

PART 2A OF FORM ADV: FIRM BROCHURE

SERENGETI ASSET MANAGEMENT LP

March 31, 2023

Serengeti Asset Management LP  
632 Broadway, Suite 901  
New York, NY 10012  
Tel: (212)-672-2220  
Fax: (212)-672-2264

*This brochure provides information about the qualifications and business practices of Serengeti Asset Management LP ("Serengeti" or the "Adviser"). If you have any questions about the contents of this brochure, please contact us at (212)-672-2220 or [sam.ir@serengeti-am.com](mailto:sam.ir@serengeti-am.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.*

*The Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

## ITEM 2. MATERIAL CHANGES

Since our last annual update filing on March 30, 2022, there have been no material changes at Serengeti.

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## ITEM 4. ADVISORY BUSINESS

### A. General Description of Advisory Firm.

Serengeti Asset Management LP ("Serengeti" or the "Adviser") is a Delaware limited partnership that was formed in July 2007 with an office in New York, New York. The Adviser is principally owned and managed by Mr. Joseph A. LaNasa III. Mr. LaNasa has extensive experience managing a variety of debt and equity portfolios.

### B. Description of Advisory Services.

The Adviser serves as the management company with discretionary trading authority to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each a "Client Fund" and collectively, the "Client Funds"). The Adviser also serves as the investment adviser with non-discretionary trading authority to a number of managed accounts, as well as a sub-adviser for the assets of other asset managers (each a "Non-Discretionary Client" and collectively, the "Non-Discretionary Clients"). The Adviser provides investment advice across the debt and equity markets in both private and public transactions in the following investments:

- Equities
- Bank loans
- Bonds and other debt instruments
- Distressed companies
- Structured finance
- Private investment opportunities
- Derivatives
- Commodities
- Currency instruments
- Interest rate instruments
- Catastrophe bonds and reinsurance opportunities
- Royalty streams
- Liquidations
- Litigation Finance
- Financing Platform
- Forward securities contracts relating to private companies
- Non-performing assets
- Other types of securities or assets as market conditions evolve and new investment opportunities arise.

As used herein, the term "client" generally refers to each Client Fund and each Non-Discretionary Client.

The "Domestic Funds" include, Serengeti Lycaon Partners LP, a Delaware limited partnership (the "Lycaon Domestic Fund"), Serengeti Caracal Fund LP, a Delaware limited partnership (the "Caracal Domestic Partnership"), Serengeti Opportunities Partners LP, a Delaware limited partnership (the "Opportunities Domestic Fund"), Serengeti Multi-Series LLC,

a Delaware limited liability company (the "Multi-Series Domestic Fund"), and Serengeti Caracal Multi-Series LLC, a Delaware limited liability company (the "Caracal Multi-Series Domestic Fund"). The "Offshore Funds" include Serengeti Lycaon Overseas Ltd, a Cayman Islands exempted company (the "Lycaon Offshore Fund"), Serengeti Caracal Fund Ltd., a Cayman Islands exempted company (the "Caracal Offshore Fund"), Serengeti Opportunities Ltd., a Cayman Islands exempted company (the "Opportunities Offshore Fund"), Rapax OC Offshore Fund, Ltd, a Cayman Islands exempted company (the "Rapax Offshore Fund"), Serengeti Segregated Portfolio Company Ltd., an open-ended exempted company registered as a segregated portfolio company under the laws of the Cayman Islands (the "Multi-Series Offshore Fund") and Serengeti Caracal Segregated Portfolio Company Ltd., an open-ended exempted company registered as a segregated portfolio company under the laws of the Cayman Islands (the "Caracal Multi-Series Offshore Fund").

The Lycaon Offshore Fund invests all or substantially all of its assets in the limited partnership interests of Serengeti Lycaon Intermediate LP, a Cayman Islands exempted limited partnership (the "Lycaon Intermediate Fund") which in turn invests substantially all of its assets in the limited partnership interests of Serengeti Lycaon MM LP, a Cayman Islands exempted limited partnership (the "Lycaon Master Fund"). The Lycaon Domestic Fund may either invest directly or through limited partnership interests in the Lycaon Master Fund.

The Caracal Offshore Fund invests all of its investable assets in the limited partnership interests of Serengeti Caracal Fund Intermediate LP, a Cayman Islands exempted limited partnership (the "Caracal Intermediate Fund"), which in turn invests all of its investable assets in the limited partnership interests in Serengeti Caracal Master Fund LP, a Cayman Islands exempted limited partnership (the "Caracal Master Fund"), provided that the Caracal Offshore Fund may invest a portion of its investable assets in one or more alternative investment vehicles that shall invest in lieu of the Intermediate Fund and/or the Master Fund. The Caracal Domestic Fund may either invest directly or through one or more alternative investment vehicles in which the Caracal Offshore Fund (through the Caracal Intermediate Fund) invests at the same time.

The Opportunities Offshore Fund generally invests all or a substantial portion of its assets in the limited partnership interests of Serengeti Opportunities Intermediate LP, a Cayman Islands exempted limited partnership (the "Opportunities Intermediate Fund") which in turn invests all of its assets in the limited partnership interests of Serengeti Opportunities MM L.P., a Cayman Islands exempted limited partnership (the "Opportunities Master Fund"). The Opportunities Domestic Fund may either invest directly or through limited partnership interests in the Opportunities Master Fund.

