that that there will be sufficient collateral value of an obligation or other investments held by Client or that there will be a successful reorganization and Client could lose its entire investment, be required to accept cash or securities valued at less than its original investment or be required to



accept payment over an extended period of time. Under such circumstances, the returns generated from distressed investments will likely not compensate Clients adequately for the risks assumed. Further, if a lender has inappropriately exercised control of the management and policies of a debtor, it will generally either have its claims subordinated, or disallowed, or be found liable for damage suffered by parties as a result of such actions. Under circumstances involving a portfolio company's insolvency, payments to a Client and distributions by a Client to its investors are subject to being reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Legal fees associated with distressed investing can be substantial and are borne by Clients.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security which could be worth less than the Client's original purchase price.

In certain transactions, a Client will not be "hedged" against market fluctuations, or, in liquidation situations, will not accurately value the assets of the company being liquidated. This results in losses, even if the proposed transaction is consummated.

The administrative costs in connection with a bankruptcy proceeding are frequently high and are typically paid out of the debtor's estate prior to any return to Clients as creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law (for example, claims for taxes) over the claims of certain creditors including Clients (may be quite high), resulting in a loss to the Clients.

The Advisor or an affiliate, on behalf of Clients, elects to serve on creditors' committees or other groups in an effort to ensure preservation or enhancement of a Client's position as a creditor. When Whitebox does not have a majority position on a committee, it will not be able to direct the action of the committee. A member of any such committee or group owes certain obligations generally to all parties similarly situated that the committee represents. If the Advisor concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to each Client, it will consider resigning from that committee or group, and the Client may not realize the benefits, if any, of participation on the committee or group. In addition, if a Client is represented on a committee or group by the Advisor, it will be restricted or prohibited under applicable law from disposing of its investments in the relevant debtor while the Client continues to be represented on such committee or group.

Investing in Different Levels of the Capital Structure. Subject to Client Documentation, Clients hold interests in an issuer that are of a different class, type or seniority than, or otherwise adverse to, the class, type or seniority of interests held by other Clients. Similarly, Clients hold multiple investments across the capital structure of an issuer of varying classes, types, or seniorities, and hold different proportions of each such investment. It is possible that the trading and investment activities for any Client could conflict with the activities and strategies employed in managing the assets of another Client and affect the prices and availability of the loans, securities and instruments held in other Client portfolios. For example, if one Client holds unsecured debt of an issuer while another



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

In addressing certain of the potential conflicts of interest described herein, Whitebox is not obligated to, take one or more actions on behalf of a Client, including any one or more of the following: (i) causing a Client to remain passive in a situation in which it is otherwise entitled to vote or take other action, which result in the outcome of such vote or action being determined by (x) other investors or decision-makers in the same class of equity or debt securities (or another class of equity or debt) or (y) the vote or other action taken by another Client; (ii) referring the matter to one or more persons that is not affiliated with Whitebox to review or approve of an intended course of action with respect to such matter; (iii) consulting with a Client on such matter or otherwise requesting that the Private Funds' Oversight Committee approve such matter; (iv) as between two Clients, ensuring (or seeking to ensure) that the underlying investors therein own interests in the same securities or financial instruments and in the same proportions so as to preserve an alignment of interest; or (v) causing a Client to divest itself of a security or financial instrument or particular class, series or tranche of an issuer's capital structure it might otherwise have held on to, including causing a Client to sell a security or financial instrument to one or more other Clients (or vice versa), or underlying investors in such other Client. There can be no assurance that any of these measures will be feasible or effective in any particular situation, and it is possible that the outcome for one Client will be less favorable than might otherwise have been the case if Whitebox had not had duties to other Clients.

There are expected to be situations in which Whitebox invests Client assets in certain parts or particular issuances of an entity's capital structure and other Clients or Whitebox personnel are investing in or holding positions in different parts of that same entity's capital structure. In certain circumstances, decisions made with respect to investments held by one Client could adversely affect the investments of another Client. These situations include, for example, investments in instruments that: (i) are publicly traded and privately issued, (ii) are debt and equity, (iii) have differing priorities (senior or subordinated, including equity securities), (iv) have differing levels of risk and yield, and/or (v) have differing levels or types of rights and benefits. Under normal circumstances, investments in instruments that have different ranking of seniority in a capital structure generally do not raise conflicts of interest. However, conflicts of interest are likely to arise when there is a default or when an obligor seeks protection from creditors in bankruptcy or reorganization. In such cases, an action taken in furtherance of the interest of one set of holders (such as the senior bank loan holders or preferred shareholders) could harm the interests of other holders of the same issuer's securities or instruments (such as holders of unsecured or subordinated debt or common stock). When Clients or Whitebox personnel own securities or instruments of the same issuer in different ranks of seniority, action taken on behalf of Clients holding a more senior tranche could be contrary to the interest of other Clients holding the other tranche, or *vice versa*. Whitebox has an incentive to take actions based on which course, as a whole, it expects to most favor its own interests]. Conversely, certain investments made by one Client or group of Clients could indirectly benefit positions held by another Client, which also presents certain conflicts of interest for the Advisor. For example, if one



Client holds a position in the public or private equity or subordinated bonds of an issuer, and another Client participates in a syndicated loan offering, the proceeds of which are applied to finance a third-party's acquisition of all or a portion of the issuer's outstanding equity or bonds (including any portion owned by other Clients), the first Client could see their investment increase in value or become more liquid. Further, in certain instances, proceeds of an investment in an issuer made by one Client or group of Clients will be applied by the issuer (or an affiliate thereof) to make interest payments or distributions in respect of securities or instruments held by another Client. For example, this could occur where a Client participates in an offering of securities of a subsidiary or affiliate of an issuer in which another Client holds a position. The proceeds of the offering, or a portion thereof, are distributed directly or indirectly to the parent company (or other affiliate) in which another Client owns a position and the parent company (or other affiliate) uses these proceeds to make payments or distributions to its debt and/or equity investors, including other Clients. Therefore, Whitebox has an incentive to use one Client's portfolio to benefit another Client. In such situations, certain conflicts arise among the interests of the Client accounts and any Advisor proprietary accounts, including conflicts involving: (i) Whitebox's determination to enforce or not enforce certain rights on behalf of its Clients which could adversely affect the interests of other Clients, (ii) the Advisor's incentive to make investment decisions which either facilitate or result in more favorable terms for a proposed investment by another Client, or (iii) Whitebox's incentive to preserve or protect the value or rights associated with an investment of a Client or Advisor personnel in a particular entity, any of which could adversely affect the interests of other Clients. When the interests of one group of Clients conflicts with the interests of other Clients with respect to investments in the same obligor, Whitebox considers the interests of affected Clients but could pursue or enforce rights on behalf of some Clients in a manner that results in an adverse effect on other Clients with a different type of investment in the same entity. These conflicts of interests between Clients become more pronounced in situations in which the entity experiences financial or operational challenges. For example, if the Advisor, on behalf of Clients, holds senior debt investments of a particular obligor, determines to foreclose on loans, takes steps to put an issuer or borrower into default or seek a liquidation of the issuer, Clients holding more junior interests could lose some or all of their investment. Similarly, if the Advisor sponsors or supports reorganization, recapitalization or similar workout arrangements for an entity in which different Clients hold different investments then (a) additional investments from Clients holding junior classes of securities or instruments that directly or indirectly refinance senior securities or instruments held by other Clients could be required, or (b) Clients holding junior securities or other financial instruments could suffer substantial losses. Any of the foregoing could also adversely affect the prices and availability of other securities or instruments issued by that particular entity that is held by or considered for investment for other Clients. Although these conflicts often cannot be mitigated, the Advisor can, but is not required to, retain separate legal counsel (e.g., where the conflict involves different Clients) or other steps to seek to separately attend to the differing interests or rights of different sets of Clients and/or investors. Whitebox participates in official and unofficial committees and/or boards (or comparable governing bodies) with respect to bankruptcy, restructuring or work outs of investments in Client portfolios. In such circumstances, the Advisor has the opportunity to take positions on behalf of itself or a particular Client which are adverse to the interests of other Clients holding such investments.