The Multi-Series Offshore Fund invests all or a substantial portion of its assets in the limited liability company interests of the respective series of the Serengeti Multi-Series Intermediate LLC, a Delaware limited liability company (the "Multi-Series Intermediate Fund") which in turn invests all of its assets in the respective series of the Serengeti Multi-Series Master LLC, a Delaware limited liability company (the "Multi-Series Master Fund" and together with the Multi-Series Domestic Fund, the Multi-Series Offshore Fund and the Multi-Series Intermediate Fund, the "Serengeti Multi-Series Funds"). The Multi-Series Domestic Fund invests all or a substantial portion of its assets in the respective series of the Multi-Series Master Fund. The Multi-

Series Domestic Fund may either invest directly or through the limited liability interests in the respective series of the Multi-Series Master Fund.

The Caracal Multi-Series Offshore Fund invests all or a substantial portion of its assets in the limited liability company interests of the respective series of Serengeti Caracal Multi-Series Intermediate LLC, a Delaware limited liability company (the "Caracal Multi-Series Intermediate Fund") which in turn invests all of its assets in the respective series of Serengeti Caracal Multi-Series Master LLC, a Delaware limited liability company (the "Caracal Multi-Series Master Funds" and together with the Caracal Multi-Series Onshore Fund the Caracal Multi-Series Offshore Fund and the Caracal Multi-Series Intermediate Fund the "Caracal Multi-Series Funds."). The Caracal Multi-Series Domestic Fund invests all or a substantial portion of its assets in the respective series of the Caracal Multi-Series Master Fund. The Caracal Multi-Series Domestic Fund may either invest directly or through the limited liability interests in the respective series of the Caracal Multi-Series Master Fund.

The Rapax Offshore Fund invests all or a substantial portion of its assets in Rapax OC Master Fund, Ltd., a Cayman Islands exempted company (the "Rapax Master Fund" and collectively with the Opportunities Master Fund and the Lycaon Master Fund, the "Master Funds").

Serengeti MM Associates LLC, a Delaware limited liability company, serves as the general partner to the Opportunities and Lycaon Intermediate and Master Funds and Serengeti Associates LP serves as the general partner to the Opportunities Domestic Fund and Lycaon Domestic Fund and managing member of the Multi-Series Master, Intermediate and Domestic Funds.

Serengeti Caracal GP, LLC, a Delaware limited liability company, serves as the general partner of the Caracal Domestic, Intermediate and the Master Funds and managing member of the Caracal Multi-Series Master, Intermediate and Domestic Funds.

This Brochure generally includes information about the Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Client Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in the Client Funds generally must be both "accredited investors", as defined in Regulation D, and "qualified purchasers", as defined in the Investment Company Act of 1940, as amended. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Client Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

**(1) Investment Strategies and Types of Investments.**

See also Item 8 below.

*The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

**(A) Availability of Customized Services for Individual Clients.**

The Adviser's investment decisions and advice with respect to each Client Fund are subject to each Client Fund's investment objectives and guidelines, as set forth in its offering documents and/or governing documents. Similarly, the Adviser's investment decisions and advice with respect to each Non-Discretionary Client are subject to the applicable client's investment objectives and guidelines, as set forth in that client's investment management agreement or sub-advisory agreement.

**(B) Wrap Fee Programs.**

The Adviser does not participate in any "Wrap Fee" programs.

**(C) Assets Under Management.**

As of December 31, 2022, the Adviser manages approximately \$987,695,158 of regulatory assets under on a discretionary basis. As of December 31, 2022, the Adviser manages approximately \$99,315,384 of regulatory assets under management on a non-discretionary basis.



## ITEM 5. FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

The Adviser's fees are described generally below and detailed in each Client Fund's offering memorandum and in the respective Non-Discretionary Client's investment management agreement or sub-advisory agreement. Fees and allocations vary depending on the nature of the services provided and the Client Fund investment strategy. Each contribution to a Client Fund purchases a new and separate series of shares, in the case of the Offshore Funds, or establishes a new capital account, in the case of the Domestic Funds. All fees and allocations are charged or allocated, as applicable, on the investor-specific series or investor-specific capital account, as applicable. The fees applicable to the Non-Discretionary Clients were negotiated and are set forth in detail in the respective Non-Discretionary Clients' investment management agreement or sub-advisory agreement. Generally, the investment management agreements or sub-advisory agreements are terminable upon receipt by either party from the other of prior written notice of termination and after the expiration of the specified notice period and the client will be entitled to any unearned prepaid portion of the Management Fee to the extent applicable. A brief summary of such fees and allocations is provided below.

#### Management Fee

The Adviser typically charges a management fee (the "Management Fee") equal to a percentage within the range of 1.0% to 2.0% of the assets the Adviser manages on behalf of the client payable at the beginning of each quarter, except for certain classes of shares/interests in the Lycaon Domestic Fund, the Lycaon Offshore Fund, and certain series of Multi-Series Onshore and Multi-Series Offshore Fund that are not subject to a Management Fee. The Adviser charges Management Fees on certain investments, if applicable with respect to the applicable client, based on cost (or fair value as of the date an investment is designated as a Special Situation Investment (as defined herein) in the case of an investment that is designated as a Special Situation Investment after its acquisition).