Distressed Debt Tax Considerations. The tax accounting rules with respect to the timing and character of income and losses on investments in distressed debt instruments in certain circumstances results in adverse tax consequences. For instance, investors in onshore Private Funds are required to include in income accrued interest, "original issue discount," and, potentially, "market



discount” (each of which will be ordinary income), with respect to debt instruments held by the Private Fund even though there is uncertainty as to whether such amounts and/ or the ultimate principal amount will ever be received. If an item of income is accrued and subsequently becomes uncollectible, the effect is a deduction, rather than the elimination of the accrual, even if the item becomes uncollectible in the same tax year that it is accrued. Accordingly, investors in onshore Private Funds are subject to character mismatches where the Private Fund is required to accrue an amount of interest, original issue discount or market discount with respect to a capital asset which is subsequently sold at a loss. In addition, if a debt instrument held by the Private Fund is modified, investors in the onshore Private Fund is required to recognize gain as a result of the modification.

Repurchase Agreements. Subject to Client Documentation, certain Clients enter repurchase agreements. A repurchase agreement is a contract under which the Advisor acquires a security for a Client for a certain period (which could be short) subject to the obligation of the seller to repurchase and the Client to resell such security at a fixed time and price (representing the Client’s cost plus interest). Repurchase agreements are also be viewed as loans made by the Client which are collateralized by the securities subject to repurchase. If the counterparty defaults, the Client could realize a loss on the sale of the underlying security to the extent that the proceeds of sale including accrued interest are less than the resale price provided in the agreement including interest. In addition, if the seller should be involved in bankruptcy or insolvency proceedings, the Client incurs delays and costs in selling the underlying security or suffers a loss of principal and interest if the Client is treated as an unsecured creditor and required to return the underlying collateral to the seller’s estate.

Interest Rate Risk and Duration Risk. The value of the fixed-income component of a convertible security generally can be expected to fall when interest rates rise and to rise when interest rates fall. Interest rate risk is the risk that interest rates will rise, so that the value of the security will fall. Duration measures the approximate price sensitivity of a security to changes in interest rates and it is the primary measure of risk within the fixed-income component of a convertible security. Changing conditions and perceptions, including market fluctuations, modify an obligation’s duration risk and, independently, have other adverse effects on the value of a security.

Borrowing and Leverage. Subject to Client Documentation, the Advisor borrows money on behalf of certain Clients without limitation to invest in additional portfolio securities. This practice significantly increases a Client’s market exposure and its risk. When a Client has borrowed money for leverage and its investments increase or decrease in value, the Client’s investment portfolio will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed at such time) than if it had not borrowed money. In addition, the interest the Client must pay on borrowed money will reduce the amount of any potential gains or increase any losses.

Reinvestment Risk. Subject to certain limitations and to Client Documentation, certain Clients generally reinvest any proceeds from its investments for a certain period following the closing date of such Client. The objective of such reinvestment capability is to provide ongoing additional capital to potentially increase the total return from the investments to such Client’s investors. However, if the proceeds of a Clients investments are reinvested, its investors’ capital will continue to be subject to the risk of loss for a longer period of time. If reinvested proceeds are lost, such loss would offset at least a portion of any gains that have been realized from prior investments of such Client, and it is



possible that any such loss could exceed any such prior gains, thereby resulting in a possible loss of at least a portion of the amounts invested in the Client by its investors.

Short Sales. Subject to Client Documentation, Clients engage in short sales of securities. Short sales are transactions in which the Advisor, on behalf of a Client, sells a security the Client does not own, in anticipation of a decline in the market value of that security. To complete such a transaction, the Client must borrow the security to make delivery to the buyer. The Client then is obligated to replace the security borrowed by purchasing it at the market price at or prior to the time of replacement. The price at such time can be more or less than the price at which the security was sold by the Client. Until the security is replaced, the Client is required to repay the lender any dividends or interest that accrues during the period of the loan. To borrow the security, the Client is required to pay a premium, which would increase the cost of the security sold. Transaction costs will also be incurred in effecting short sales.

A Client will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the Advisor replaces the borrowed security. A gain will be realized if the security declines in price between those dates. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the Client is required to pay in connection with a short sale. An increase in the value of a security sold short by the Client over the price at which it was sold short will result in a loss to the Client, and there can be no assurance that the Advisor will be able to close out the position at any particular time or at an acceptable price. Except in the case of short sales “against the box” (as to which the Client owns or has a contractual right to acquire at a fixed price the securities sold short), the Client’s market risk is unlimited in that the increase in the market price of the security sold short is unlimited.

Long and Short the Same Security at the Same Time. Subject to Client Documentation, the Advisor, on behalf of certain Clients, actively trades, or holds positions, on a long and short basis across Clients (or potentially within the same Private Fund) at the same time due to the application of different investment strategies. For example, a convertible strategy can be short a given security while an equity strategy purchases that same security on a long basis. This creates a risk in that, depending on the liquidity of the security, a transaction for one strategy will have a detrimental effect on the pricing of that security for a different strategy.

Trading in Commodity Interests is Volatile. Commodity interest prices and other contract prices are highly volatile. Price movements of commodity interests are influenced by, among other things, changing supply and demand relationships, governmental, trade programs and policies, weather and national and international political and economic events. None of these factors can be controlled by the Advisor or its affiliates.

Commodity Trading Is Illiquid. Certain 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 are 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 cannot be taken or liquidated unless both a buyer and seller are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved to the daily limit for several



consecutive days with little or no trading. Similar occurrences, or regulatory intervention in the commodity markets, could prevent the Advisor from promptly liquidating unfavorable positions and adversely affecting trading and profitability.

Hedging Transactions. Subject to Client Documentation, the Advisor utilizes financial instruments to hedge against fluctuations in the relative values of its portfolio positions as a result of certain changes in the equity markets. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it is not always possible for the Advisor to hedge against a fluctuation at a price sufficient to protect a Client's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. In addition, there is no assurance that any instrument or strategy will hedge against certain risks.

The success of the Advisor's hedging transactions is dependent on the Advisor's ability to correctly predict movements in the direction of the equity markets or sectors thereof. Therefore, while the Advisor enters into such transactions to seek to reduce the risks of a decline in the equity markets generally or one or more sectors of the equity markets, unanticipated increases or smaller than expected decreases in the equity markets or sectors being hedged results in a poorer overall performance for a Client than if the Advisor had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged vary. Moreover, for a variety of reasons, the Advisor could elect not to hedge certain portfolio holdings or establish a correlation between such hedging instruments and the portfolio holdings being hedged. Such correlation can prevent a Client from achieving the intended hedge or expose Clients to additional risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Client's portfolio holdings. To the extent, the Advisor is unsuccessful in its hedging efforts for whatever reason, Clients can suffer a risk of loss greater than had there been no hedging activity at all.

Securities Lending. Subject to Client Documentation, the Advisor lends securities of certain Clients, primarily through prime brokers. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially.

Lack of Liquidity in Markets. Despite the heavy volume of trading in securities, the markets for some securities have limited liquidity and depth. This lack of depth could be a disadvantage to the Advisor and Clients, both in the realization of the prices which are quoted and in the execution of orders at desired prices or the execution of any orders, when desired.

Purchasing Initial Public Offerings. Subject to Client Documentation, the Advisor, on behalf of Clients, purchases securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer, and the issuer's limited operating history. These factors contribute to substantial price volatility for the shares of these companies. The limited



number of shares available for trading in some initial public offerings make it more difficult to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which are not widely understood by investors. Some of these companies are undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospectus of achieving them.

Warrants and Rights. Subject to Client Documentation, the Advisor purchases warrants and rights on behalf of Clients. Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants and rights are considered more speculative than certain other types of equity-like securities. In addition, the values of warrants and rights do not necessarily change with the values of the underlying securities or commodities and these instruments cease to have value if they are not exercised prior to their expiration dates.

Option Transactions. Subject to Client Documentation, the Advisor purchases or sells various “put” and “call” options, warrants, and other derivative securities without limitation. The use of options involves a high degree of embedded leverage, which can involve greater market risk, especially when not used to hedge the underlying security. If the Advisor purchases a put option on behalf of a Client, the Client acquires the right to sell the underlying security at a specified price at any time during the term of the option or on the option expiration date. Purchasing put options are used as a portfolio investment strategy when the Advisor perceives significant short-term risk of substantial capital depreciation potential for the underlying security and are used as an alternative to selling a security short. Selling put options are also used, from time to time, as a method to purchase securities below current market prices or to collect the premium. If the Advisor purchases a call option, it acquires the right to purchase the underlying security at a specified price at any time during the term of the option. The purchase of a call option is a type of insurance policy to hedge against losses that could occur if the Advisor has a short position in the underlying security and the security thereafter increases in price. The selling of call options is also be used to initiate short positions at or above current market prices or to collect a premium. The Advisor generally invests in options for which the Advisor believes there is an active secondary market to facilitate closing transactions. The premium paid at the time an option is purchased will reduce any profit the Client might have realized had the Advisor purchased or sold the underlying security (or the contract on the underlying index, as applicable) instead of purchasing the put or call option.

Non-U.S. Securities Markets. Subject to Client Documentation, Clients trade securities on non-U.S. as well as U.S. markets. Because non-U.S. securities markets are generally less regulated than U.S. markets, the trading on those markets presents certain risks that are not present in trading on U.S. markets. For example, some foreign securities exchanges are “principal exchanges” in which performance is the responsibility only of the individual exchange member and not of an exchange clearing house. Further, such non-U.S. markets and securities are subject to greater risk of governmental action or sanctions leading to potential losses for Clients.



Non-U.S. Issuers. Subject to Client Documentation, Whitebox invests in the loans of non-U.S. issuers. Investing in such instruments involves certain considerations not usually associated with investing in the loans of a U.S. issuer, including, among other things, political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the smaller size of the securities markets in such countries and the lower volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; imposition of withholdings and other taxes; and certain government policies that restrict a Client's investment opportunities. In addition, accounting and financial reporting standards that prevail in many foreign countries are not equivalent to U.S. standards and, consequently, less information will be available with respect to non-U.S. issuers than is available with respect to U.S. issuers.

Bankruptcy law and process in non-U.S. jurisdictions often differ substantially from that in the United States, which will often result in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain, while some other developing countries have no bankruptcy laws enacted, adding further uncertainty to the process for reorganization.

Settlement Risk. The Advisor invests in assets which are subject to settlement periods in excess of the securities standard of trade date plus two days (to be shortened to one day in May 2024) and do not settle on a delivery versus payment basis as is common for other types of investments. For example, Leveraged loan settlement periods can extend to trade date plus seven days or more depending upon a number of factors not in the control of Whitebox. Therefore, counterparties to such trades, including Clients, are subject to ongoing market risk to the extent that lengthy settlement periods occur. Moreover, settlement of such trades can be a manual process, prolonging the settlement period and increasing operational risk. Further, during the prolonged settlements, the underlying credit outlook, positive or negative, or the terms of the investment, evolve in accordance with the terms of the underlying documentation (e.g., LIBOR resets, pre-payments) or otherwise.

Investment in Vehicles Managed by Affiliates. Whitebox, from time to time, sponsors or acts as collateral manager for CLOs, through Whitebox CLO Management LLC, in which Private Funds may invest either as equity or debt-holders. In its capacity as collateral manager of any CLO in which all or any part of a tranche is owned by the Private Funds, Whitebox CLO Management LLC makes decisions without regard to the potential impact, if any, that such decisions has on the Private Funds that own securities issued by such CLOs. Notwithstanding, investment decisions by Whitebox CLO Management LLC may conflict with or be adverse to the interests of the Clients and *vice versa*. To the extent that fees due to Whitebox and/or Relying Advisors are attributable to the interests owned by the Private Funds, such fees are waived at the Private Fund level, thereby mitigating the conflict of interest that such investments present.

Investing in CLOs. Subject to Client Documentation, a CLO invests in a particular loan, security or other investment at origination at substantially the same time as other Clients, in which case they would invest at substantially the same price; however, the amount of leverage (if any), differs between Clients. In addition, there can be no assurance that each Client would dispose of such an investment at substantially the same price or time as other Clients due to many factors that are not foreseeable at the time of investment, including available cash and other needs, differing basis in the investment,



differing financing terms applicable to different investments, time horizons applicable to different Clients (including different investment periods) and their differing investment objectives and investment programs. Further, one CLO's determination to dispose of an investment could affect the timing of another Client's disposal of that same investment and *vice versa*. For example, such disposal could contribute to a decline in value or cause the overall size of the Clients' positions to decrease leading to the forfeit or weakening of certain rights or benefits held directly or indirectly by the Client Accounts participating in the investment due to aggregate holdings size requirements or other considerations or otherwise affect the long-term viability of the investment, resulting in the determination by the other Clients that it is in their respective best interests to liquidate their positions as well even if the timing of such liquidation would not otherwise have been considered optimal. Further, to the extent a CLO is required to liquidate its interest in such investment, such liquidation will have an adverse effect on the market value of the underlying investment.

The value of interests in CLOs generally will fluctuate with, among other things, the financial condition of the obligors/issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), market conditions, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Interests in CLOs are issued on a non-recourse basis, and holders of interests in CLOs must rely solely on distributions on the CLO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO Collateral are insufficient to make payments on the interests in CLOs, no other assets will be available for payment of the deficiency and following liquidation of the CLO Collateral, the obligations of such issuer to pay such deficiency will be extinguished. Further, the rights of holders of CLO interests are governed by the CLO Indenture. Investors generally will not be able to negotiate or determine the terms of the CLO Indenture.

Investing in Pre-Existing Investments. A CLO invests in collateral in which other Clients hold an investment. Such transactions affect (positively or negatively) the market price of such investment. In circumstances in which a CLO invests in an instrument in which other Client have a pre-existing investment, the investing CLO will make business decisions relating to such investment independently of the analogous decisions made with respect to such investment by such other Clients.