With respect to clients that are subject to a quarterly Management Fee, the Management Fee is generally calculated and paid in advance as of the first business day of each fiscal quarter but is amortized monthly by the Client Fund over the quarter for which such Management Fee is paid. In certain cases, the Management Fee may be calculated and paid in arrears. With respect to clients that are subject to a quarterly Management Fee, in the event that a client's net asset value is reduced in connection with a withdrawal or redemption by an investor of such client other than as of the last day of a quarter, the Adviser will pay such client an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such quarter, and such client will distribute such amount to the investor. In the event that an investor makes a capital contribution or a subscription other than as of the first day of a calendar quarter, the applicable client will pay to the Adviser a prorated portion of the Management Fee and such expense shall be allocated specifically to the investor making the contribution. In the sole discretion of the Adviser (or one of its affiliates), the Management Fee may be waived, reduced or calculated differently with respect to any investors.

If the Adviser or its affiliates receive any compensation from other investments made by the applicable Client Fund, the full amount (or, in the case of investment by the Master Funds, the portion thereof attributable to such Client Fund's investment) of such compensation will be applied as an offset to the Management Fee. It is possible that the compensation subject to offset by the Management Fee as described above may exceed the amount of Management Fees for a particular quarter. If this occurs, the excess will generally be applied to reduce Management Fees in subsequent quarters. Notwithstanding the foregoing, in the event that an investor redeems all or a portion of its Interest prior to the making of the adjustment described above, such investor will forego, and will not be entitled to, a pro rata portion of any such subsequent adjustment. The forfeited portion of such adjustment will reduce the Management Fee payable by the applicable Client Fund with respect to the remaining investors in the Client Fund who were investors at the time the compensation was earned.

#### Performance Compensation

Each Client Fund (through its investment in the applicable master fund, except for the Domestic Funds, which can invest directly) and each Non-Discretionary Client will typically be subject to an incentive allocation (the "Incentive Allocation") or an annual incentive fee, in the case of the Non-Discretionary Client (together with each Incentive Allocation, the "Performance Compensation") that is allocated and/or paid to the Adviser or one of its affiliates generally on an annual basis equal to a range of 10-25% of the realized and unrealized net profits (if any) for the fiscal year subject to a "high water mark" provision and excluding unrealized profits on special investments. In certain instances, the Performance Compensation is structured as a varying percentage carried interest distribution once the investor has received a return equal to its capital contributions (the "Carried Interest") that may or may not be subject to a hurdle. In certain instances the Performance Compensation is determined on an investment-by-investment basis.

The Performance Compensation will be allocated and/or paid as of the close of each fiscal year (and as of each other date which the Adviser, the Domestic Fund General Partner or the Master Fund General Partner, as applicable, determines is appropriate or necessary to make a determination of the Performance Compensation, including a date on which an investor in a Client Fund withdraws all or a portion of its investment). The Carried Interest will be allocated as of each date that a distribution is made to an investor following the return of capital to investors.

#### B. Payment of Fees.

Fees and compensation paid to the Adviser and its affiliates by the Client Funds or the Non-Discretionary Clients are generally deducted from the assets of such Client Funds or Non-Discretionary Clients, as applicable. As discussed above, Management Fees are generally deducted on a quarterly basis and the Performance Compensation is generally allocated on an annual basis, except in the case of the Carried Interest which will generally be allocated as of each date that a distribution to investors is made following the return of capital to investors. Non-Discretionary Clients' Management Fees and Performance Compensation are paid based on invoices or as determined by the client in accordance with its respective agreements.

#### C. Additional Fees and Expenses.

The Adviser is authorized to incur and pay in the name and on behalf of a client all expenses that it deems necessary or advisable with respect to Client Funds. The Adviser will be responsible for and shall pay, or cause to be paid, all Overhead Expenses, except as described below. For this purpose, "Overhead Expenses" for a fiscal year include overhead expenses of an ordinarily recurring nature such as rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, employee benefits including insurance, payroll taxes and employee compensation.

All other expenses are generally borne by the Client Funds. The below expenses may not be applicable to all Client Funds. To the extent permitted under the applicable offering documents, each Client Fund generally bears its own operating and other expenses including, without limitation: (i) the Management Fee; (ii) legal, accounting, tax, auditing, consulting and other professional expenses; (iii) administration fees and expenses charged by or relating to the services of third-party providers of administration services; (iv) fees payable to sub-advisors (if the Adviser determines that such an arrangement represents the best way to access a particular investment opportunity or a difficult to access market or otherwise makes available specialized investment expertise to the client), including, without limitation, through investments in pooled investment vehicles; (v) professional liability insurance (including costs relating to liability insurance for directors, officers and the advisory committee, if any, and any committee of a Client Fund and errors and omissions insurance); (vi) third-party and out-of-pocket research and market data expenses (including, without limitation, news, quotation, statistics and pricing services; hardware, software, data bases and other technical and telecommunications services and equipment used in the investment management and order management processes; and consulting fees and travel expenses in connection with investigating and monitoring potential and existing investments (see Item 12)); (vii) interest and fees (including, without limitation, commitment, structuring, and underwriting fees) on margin loans, committed loan facilities, total return swaps and other indebtedness; (viii) bank service, custodial and similar fees; (ix) fees and expenses (including, without limitation, travel expenses) related to the analysis, purchase or sale of investments (including Special Situation Investments), whether or not the investments are consummated; (x) expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of a client's assets (directly or through trading affiliates); (xi) expenses associated with activist investment activities (including public relations expenses); (xii) third-party and out-of-pocket fees and expenses relating to systems and software used in connection with the operation of a client and investment-related activities (including, without limitation, any accounting, legal, risk management, trading and administrator-like functions that the Adviser performs in-house); (xiii) expenses related to advisory committee meetings and any other committees of a Client Fund; (xiv) entity-level taxes; (xv) fees and expenses relating to the offer and sale of shares and/or interests, as applicable, (including, without limitation, organizational fees and expenses and filing and legal fees); (xvi) valuation costs (including expenses incurred in connection with services of a valuation agent); and (xvii) such other ordinary or extraordinary expenses and charges associated with the operations of a Client Fund and its investment activities as the Adviser may deem necessary or proper to incur.

The Adviser is authorized to incur and pay in the name and on behalf of the Non-Discretionary Clients those expenses to which the parties have agreed.

The Adviser has in the past hosted and intends in the future to host research conferences (each, a "Research Conference") for the purpose of advancing its investment research process and to provide information, insights and perspectives to its investment professionals. The selection of invitees to Research Conferences is determined with respect to the value that attendees can add to the conference by virtue of their presence, knowledge and expertise with respect to (i) global market events and conditions and (ii) emerging, continuing and fading investment themes and sectors, which Serengeti uses to invest its clients' assets. Attendees have typically included the Adviser's investment professionals, investment industry participants, who may also be investors in the Client Funds or Non-Discretionary Clients, third party consultants and representatives of vendors used by the Adviser or its Affiliates. Expenses borne by the Client Funds include certain expenses related to such conferences.

Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

If the Adviser incurs any of the expenses mentioned above for the accounts of clients, the Adviser will generally allocate such expenses among the clients in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as the Adviser, in its sole discretion, considers fair and reasonable. However, depending upon the terms of the Non-Discretionary Clients' investment management agreements or sub-advisory agreements, the Adviser may allocate general research-related expenses, e.g. expenses relating to its Research Conference and third-party out-of-pocket research and market data expenses, solely among the Client Funds and not to Non-Discretionary Clients.

More detailed information regarding specific client terms and fees can be found in the Client Funds' offering memorandums, the Non-Discretionary Clients' investment management agreements or sub-advisory agreements and in the Adviser's Due Diligence Questionnaire.

D. Additional Compensation and Conflicts of Interest.

Neither the Adviser nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

## ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described above in Section 5, each client of the Adviser may be subject to an incentive allocation, incentive fee or carried interest that is allocable to the Adviser as performance-based compensation. However, different clients may pay different amounts of Performance Compensation. As a result, the Adviser and its affiliates may face certain conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some clients, but not from other clients. For example, the Adviser may engage in higher returning but more risky strategies for clients that pay a higher performance fee than another client. However, the Adviser has allocation policies and procedures designed to ensure that over time, all clients are treated fairly and equitably.

## ITEM 7. TYPES OF CLIENTS

The Adviser provides investment advice to and manages a number of Client Funds and Non-Discretionary Clients for institutional and other investors, as described above. Beneficial owners of the Non-Discretionary Clients may include institutions, pension plans, high net worth individuals and other sophisticated investors. The Adviser may in the future serve as investment adviser to additional Client Funds or Discretionary or Non-Discretionary Clients other than those described herein.

## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Methods of Analysis and Investment Strategies.

The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

The Lycaon Domestic Fund and the Lycaon Offshore Fund (either directly in the case of the Lycaon Domestic Fund or through their respective investment in the Lycaon Master Fund, and collectively the “Lycaon Funds”) and the Rapax Offshore Fund through its investment in the Rapax Master Fund, collectively the Rapax Funds) are credit-focused funds that seek to (i) generate attractive, steady returns through diversified credit portfolios that invest opportunistically in smaller niches of the market and (ii) achieve their investment objectives by targeting investments including, without limitation, asset-backed securities; residential mortgage-backed and commercial mortgage-backed securities; collateralized bond, debt, and loan obligations; reinsurance; as well as stressed, distressed, and other opportunities and investments that the Adviser believes offer attractive risk- and liquidity-adjusted return potential. The Lycaon and Rapax Funds also invest in select private investment opportunities.

The Caracal Domestic Fund and the Caracal Offshore Fund through their respective investments in the Caracal Master Fund (and collectively the “Caracal Funds”) seek to generate attractive, multi-year returns through the purchase or origination of special situations, value and distressed investments throughout the credit cycle across the debt and equity markets in both public and private transactions by targeting investments including, without limitation, bank loans, corporate and sovereign bonds and other debt instruments; structured finance; distressed company investments; equity; financing platforms; private securities contracts other opportunities and investments that the Adviser believes offer attractive risk- and liquidity-adjusted return potential.

The Opportunities Domestic Fund and the Opportunities Offshore Fund (either directly in the case of the Opportunities Domestic Fund or through their respective investment in the Opportunities Master Fund, and collectively the “Opportunities Funds”) are opportunistic, event-driven, value-oriented funds with broad mandates that invest in debt (distressed and performing), equity, structured finance as well as related derivatives. The Opportunities Funds also invest in private investment opportunities. The Opportunities Funds employ a flexible, opportunistic investment model to identify the most attractive absolute and risk-adjusted returns. The Opportunities Funds look for liquidations, bankruptcies, uncovered or misunderstood companies, fundamental deep value, secular shifts, turning points or mishaps, dislocations and out-of-favor asset classes. The Opportunities Funds also hedge through catalyst-driven shorts in credit and equity and through macro-related securities and derivatives such as foreign exchange, interest

rate positions and commodities. The Opportunities Funds actively turn over the portfolio to take advantage of the most attractive opportunities.