CLO-SPECIFIC RISKS

Subordination of Interests in CLOs. Subordinate interests in CLOs generally are fully subordinated to the CLO's senior tranches. Thus, investments in a particular CLO tranche can rank behind other creditors of the CLO, and an investment in CLO Equity will rank behind all creditors of the CLO (including the management fees of Whitebox). To the extent that any losses are incurred by a CLO in respect of its related CLO Collateral, these losses will be borne first by the holders of the CLO Equity, next by the holders of any related subordinated notes ("CLO Notes"), and finally by the holders of the related CLO Senior Notes. In addition, if an event of default occurs under the governing instrument or underlying investment, as long as any CLO Senior Notes are outstanding, the holders thereof generally will be entitled to determine the remedies to be exercised under the documentation governing the CLO. Remedies pursued by such holders could be adverse to the interests of the holders of any related subordinated CLO Notes or CLO Equity. Investments in Subordinated Notes or Equity will be the first to absorb any losses by the CLO on its underlying portfolio. This can result in a complete or partial loss of an investment.



Mandatory Redemption of CLO Senior Tranches. Under certain circumstances, cash flows from CLO Collateral that otherwise would have been paid to the holders of its mezzanine CLO Notes and Equity will be used to redeem the related CLO Senior Notes pursuant to the Client Documentation. This could result in an elimination, deferral, or reduction in the interest payments, principal repayments or other payments made to investors who hold the Senior Notes of the CLOs, which would adversely impact their returns.

Optional redemption of CLO Senior Tranches. An optional redemption of CLO Notes (which generally can be required at the request of a majority of the controlling class as set forth in the Client Documentation) could require the collateral manager to liquidate.

CLO Warehouse Vehicles. The Advisor manages CLO warehouse vehicles that are used to acquire loans on an interim basis that are expected to be transferred into a future CLO to be managed by Whitebox and take a variety of forms but generally include a first loss position in which investors can invest in a senior borrowing for a large financial institution (the “senior warehouse lender”). During the warehouse period, the Advisor, on behalf of the CLO issuer, commits to acquire or acquires (directly or indirectly) the loans which the CLO issuer intends to purchase at the CLO closing at which time it issues its CLO Notes. While it is expected that the warehouse will be fully repaid and extinguished at the CLO closing, there can be no assurance that the future CLO will be consummated or that the loans held in such a warehouse vehicle will be eligible for the CLO at closing. CLO warehouses are leveraged investments. Although Whitebox, as the collateral manager on behalf of the CLO issuer, selects the loans to go into the warehouse, the senior warehouse lender generally must consent (or not object) to the loans acquired during the warehouse period and also has consent rights with respect to material modifications or sales of such loans. The senior warehouse lender will usually have interests that are different than those of the first loss warehouse investors. During the warehouse period, if loans are sold at a loss, investors in the first loss position could lose all or a portion of their investment. Some CLO warehouses include mark-to-market triggers, which require that investors in the first loss position contribute additional capital to avoid liquidation of the warehouse assets if the trigger is reached. CLO warehouses require first loss investors’ capital to be committed from time to time and the investors in the first loss position take the risk that some or all of the holders of the first loss interests will not advance capital when required. If these requirements are not met or other representations, warranties or covenants in the warehouse documents are breached, or if the CLO fails to close, the senior warehouse lender has the right to require a liquidation of the warehouse assets which could result in a loss to the first loss investors of all or a portion of their investment in the CLO warehouse vehicle.

Restrictions on Ability to Manage. Client Documentation such as a CLO Indenture or management agreement often place contractual restrictions, which can be significant, on Whitebox’s discretion. During certain periods or in certain specified circumstances, the Advisor will not be able to effect purchases or sales which it would otherwise choose to effect in the absence of such restrictions, and which Whitebox can and potentially will transact for Clients without such restrictions.

Prepayment Risk. Some of the terms of loans acquired by a CLO are subject to early prepayment options or similar provisions which, in each case, could result in a CLO realizing such loans earlier than expected, sometimes with no or a nominal prepayment premium. This typically happens when there is a decline in interest rates, when the obligor’s improved credit or operating or



financial performance allows the refinancing of certain classes of debt with lower cost debt or when the general credit market conditions improve. In the event a CLO receives proceeds from an investment earlier than it had anticipated, a CLO is often permitted to reinvest such proceeds, but there is no assurance that a CLO will be able to reinvest such proceeds even where they are received during such CLO's reinvestment period. On occasion, a CLO's inability to reinvest such proceeds will materially affect the performance of a CLO.

Leverage. CLOs employ leverage which could lead to losses in some of the notes issued by a CLO, and all classes of notes are subject to up to 100% loss of invested capital. Any deterioration in the performance of the underlying collateral will be borne first by the subordinated notes.

Competition. The business of investing in assets meeting the CLOs' investment objectives is highly competitive. Competition for investment opportunities includes a growing number of non-traditional participants, such as hedge funds, private and public mezzanine and subordinated debt funds, including business development companies, and other private investors, as well as more traditional lending institutions and competitors. Competitors include investment vehicles managed by the Advisor. Some of these competitors have access to greater amounts of capital and to capital committed for longer periods of time or have different return thresholds than the CLOs, and thus these competitors have advantages relative to the CLOs. Increased competition for, or a diminishment in the available supply of, investments suitable for the CLOs could result in lower returns on such investments. In addition, issuers may prefer to take advantage of favorable high yield or second lien markets and issue subordinated debt in those markets, which could result in fewer investment opportunities for CLOs. Moreover, the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. CLOs incur significant expenses in connection with identifying investment opportunities and investigating other potential investments which are ultimately not consummated, including expenses relating to due diligence, transportation, and legal expenses.

Reliance on Certain Third Parties. CLOs are dependent upon their service providers, such as the trustees, directors, collateral managers and collateral administrators of the CLOs. Errors are inherent in the operations of any business (including the business of the CLOs), and although the Advisor has adopted measures reasonably designed to prevent and detect errors by, and misconduct of, service providers, and to transact with service providers it believes to be reliable, such measures are not effective in all cases. Errors or misconduct by such service providers could have a material adverse effect on the CLOs.

Dissolution Risks. As set forth in the indenture, the CLO, in certain instances, is required to liquidate its investments. In the case of a dissolution or at its maturity or optional redemption, the Collateral Manager is required to sell some or all of its portfolio which could negatively affect the CLO's returns. Where a CLO is liquidating pursuant to its dissolution provisions or otherwise, such disposition of its assets could also negatively affect the value of other Client investments and create adverse results for such other Clients.

Regulatory Risk Related to Risk Retention Rules. The U.S. Risk Retention Rules require a sponsor (or affiliate or related person) of a securitized transaction, to retain at least 5% of the economic interest in the credit risk of the securitized assets (the "Retention Interests"). Accordingly, most collateral managers of CLOs were considered a sponsor and subject to the risk retention



requirements. However, on February 9, 2018, the United States Court of Appeals for the D.C. Circuit ruled in favor of an appeal by the Loan Syndications and Trading Association against the United States Securities and Exchange Commission and the Board of Governors of the Federal Reserve System (such decision the “DC Circuit Ruling”, ruling that managers of so called “open market CLOs” were not required to comply with the U.S. Risk Retention Rules. CLOs comprised of broadly syndicated loans would generally be classified as “open market CLOs”. The DC Circuit Ruling became effective on April 5, 2018, when the district court entered its order following the issuance of the appellate mandate on April 3, 2018, in respect thereof. Accordingly, the Advisor does not intend to retain Retention Interests in any of its CLOs, in reliance on the DC Circuit Ruling for purposes of compliance with the U.S. Risk Retention Rules. Whitebox expects to manage its CLOs to qualify as “open market CLOs.” Certain foreign governmental authorities have implemented alternate risk retention requirements for transactions within their jurisdiction or pertaining to investors subject to their jurisdiction. In the event that such requirements become applicable to the Advisor, Whitebox will be affected with uncertain positive or negative impacts on the value of CLOs and their underlying assets.