Each Series of the Serengeti Multi-Series Funds invests in a particular asset, asset class or pursuant to a particular mandate. A Series may invest in structured finance securities, liquidations or other investments including without limitation, asset-backed, residential, mortgage backed and commercial mortgage-backed securities and collateralized bond, debt and loan obligations, as well as stressed, distressed and other opportunistic investments in debt or equity that Serengeti believes offer attractive risk and or/liquidity adjusted return potential.

Each Series of the Caracal Multi-Series Funds invests in a particular asset, asset class or pursuant to a particular mandate. A Series may invest in special situations, value and distressed investments throughout the credit cycle across the debt and equity markets in both public and private transactions by targeting investments including, without limitation, bank loans, corporate and sovereign bonds and other debt instruments; structured finance; distressed company investments; equity; financing platforms; private securities contracts other opportunities and investments that the Adviser believes offer attractive risk- and liquidity-adjusted return potential.

The Adviser is an opportunistic value investment adviser that seeks to generate attractive absolute and risk-adjusted returns. The Adviser focuses on liquidations, bankruptcies, uncovered or misunderstood companies, fundamental deep value, secular shifts, turning points or mishaps, dislocations and out-of-favor asset classes. When implementing its investment strategy, the Adviser typically reviews a broad range of opportunities, trying to identify those that are most attractive. When the Adviser finds these opportunities, the Adviser thoroughly and diligently evaluates them. If the Adviser determines that an opportunity is still attractive, it is compared to existing positions in the portfolio.

Following that, when consistent with a strategy, the new position is subject to continual ranking against other portfolio positions as well as new opportunities. For certain Client Funds, the Adviser also may establish a macro overlay of appropriate portfolio and tail hedges designed to enhance risk-adjusted returns.

B. Material, Significant or Unusual Risks Relating to Investment Strategies.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Client Fund or a Non-Discretionary Client managed by the Adviser. The term "Accounts" refers to Non-Discretionary Clients and the Client Funds.

*The following risk factors may not be applicable to all of the Accounts. Investments in an Account are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in such Account. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable Client Fund's offering documents or the Non-Discretionary Client's investment management agreement or sub-advisory agreement, as applicable. These risk factors include only those risks the Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of*



*analysis employed by the Adviser and do not purport to be a complete list or explanation of the risks involved in an investment in any of the Accounts.*

The Adviser invests in and actively trades financial instruments, on behalf of the Accounts, using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of an Account will be realized or that the investment program will be successful. Below is a list of potential investment risk factors. There is no guarantee that this is a complete list of the risks, that the Adviser, on behalf of the Accounts, will be able to control these risks or that the risks will not aggregate in a manner adverse to the Accounts.

*Concentration of Investments.* On behalf of the Accounts, the Adviser may make concentrated investments either by theme, sector, asset class or security thus the risk of loss is greater than if the portfolio were invested in a more diversified manner among various sectors. In addition, it is possible that the Adviser may select investments that are concentrated in a limited number or types of financial instruments. A limited degree of diversification increases risk because the aggregate return may be substantially adversely affected by the unfavorable performance of even a single issuer, or an economic downturn in a particular sector or sub-sector. In addition, investments the Adviser believes are diversified may correlate in ways not predicted by the Adviser.

*Competition; Availability of Financial Instruments.* Certain markets in which the Adviser, on behalf of an Account, may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable financial instruments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There may also be competition to sell financial instruments. If many investment funds that pursue similar strategies were forced to liquidate positions at the same time, market liquidity would be reduced, which may cause prices to drop, volatility to increase and exacerbate the losses of the Accounts.

*Equity Risk.* The market price of securities owned by an Account may go up or down, sometimes rapidly or unpredictably. A risk of investing in an Account is that the equity securities in the portfolio of such Account will decline in value due to factors affecting equity securities markets generally or the financial services industry in particular. In particular, major market upsets (including those caused by war, terrorism or other world events), general market cessations and unusual market conditions can affect the value of securities held by an Account. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, an Account may lose all or substantially all of its investment in any particular instance.

*Preferred Securities.* The Adviser may invest, on behalf of an Account, in preferred stock of certain companies. Preferred stock, unlike common stock, offers a stated dividend rate payable from a corporation's earnings. These dividends may be cumulative or non-cumulative, participating or auction rate. If interest rates rise, the fixed dividend on preferred stocks may be

less attractive, causing the prices of preferred stocks to decline. Preferred stock may have mandatory sinking fund provisions and call/redemption provisions prior to maturity, a negative feature when interest rates decline. Dividends on some preferred stock may be "cumulative," requiring all or a portion of prior unpaid dividends to be paid before dividends are paid on the issuer's common stock. Preferred stock also generally has a preference over common stock on the distribution of a corporation's assets upon liquidation of the corporation, and may be "participating," which means that it may be entitled to a dividend exceeding the stated dividend in certain cases.

Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If an Account owns a preferred security that is deferring its distributions, that Account may be required to report income for tax purposes although it has not yet received such income. Preferred securities are generally subordinate to the rights associated with an issuer's debt securities in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments. Preferred securities may be substantially less liquid than other securities.

*Fixed Income Securities.* Fixed income securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). The fixed-income securities in which the Adviser may invest, on behalf of an Account, are interest rate sensitive. An increase in interest rates will generally reduce the value of fixed-income securities, while a decline in interest rates will generally increase the value of fixed-income securities. The performance of an Account will therefore depend in part on the ability to anticipate and respond to such fluctuations on market interest rates, and to utilize appropriate strategies to maximize returns, while attempting to minimize the associated risks to investment capital.

The issuers of such instruments (including sovereign or government issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

*Non-Performing Nature of Debt.* It is possible that certain debt instruments purchased by the Adviser, on behalf of an Account, will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such instruments.

*High-Yield Debt.* The Adviser, on behalf of an Account, may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. Such securities may be below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities and tend to be more sensitive to economic conditions than higher-rated securities. Companies that issue lower rated debt securities often are highly leveraged and may not have access to more traditional methods of financing.

*Bank Loans.* An Account's success depends, in part, on the ability of the Adviser to cause that Account to invest in loans on advantageous terms. Investment in bank loans and participations have risks including: the possible invalidation of an investment transaction under creditors' rights laws, environmental and other liabilities which may arise with respect to the collateral, limitations on the ability of an Account to directly enforce its rights in the case of participations and potential lender liability claims. In purchasing loans, the Adviser, on behalf of an Account, competes with a broad spectrum of investors and/or lenders, many of which have substantially greater financial resources and are more well-known than such Account. Increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors. In addition, if the issuer is a distressed or stressed company, these investments bear all the risks of distressed situations discussed below. Lower credit quality loans may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Although lower credit quality loans may offer a higher potential return, they tend to be more sensitive to changes in the economic conditions, have price volatility and greater loss of income and principal.

*Risks Associated with Loan Origination Generally.* If the Adviser, on behalf of an Account, is unable to sell, assign or successfully close transactions for participations in the loans that it originates on behalf of such Account, such Account will be forced to hold its excess interest in such loans for an indeterminate period of time. This could result in an Account's investments being over-concentrated in certain borrowers.

*Distressed/Stressed Investments.* The Adviser from time to time invests a portion (which may be substantial) of an Account's assets in financially and/or operationally troubled companies. Such investments may involve a high degree of credit and market risk. Securities of such issuers are typically more volatile and less liquid than securities of companies not experiencing such difficulties.

Although such investments may result in significant returns to an Account, they involve a substantial degree of risk. Any one or all of the issuers of the securities in which the Adviser, on behalf of an Account, may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There can be no assurance that the Adviser will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Adviser, on

behalf of an Account, invests, that such Account may lose its entire investment, may be required to accept cash or securities with a value less than its original investment, and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from an Account's investments may not compensate the investors adequately for the risks assumed.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser, on behalf of an Account, becomes involved in such proceedings, the Adviser, on behalf of that Account, may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by the Adviser in an issuer's reorganization proceedings such as participation on a creditors committee or other ad hoc committee could result in the imposition of restrictions limiting an Account's ability to liquidate its position in the issuer or to hedge its exposure.

The entities in which the Adviser, on behalf of an Account, invests may be financially distressed or have recently emerged from bankruptcy, may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period and may operate at a loss. Such risks may adversely affect the performance of such investments and result in substantial losses. In addition, these entities may require governmental approvals or be subject to licensing procedures in order to operate in their markets. An Account could be affected adversely by delays in, or refusals to grant, such approvals or licenses.

If a company is in bankruptcy, bondholders' and other creditors' claims are subject to factors such as deterioration of collateral during a stay in bankruptcy, challenges to and/or possible invalidation of security interests, and disallowance or subordination of claims, all of which may be difficult to predict. Failure to accurately assess the probability of these events could have a detrimental effect on an Account's investments in distressed/stressed securities.

In connection with event driven or other investments, the Adviser may come into possession of material nonpublic information. In those instances, the Adviser may be prohibited from buying or selling such securities or other instruments on behalf of its clients at times when the Adviser might otherwise wish to buy or sell such investments.

*Bankruptcy Claims.* Investments may include debt and equity of financially distressed companies. In the event that the issuer files for bankruptcy protection, the Adviser will likely be unable to sell claims on behalf of an Account without realizing a significant loss and may be unable to recover current interest on such claims during the course of the bankruptcy case. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. To the extent debt investment is unsecured (i.e., has no collateral securing repayment), such claims may have a lower priority than secured claims (which have first recourse to the collateral securing such claim). In addition, the debt of an issuer in bankruptcy may be adversely affected by an erosion of the issuer's business and overall value. Accordingly, there can be no guarantee that a debtor will be able to satisfy all of its liabilities or that an Account will be able to recover the entire amount of its bankruptcy claim.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of an Account (in its role as a creditor). Furthermore, there are instances where creditors lose their priority under Title 11 of the United States Code (the "Bankruptcy Code") (i.e., are equitably subordinated) if, for example, they have engaged in misconduct that harms other creditors. In those cases where an Account is found to have engaged in such misconduct, the Account may lose its priority.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, the approval of the plan by creditors and confirmation of the plan by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Account; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the issuer may not be able to reorganize and may be required to sell its assets either as a going concern or as part of a liquidation. As a result, even in those circumstances where an Account may recover the entire amount of its bankruptcy claim, the Account may be adversely impacted by any costs incurred by the Account in representing its interests in a debtor's bankruptcy case.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Account's influence with respect to a class of securities can be lost by virtue of the size of its claim relative to the claims of the entire class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for certain taxes) may impair the recovery of an investment in a bankruptcy claim.