Lender Liability and Equitable Subordination. A number of judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed “lender liability”. Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the portfolios held by the CLOs, each of the CLOs are subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a shareholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court can decide to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination”. Because of the nature of the portfolios held by the CLOs, each of the CLOs are subject to claims of equitable subordination.

Because certain Private Funds hold equity or other interests in obligors of collateral obligations, the CLO could be exposed to claims for equitable subordination or lender liability or both based on such equity or other holdings.

The foregoing discussion of lender liability and equitable subordination is based upon principles of United States federal and state laws. Insofar as collateral obligations that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that are not be analogous to those described above under United States federal and state laws.

The foregoing discussion of investment strategies and their related risks is not intended to be exhaustive. The Advisor and its affiliates will employ additional strategies and instruments from time to time in



pursuing investment objectives of Clients. Those strategies and instruments have their own unique risks that prevent the Advisor from achieving the Clients' investment objective. Additionally, during weak or declining markets, the Advisor can invest more of the Clients' assets in cash and cash equivalents. Although such investments in cash and cash equivalents would primarily be intended to avoid losses, this type of investing also could prevent a Client from achieving its investment objective and target returns. Investors and prospective investors should read the Client Documentation and consult with their own advisors before deciding to invest.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Whitebox or the integrity of Whitebox's management.

In April 2014, Whitebox received a confidential information inquiry from the SEC in connection with the purchase of shares in a secondary public offering which occurred in 2012. Whitebox fully cooperated with the SEC and voluntarily reviewed historical trading activity to identify any other potential instances of inadvertent violations of Rule 105. Based on this review, Whitebox identified four additional instances in 2011 and 2012 where Whitebox participated in a secondary offering during a restricted period. All of these instances were voluntarily disclosed to the SEC.

In July 2014, Whitebox voluntarily submitted an Offer of Settlement with respect to the five alleged violations of Rule 105 of Regulation M under the Exchange Act without admitting or denying the SEC's allegations. The SEC accepted the Offer of Settlement, and imposed a Cease-and-Desist Order from future violations of Rule 105. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Whitebox and cooperation afforded to SEC staff.

The violations allegedly occurred between January 2011 and June 2012. Rule 105 generally prohibits purchasing an equity security in a registered follow-on public offering if the purchaser sold short the same security during a restricted period. The Rule 105 restricted period is the shorter of the period: (1) beginning five business days before the pricing of the offered securities and ending with such pricing; or (2) beginning with the initial filing of a registration statement or notification on Form 1-A or Form 1-E and ending with the pricing.

Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller's intent in effecting the short sale. The settlement involved the payment by Whitebox (without any contribution from any Client) of disgorgement of \$788,779, prejudgment interest of \$48,553.49 and a civil money penalty.

On or about February 11, 2022, Whitebox paid a fine in the amount of 100,000 krone (@ USD10,000) to the Financial Supervisory Authority of Norway due to the Advisor's failure to file a notice of a relevant short position in violation of the notice requirements under Section 3-14 of the Norwegian Securities Trading Act. Whitebox considered it had a net long position as it had been allocated new issue shares in a public offering. The Financial Supervisory Authority of Norway disagreed and found that the newly issued shares were not tradeable and could not be considered when determining a net position for reporting purposes.

Information regarding the Advisor's disciplinary history can be found in Item 10 of Part 1A of Form ADV available from the Advisor upon request or at www.adviserinfo.sec.gov

Item 10 – Other Financial Industry Activities and Affiliations

The Private Funds

In certain cases, the Advisor provides investment advice and other services to its Private Funds through its Relying Advisor.

The Relying Advisors, which are controlled by the Advisor, are set forth below:

- Whitebox Advisors London, LLP
- Whitebox Advisors Australia Pty Ltd.
- Whitebox Capital Management LLC

Whitebox is also affiliated through common control with Whitebox General Partner LLC, the General Partner to all of the Private Funds with the exception of Whitebox Caja Blanca Fund, LP and Whitebox Term Credit Fund III LP (where separate affiliates, Whitebox Caja Blanca GP LLC for Whitebox Caja Blanca Fund LP and Whitebox TCF III General Partner LLC for Whitebox Term Credit Fund III LP serve as General Partner). Many of the Whitebox Private Funds are structured utilizing a “master-feeder” style structure, pooling assets from individual investors (limited partners or shareholders) through the use of onshore and offshore feeder funds.

Shared Personnel and Services Arrangements

Whitebox and its Relying Advisors have entered into a shared staffing and services arrangement whereby the Advisor provides certain services such as accounting and other support to the Relying Advisor. These arrangements are important to the ongoing operations of Whitebox, and therefore any major changes or termination to these arrangements are material. The Relying Advisor bears its proportionate share of the cost of such services and does not allocate any related costs to Clients. Although fees incurred and paid for such services generally are expected to be competitive with the market, there is an incentive for Relying Advisors to employ Whitebox rather than third parties even though a third-party could provide the same or higher quality services.

The Private Funds are set forth below:

- Whitebox Relative Value Partners, L.P.
- Whitebox Credit Partners, L.P.
- Pandora Select Partners, L.P..
- Whitebox Multi-Strategy Partners, L.P.
- Whitebox KFA Advantage, LLC
- Whitebox Institutional Partners, L.P.
- Whitebox Caja Blanca Fund, LP
- Whitebox GT Fund, LP

- Whitebox Term Credit Fund III LP
- Whitebox CLO I LTD.
- Whitebox CLO II LTD.
- Whitebox CLO III LTD.

The onshore feeder funds are set forth below:

- Whitebox Relative Value Fund, LP
- Whitebox Credit Fund, LP
- Pandora Select Fund, LP
- Whitebox Multi-Strategy Fund, LP
- Whitebox Term Credit Onshore Fund III LP

The offshore feeder funds are set forth below:

- Whitebox Relative Value Fund, Ltd.
- Whitebox Credit Fund, Ltd.
- Pandora Select Fund, Ltd.
- Whitebox Multi-Strategy Fund, Ltd.
- Whitebox Term Credit Offshore Fund III LP

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

Code of Ethics

Whitebox has adopted a Code of Ethics (the “Code”) pursuant to Rules 204A-1 and 204-2 under the Advisers Act. The Code sets out expected standards of conduct from its employees and is designed to address conflicts of interest related to personal trading. A copy of Whitebox’s Code of Ethics is available, at no cost, to Clients and investors upon request at the contact details listed on the cover page of this brochure.

In order to seek to mitigate conflicts of interest with Whitebox investment activities on behalf of its Clients, personal securities trading by Whitebox personnel are generally permitted in certain exempt securities, through accounts as to which they have ceded influence and control, or as otherwise set forth in the Code. Additionally, subject to the conditions of the Code, Whitebox and its personnel can invest in Private Funds and other vehicles managed by the Advisor or other managers that invest in assets, employ strategies or have investment objectives substantially similar to strategies and investment objectives offered by Whitebox.