An Account may invest some of its assets in securities of issuers domiciled, or assets located, globally. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting 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.

The Adviser, on behalf of an Account, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Account's positions as a creditor or equity holder. A member of any such committee or group may owe a fiduciary duty and be subject to certain obligations to all members the committee represents and/or to other similarly situated parties. The Adviser may resign from that committee or group for any reason, including, for example, if the Adviser concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Account. In such case, the Account may not realize the benefits, if any, of participation on the committee or group. In addition, if the Account is represented on a committee or group, it may be restricted or prohibited

under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

An Account may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of litigation and to engage in litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by an Account.

*Structured Finance Investments.* The Adviser, on behalf of an Account, from time to time invests in structured finance investments that may include, without limitation, collateralized bond obligations, collateralized debt obligations, collateralized loan obligations, esoteric securitized investments, including, without limitation, securitized private investment fund interests and fees, and loans, sized against excess cash flows from securitization. The value of a structured finance investment will depend on the investment performance of the underlying assets in which the structured financing invests and will, therefore, be subject to all of the risks associated with an investment in those assets. In addition, investing in structured financing may entail a variety of unique risks. Among other risks, structured finance obligations may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates). Additional risks include, without limitation, (i) the performance of a structure of the issuer, 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, subordination within the capital structure, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets; (ii) the price of a structured finance investment, if required to be sold, may also be subject to certain market and liquidity risks for securities of its type at the time of sale; and (iii) if the particular structured product is invested in a security in which an Account is also invested, this would tend to increase that Account's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative basis.

*Event-Driven Situations.* The Adviser, on behalf of an Account, from time to time invests in "event-driven" and other special situations such as recapitalizations, spin-offs, restructurings, bankruptcy, litigation, corporate control transactions, merger, arbitrage, corporate events and other catalyst-oriented strategies. The Adviser believes that these types of investments often have limited downside risk relative to their current valuations. The Adviser could, however, be incorrect in its assessment of the downside risk associated with an investment, thus resulting in significant losses to an Account. Such securities are often difficult to analyze or may have limited trading histories or in-depth research coverage. Although the Adviser has utilized appropriate risk

management strategies and intends to do so in the future, such strategies cannot fully insulate an Account from the risks inherent in the Adviser's planned activities. Moreover, in certain situations the Adviser may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances.

Event-driven investing requires the investor to make predictions about (i) the likelihood that an event will occur such as failure to consummate a merger; or the risk that a reorganization will be unsuccessful; and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. Because of the inherently speculative nature of event-driven investing, the results of an Account's operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*Event-Driven Arbitrage.* In general, event-driven arbitrage trading is exposed to adverse outcomes of the "event" being positioned. Adverse outcomes or developments might arise from fundamental reasons, regulatory rulings, legal or tax rulings, or even extreme market movements. The financing component of many announced corporate actions could come under pressure and result in a cancellation or change in terms of the proposed transaction. Even where the corporate action or event occurs as expected, but is significantly delayed or advanced in timing of completion, deviations from the expected return or profitability could be high. At times, the amount of announced deals in the market might be inadequate to allow for a diversified portfolio to be constructed, or for returns to be near historic and meaningful levels relative to the risks. There can be no assurance that the Adviser's event-driven arbitrage strategy will result in an Account achieving its objectives.

*Nature of Bankruptcy Proceedings.* The Adviser, on behalf of an Account, may invest in bank debt, the securities or assets of, or trade and similar claims with respect to, issuers involved in bankruptcy proceedings. There are a number of significant risks when investing in companies involved in bankruptcy proceedings. First, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted into a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be adversely impacted by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Fifth, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings. Sixth, certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors. Seventh, under certain circumstances, payments to an Account (and distributions by such Account to its investors) may be reclaimed if any such payment is later determined to have been a preferential payment. Eighth, the Adviser, on behalf of an Account,

may seek representation on bank debt or creditors' committees, and as a member of a creditors' committee it may owe certain obligations generally to all creditors similarly situated that the committee represents and it may be subject to various trading or confidentiality restrictions. If the Adviser concludes that membership on a creditors' committee entails obligations or restrictions that conflict with the duties it owes to the investors, or that otherwise outweigh the advantages of such membership, the Adviser will not seek membership in, or will resign from, that committee. Because an Account will indemnify its board of directors, the Adviser or any other person serving on a committee, on behalf of that Account, for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on that Account's investment in a reorganization company.

*Trade Claims.* The Adviser may invest, on behalf of an Account, in trade claims. An Account's success depends, in part, on the ability of the Adviser to cause such Account to invest in trade claims on advantageous terms. Increased competition for, or a diminishment in the available supply of, qualifying trade claims could result in lower yields on such claims, which could reduce returns to investors. In addition, if the counterparty to a trade claim is itself a distressed or stressed company, these investments bear all the risks of distressed situations discussed above.