In addition to the Code, Whitebox has other policies and procedures reasonably designed to address conflicts of interest with respect to, among other things, gifts and entertainments, outside business activities and political contributions. The Advisor also has policies reasonably designed to prohibit its personnel from trading securities for Clients or themselves or recommending to others trading in securities while in possession of material, non-public information (“MNPI”) or disclose



MNPI to any person not entitled to receive it. By reason of its various investment activities, Whitebox will have access to MNPI. When in possession of MNPI, the Advisor and its personnel will generally be unable to take action or effect transactions in certain investments even when such investments benefit a Client. While the Advisor has designed and implemented policies and procedures reasonably designed to address those situations; there can be no assurance that such policies and procedures will prevent Whitebox from receiving MNPI and becoming subject to trading restrictions.

Conflicts of Interest relating to Client Transactions

Allocation of Investment Opportunities

Whitebox advises multiple Clients with similar investment strategies and overlapping investments, which creates conflicts of interest in, among other things, allocating investment opportunities. If an investment opportunity is appropriate for more than one Client, Whitebox determines in its sole discretion which Clients participate in the investment opportunity and to what extent. This could result in a Client receiving no allocation of a particular investment or receiving an allocation of an investment that is more or less than it would have received if Whitebox did not have other Clients eligible to invest.

Whitebox has policies and procedures reasonably designed to allocate investment opportunities to Clients in a manner it deems in its sole discretion to be fair and equitable over time consistent with the Client's investment strategy, guidelines and objectives. Under this policy, Whitebox has significant discretion in applying and weighing factors it deems relevant when determining which Client portfolios receive an investment allocation and to what extent. Such factors include, among others, target returns/yields, concentration, market conditions, internal risk policies, regulatory concerns, expected duration of an investment, maturity constraints, cash positions or cash needs, risk limits and profiles, and any other factor, to the extent relevant to each eligible Client as determined by Whitebox in good faith. When launching a new Client portfolio or taking in significant subscription flows, Whitebox expects to allocate a larger portion to such portfolio during such ramp up period, with existing Clients receiving potentially less than they otherwise would have.

Certain Clients with targeted investment strategies, objectives or risk parameters ("Limited Mandates") have less flexibility to invest across multiple asset classes. In cases where there is a limited offering that Whitebox determines, in its discretion, aligns with such Client's Limited Mandates, these Clients are likely to receive a larger allocation or the entire allocation of an investment opportunity. While Whitebox believes that making allocations to Clients with a Limited Mandate results in more equitable allocations over time, application of these considerations will often result in non pro rata allocation, when other Clients receive a smaller allocation or none at all.

Where Whitebox is allocating an investment opportunity in or relating to an existing investment ("Follow On"), it generally will be allocated in the same proportion as the original investment. However, due to consideration of other factors or Whitebox's good faith belief that it would not otherwise be appropriate for a Client to participate (or fully participate) then the remainder of such Follow-On investment would be allocated in a manner deemed fair and equitable over time.

In certain circumstances, when allocating opportunities, Whitebox's focus on constructing fully invested CLO portfolios results in:(i) allocating more or all of an opportunity to new or ramping



CLOs, (ii) allocating certain investments to accounts or vehicles for purposes of improving applicable portfolio tests or satisfying applicable risk retention requirements, or (iii) allocating one or more investment to CLO warehouses or other proprietary or Client accounts that maintain such investments temporarily in anticipation of contributing such investments to a newly organized CLO or other pooled investment vehicle.

From time to time, there could be Clients (“Overflow Clients”) with the objective of receiving an allocation of investments only when Whitebox receives an allocation from an underwriter, syndication agent or issuer which exceeds the amount otherwise deemed appropriate for Clients, as determined by the Advisor in its sole discretion. It is expected that such opportunities are generally allocated first to eligible Clients, and then allocated by Whitebox in its sole discretion to co-investors and Overflow Clients. Accordingly, there can be no assurance Overflow Clients or co-investors will be allocated the excess of any appropriate opportunities not taken by the eligible Clients or co-investors.

Whitebox can, but is not obligated to, offer co-investment opportunities to its affiliates and/or third parties (including existing and prospective Clients and investors) for investment either directly or through the formation of one or more co-investment vehicles. Whitebox has sole and complete discretion to determine whether and to whom a co-investment will be offered and, in doing so, will likely take into account its own interests. Unless provided to the contrary in Client Documentation, no Client or investor has any right, and should not expect, to participate in a co-investment. In the Advisor’s sole discretion, certain co-investors pay no or reduced fees and expenses, including management fees, carried interest and administrative fees. In addition, in certain cases, such co-investment vehicles or other co-investors will evaluate a potential investment alongside existing Clients. If the potential investment is unconsummated, it is possible that the full amount of any expenses relating to such potential but unconsummated investment are borne entirely by those Clients which Whitebox expects would have made such investment, and not the Advisor, the co-investment vehicle or a particular co-investor. In the case of a consummated co-investment opportunity, eligible Clients will receive a smaller allocation of an investment opportunity than if there were no co-investor(s).

Principal and Cross Trades

When consistent with Client Documentation and disclosures to Clients, Whitebox from time-to-time effects cross trades between Clients (i.e., where a Client buys an asset from or sells an asset to another Client). In such cases, Whitebox’s interests and those of participating Clients can conflict. Whitebox has policies and procedures reasonably designed to address the conflicts which arise in the context of cross trades and to comply with the applicable requirements of the Advisers Act. Transactions between the same Clients or Clients owned directly or indirectly by the same investors are not considered to be cross trades as there is no change in beneficial ownership.

Principal Transactions. To the extent not prohibited by Client Documentation and consistent with disclosure to Clients, Whitebox engages in principal transactions (i.e., transactions between Clients accounts and those of Whitebox or affiliates). A conflict arises in these cases because Whitebox and the Client each have an interest in the transaction proceeding at a price favorable to it. This is expected to occur when an entity or Client owned substantially by Whitebox, or an affiliate is a party to the transaction. When Whitebox engages in principal transactions it will seek to comply with the applicable requirements of the Advisers Act.

Pricing of Cross transactions or Principal Transactions. Whitebox seeks to transfer assets in a cross or principal transaction at a price that is fair to all participants. In determining the price,



Whitebox will act in accordance with its relevant policies and procedures which generally include using the midpoint price as provided by an approved third-party.

Item 12 – Brokerage Practices

Selection of Broker-Dealers

Subject to Client Documentation, Whitebox generally has the authority to select trading counterparties, investment amounts, timing and prices when making investment decisions on behalf of its Clients. In doing so, the Advisor is not obligated to choose the counterparty with the lowest possible execution cost, but primarily considers whether the transaction represents the best qualitative execution under the circumstances.

Due to the nature of certain illiquid markets, there can be a limited universe of counterparties offering or making a market in instruments for Clients. Often, there is only one counterparty offering an investment and the Advisor frequently does not have multiple counterparties to select from when making a “best execution” determination. From time to time, in order to increase the universe of potential counterparties, Whitebox will seek to transact not only with banks and broker-dealers but transacts with other participants in the financial markets, such as, but not limited to, other private funds and fund managers. This, however, is not always an available option.

For liquid strategies and on those occasions when Whitebox can select from more than one counterparty, it does not solicit competitive bids, seek the lowest trading costs or document the factors considered when determining “best execution.” The Advisor seeks to negotiate and execute Client transactions in a reasonably efficient manner to seek the best overall qualitative execution taking into account factors it deems relevant including, among others, timing, breadth of the market, market conditions, assignment/transfer fees, price, financial stability and execution capability of counterparty, the value of research or market color provided and financing rates, when applicable. Therefore, when selecting trading counterparties, the Advisor does not focus on a single factor; rather, it often, but not always, considers the full range and quality of the services of a counterparty. Transaction cost will be considered but it is not the sole factor used by Whitebox to evaluate execution, even when selecting from multiple counterparties. Moreover, while certain factors can be considered on a trade-by-trade basis, determinations of best qualitative execution are a complex and ongoing process based upon practices unique to a particular market, relationship and market conditions

Whitebox gives consideration to placing transactions with counterparties who provides research and other services to the Client or the Advisor. Research published by counterparties is often provided to and used by the Advisor in providing its advisory services to Clients. Such research and information are sometimes free of charge and not available for sale. Such research includes written or verbal information about specific borrowers, or sectors, market and financial commentary, economic studies, forecasts, pricing services as well as discussions with research personnel and borrower management. Further, the Advisor has an incentive to select counterparties based on a desire to continue receiving such information and services, as doing so saves Whitebox the time and expense of developing such research internally or paying for such research with its own “hard dollars”. Such information, research, products, or services are used to service all Clients and



are not exclusive to the Clients participating in a particular trade. Accordingly, research and services are not used solely for the particular Client which generated the soft dollars but are used to service other Clients.

Brokerage arrangements will not be uniform across all Clients. Certain Clients have custodial, clearing or financial arrangements (including ISDA agreements, margin or lending agreements) with counterparties that do not have similar arrangements or terms with other Clients.

Whitebox personal are sometimes offered gifts and entertainment from counterparties with whom it conducts business. This can include tickets to sporting events, meals and other items of value. Whitebox has a gifts and entertainment policy designed to address the conflicts of interest related to the receipt of gifts and entertainment from Whitebox trading counterparties.

The Advisor utilizes multiple broker-dealers as "prime brokers." Prime brokers provide various services to the Advisor and its Clients, including centralized administration and custody, and consolidation of all trading activities into a single account, with all trades cleared and settled at the prime broker. Prime brokers also provide financing in connection with client transactions.

Research and Other Soft Dollars Benefits

Where best price and execution may be obtained from more than one broker or dealer, the Advisor will purchase and sell securities through brokers or dealers who provide research and execution-related products and services, although Clients may not necessarily be the direct or indirect beneficiaries of the research and/or services provided. When the Advisor determines it is in the best interest of Clients to obtain certain products or services using "soft dollars", such use of commissions or "soft dollars" generated by the Clients will fall within the safe harbor created by Section 28(e) of the Exchange Act.

Whitebox has entered into a commission sharing arrangement ("CSA"). The CSA permits Whitebox to enhance the quality of execution and consolidate payments for research services using accumulated Client commissions from securities transactions with certain executing brokers whereby the executing broker agrees to an "execution only" commission rate to be subtracted from the "full service" commission rate. The executing broker retains the execution only commission portion as payment for execution services and the balance of the commission will be redirected to one or more third parties, determined by Whitebox, as payment for research services that they have provided. Pursuant to the CSA, the broker-dealer sponsoring the CSA program maintains the balance of commissions in a consolidated account (commission credits) on behalf of Whitebox. Upon Whitebox's instruction, the broker-dealer directs commission credits to providers of research services. Whitebox makes a good faith determination as to the value of the research services obtained through the commission sharing program and may obtain input as to the value of such research services from the service providers participating in the program. The research service providers are compensated directly by the broker-dealer sponsoring the CSA from a pool of commissions that are set aside by the broker-dealer for use by Whitebox to obtain the research services.

Eligible products or services provided to the Advisor or an affiliate pursuant to these "soft dollar" arrangements include, among others, research reports on industries and companies,



economic surveys and analyses, recommendations as to specific securities and other eligible execution-related products and services providing assistance to the Advisor in the performance of its investment decision making responsibilities. The Advisor can also utilize these “soft dollar” arrangements for non-research assistance, such as execution services.

Receipt of research, invitations, capital introductions, and other services from brokers who execute client trades may create conflicts of interests. When the Advisor uses client brokerage commissions to obtain research, product, or services receives a benefit because it does not have to produce or pay for the research, products, or services itself.

Trade Errors

Trade errors will occasionally occur. Whitebox seeks to detect and correct errors promptly and in accordance with its trade error policy. Consistent with Client Documentation and its trade error policy, unless Whitebox determines in its discretion that an error resulted from its gross negligence, bad faith or willful misconduct, any gains or losses from trade errors will be borne by Clients. As a result, Clients and not Whitebox, will generally bear losses from trade errors.

The SEC currently has multiple rule proposals pending which affect the activities of investment activities, including Whitebox. Should these proposals become effective, Whitebox expects that its policies will be amended in order to comply with such finalized rules. Accordingly, to the extent that the disclosures describing the Advisor’s policies cease to be accurate, Whitebox will update the disclosures as required.

Item 13 – Review of Accounts

Generally, Client portfolios are reviewed by a portfolio manager and Whitebox risk management on an ongoing basis to monitor, among other things, performance, position sizing, market exposure, strategy analysis, and risk monitoring. Typically, such reviews are informal and undocumented in the discretion of Whitebox. Settlement specialists, an independent third-party administrator and Whitebox Fund Accounting reconcile cash and securities and resolve trade breaks on an ongoing basis. Counterparty margin requirement, collateral posted and excess cash are monitored regularly. An independent third-party administrator performs an accounting review and reconciliation monthly.

Item 14 – Client Referrals and Other Compensation

Other than the compensation described in Items 5 and 6 herein, and the “Research and Soft Dollar Benefits” discussed in Item 12, Whitebox does not receive an economic benefit from anyone other than its Clients.

Whitebox has entered into solicitation agreements or placement agent agreements to identify and solicit investors in its Private Funds. Subject to the terms of these agreements, the Solicitor will receive compensation from the Advisor for introducing investors to the Advisor based generally on a percentage of the Management Fee and/or Incentive Compensation generated from the investment from such investors in Private Funds.. In the event that the investor or Private Fund is responsible for compensation to the Solicitor, which occurs in the case of Private Funds which are CLOs, the fee



arrangement will be disclosed to investors. Generally, the Solicitor is not a current client of the Advisor and is not an investor in a Private Fund, although it is possible that one or more affiliates of the Solicitor or employees of the Solicitor or its affiliates may be, or may subsequently become, a Client of the Advisor or an investor in a Private Fund. The Solicitor and its affiliates can have additional relationships with the Advisor or other Private Funds managed by the Advisor which may create conflicts of interest because the Advisor could have an incentive to select the placement agent or solicitor as a service provider to the Fund, i.e., prime broker or trading counterparty, because it is raising assets for the Advisor by referring investors.

Whitebox utilizes the services of broker-dealers who execute transactions, provide financing and securities on loan, or hold cash or short balances, provide capital introduction, marketing assistance, consulting with respect to technology, operations, and equipment, commitment of capital, access to management, and access to deal flow.

Whitebox has engaged UBS Financial Services Inc. and its affiliates (collectively, “UBSFS”) to act as a placement agent for certain of the Private Funds. Separate from its role as placement agent, certain affiliates of UBSFS will, among other things, act as prime broker or trading counterparty to the Private Funds, execute transactions at the direction of Whitebox, provide financing and securities on loan, hold cash and short balances, as well as provide other customary services such as capital introduction, marketing assistance, consulting with respect to technology, operations, and equipment, commitment of capital, access to company management and access to deal flow. This creates a conflict of interest in that Whitebox will be incentivized to place an increased number of transactions through affiliates of UBSFS or finance a larger portion of the assets of certain of the Private Funds, as compensation for solicitation activities. Notwithstanding the above, Whitebox has implemented controls designed to seek “best execution” for all transactions, irrespective of UBSFS’ introduction of potential investors for any of the Private Funds.

Item 15 – Custody

For certain Clients, Whitebox is deemed to have custody of Client assets pursuant to Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) as a result of its affiliate serving as general partner to the Funds. In such instances, Whitebox seeks to comply with the applicable requirements of the Advisers Act. For CLOs, Whitebox does not have access to CLO assets which are custodied with the CLO trustee and does not consider that it has custody of CLO assets. For Private Funds which are not CLOs, Whitebox expects to comply with the custody rule by providing on an annual basis, audited financial statements to Fund investors in relevant Private Funds, as required under the Custody Rule.

Whitebox urges Clients and investors to carefully review the custodian statements, and to the extent such Clients and investors also receive statements from Whitebox, such Clients and investors should also compare Whitebox statements with those from the applicable custodian. Clients should contact Whitebox if they have not received custodian statements or have any questions about their statements.

Item 16 – Investment Discretion

In general, and consistent with Client Documentation, Whitebox has full discretion to buy and sell investments on behalf of Clients, including authority to make decisions with respect to the amount, price, counterparties, and when permitted, hedging decisions. Such discretion is exercised in a manner consistent with the stated investment objectives for the Client, and not individually to investors in Private Funds or to CLO Note or equity holders.

Item 17 – Voting Client Securities

Whitebox has adopted proxy voting policies and procedures designed to be consistent with the requirements of the Advisers Act. Pursuant to these policies, where Whitebox is authorized or permitted, consistent with Client Documentation, to vote proxies, Whitebox votes in a manner it believes serves the best economic interest of its Clients or avoids a negative impact. Generally, but not always, Whitebox will vote in accordance with recommendations received from a third-party research provider. Notwithstanding, Whitebox is not required to vote in line with management recommendations or the recommendations of a proxy research when it believes these recommendations do not serve the best economic interests of relevant Clients. Likewise, Whitebox abstains from voting specific proxies, if it believes that doing so serves the best economic interests of its Clients. Whitebox can determine not to vote proxies under other circumstances, including, where it no longer holds a position, it has a short position or the position is subject to stock loan, the position is the result of a hedge or where the expense of voting a proxy is prohibitive or outweighs the benefits of the proxy vote, as determined by Whitebox in its sole discretion. Further, Whitebox generally does not permit Clients or investors to direct its proxy voting decisions, subject to Client Documentation. The Advisor does not anticipate any conflicts of interest between the Advisor and its Clients in terms of proxy voting. If it is determined, however, that a conflict of interest or potential conflict of interest is material, Whitebox will seek to resolve or mitigate such conflict.

Whitebox has partnered with a third-party to process its votes based on recommendations from a separate third-party research provider. Such third-party fees and expenses, if any, are expected to be paid by Clients, to the extent consistent with Client Documentation. Clients and investors can obtain a copy of Whitebox's proxy voting policy or a record of Whitebox's proxy votes with respect to their account free of charge at the contact details listed on the cover page of this brochure.

With respect to its credit strategies, the Advisor is often asked to consent to waivers or amendments to credit agreements or to make elections with respect to corporate restructurings. Such actions do not constitute proxy votes. When evaluating such requests, Whitebox generally acts in a manner designed to serve the best economic interests of its Clients or to avoid a negative impact on Clients, taking into account, as relevant, the impact on the value of the investment, anticipated costs and benefits, amendment fees, industry standards and practices and conflicts of interest. Amendment fees are for the account of the relevant Clients, and not the Advisor.

With respect to class actions, Whitebox has appointed an unaffiliated third-party, to monitor and file class action settlements on behalf of Clients. Any compensation received as the result of



participation in a class action settlement shall be paid to relevant Clients in proportion to its holdings. For its services, the third-party is paid based on a percentage of the proceeds recovered from a class action filing. As such, Clients bear the cost (i.e., receive a reduced amount of the class action proceeds) of any third-party used for class action recovery services.

Item 18 – Financial Information

In certain circumstances, registered investment advisers are required to provide financial information or disclosures about their financial condition in this Item 18. Whitebox has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.

Whitebox Advisors LLC Privacy Policy

WHAT DOES WHITEBOX DO WITH YOUR PERSONAL INFORMATION?

Financial companies choose how they share your personal information. Federal law gives our clients the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

We do not disclose nonpublic personal information about our clients or former clients to third parties other than as described below.

Personal information we collect. We collect personal information about you in connection with our providing advisory services to you. This information includes your social security number and other information, including but not limited to:

- Assets;
- Investment experience;
- Transaction history;
- Income; and
- Wire transfer instructions.

How we collect this information. We collect this information from you through various means, for example when you give us your contact information, enter into an investment advisory contract with us, buy securities (i.e., interests in a fund) from us, tell us where to send money, or make a wire transfer. We also may collect your personal information from other sources, such as our affiliates¹ or other non-affiliated companies.

¹ Our affiliates are companies related to us by common ownership or control and can include both financial and nonfinancial companies. Non-affiliates are companies not related to us by common ownership or control and can include both financial and nonfinancial companies.



How we use this information. All financial companies need to share customers' personal information to run their everyday business and we use the personal information we collect from you for our everyday business purposes. These purposes may include for example:

- To provide advisory services to you.
- To open an account for you.
- To process a transaction for your account.
- To market products and services to you.
- To respond to court orders and legal investigations.

Disclosure to others. We provide your personal information to our affiliates and to firms that assist us in servicing your account and have a need for such information, such as a broker or fund administrator. We also disclose such information to service providers and financial institutions with whom we have joint marketing arrangements (i.e., a formal agreement between nonaffiliated financial companies that together market financial products or services to you, such as placement agents). We require third-party service providers and financial institutions with which we have joint marketing arrangements to protect the confidentiality of your information and to use the information only for the purposes for which we disclose the information to them. These sharing practices are consistent with Federal privacy and related laws, and in general, you may not limit our use of your personal information for these purposes under such laws. We note that the Federal privacy laws only give you the right to limit the certain types of information sharing that we do not engage in (e.g., sharing with our affiliates certain information relating to your transaction history or creditworthiness for their use in marketing to you, or sharing any personal information with non-affiliates for them to market to you).

How we protect your personal information. To protect your personal information from unauthorized access and use, we use security measures designed to comply with Federal law. These measures include computer safeguards and secured files and buildings.

Who is providing this Privacy Notice. This Privacy Notice relates to Whitebox Advisors LLC, together with its affiliated entities, and the funds that are managed by them.

Who to contact with questions. If you have any questions about this Privacy Notice, contact Investor Relations at invrelations@whiteboxadvisors.com.