*Convertible Securities.* Convertible securities are stocks or other financial instruments that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by an Account is called for redemption, that Account will be required to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on an Account's ability to achieve its investment objective.

*Illiquid Investments.* The Adviser, on behalf of an Account, from time to time invests in securities that are subject to legal or other restrictions on transfer or for which there is



no liquid market. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Adviser, on behalf of an Account, may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. These investments will not necessarily be designated as "Special Situation Investments." The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

*Lack of Liquidity in Markets.* The markets for some of an Adviser's investments, on behalf of an Account, may be thinly traded. The Adviser may invest in over-the-counter instruments specifically designed by the Adviser or for the Adviser by counterparty brokers and may have little or no trading market. This lack of liquidity and market depth could disadvantage an Account, both in the realization of the prices that are quoted and in the execution of orders at desired prices or in desired quantities. Thus the Adviser may not be able to exit a position or dispose of an asset at a significantly reduced price, thereby adversely affecting an Account's performance. In some instances, the Adviser may not be able to satisfy withdrawal requests or rebalance positions.

*Leverage and Financing Risk.* The Adviser from time to time utilizes a substantial degree of leverage in an Account's portfolio. The Adviser may leverage an Account's capital to enable such Account to achieve a higher rate of return. The Adviser, on behalf of an Account, may also leverage such Account's investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings that an Account may have outstanding at any time may be substantial in relation to its capital. The use of leverage results in an Account controlling substantially more assets than it has equity. Leverage increases returns if an Account earns a greater return on investments purchased with borrowed funds than that Account's cost of borrowing such funds. However, the use of leverage exposes an Account to additional levels of risks including (i) greater losses from investments than would otherwise have been the case had that an Account not borrowed to make the investments, (ii) margin calls or interim margin requirements that may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds an Account's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of an Account's assets, that Account might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by that Account.

The concept of leverage may involve the use of debt to finance purchases of securities and manifests itself in different ways within an Account. The Accounts have the ability to borrow funds "on margin" from brokers and may borrow funds under a credit facility with a bank or other financial institution. Secured lenders have claims on an Account's assets that are senior to the rights of investors and thus have preference over the investors with respect to an Account's assets. An Account's purchases of debt securities may be financed through repurchase agreements with banks, brokers and other financial institutions that involve the transfer by an Account of the underlying debt instrument in return for cash proceeds based upon a percentage of the value of the debt instrument. An Account faces risks due to leverage in the event that its equity or debt instruments decline in value or that its failure to satisfy a covenant leads to an event of default. In such an event, an Account could be subject to a "margin call" or "collateral call,"

pursuant to which that Account would be required to either deposit additional funds with the lender or suffer mandatory liquidation of the pledged securities to compensate for the decline in value.

Derivatives inherently contain much greater leverage than the non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion (in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

An Account's ability to borrow funds "on margin," enter into repurchase agreements, committed loan facilities, total return swaps, or utilize other types of leverage is dependent upon the ability and willingness of brokers and other counterparties to continue to make funds available to an Account. Changes in the availability of financing could cause the Adviser to liquidate an Account's assets quickly to repay borrowings, possibly precipitating losses. If the Adviser were forced to liquidate or mark down an Account's positions before the expected maturity date of the trade, either because of the withdrawal of financing by its brokers or for any other reason, it could cause significant losses for an Account.

*Restricted Securities.* Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by a Master Fund Series. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

*Short Sales.* The Adviser makes short sales of investment securities, on behalf of an Account. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. The making of short sales exposes an Account to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by an Account at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Adviser, on behalf of an Account, may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Short selling is continually subject to regulatory scrutiny and/or restrictions in one or more markets. Such regulations and restrictions, including total bans, could be imposed with little or no warning and as a result could result in substantial loss.

*Hedging Transactions.* The Adviser is not required to attempt to hedge portfolio positions that are held by an Account. Furthermore, the Adviser may not anticipate a particular risk so as to hedge against it. The Adviser may utilize a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of an Account's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of an Account's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in an Account's portfolio; (v) hedge the interest rate or currency exchange rate on any of an Account's liabilities or assets; (vi) protect against any increase in the price of any securities the Adviser anticipates purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate.

The success of the Adviser's hedging strategy is subject to the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Adviser hedges portfolio positions in an Account is also subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Adviser may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if the Adviser had not engaged in any such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Adviser from achieving the intended hedge or expose an Account to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of an Account's portfolio holdings.

*Arbitrage Opportunities.* The Adviser, on behalf of an Account, may use a variety of arbitrage strategies, including short sales and convertible arbitrage. The success of the Adviser's arbitrage activities depends on its ability to identify and exploit price discrepancies in the market. Identification and exploitation of market opportunities involve uncertainty. No assurance can be given that the Adviser will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which the Adviser will seek to invest will reduce the scope of its investment strategies. In the event that the perceived mispricings underlying an Account's positions were to fail to materialize as expected by the Adviser, that Account could incur substantial losses.

*Leveraged Companies.* An Account's investments generally include companies whose capital structures have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments may increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. In using leverage, these companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates will, unless such rates are fixed pursuant to the terms of any such indebtedness, significantly increase such companies' interest expense, causing losses and/or the

inability to service debt levels. A loss that adversely affect the return on investments could occur in the event any such company cannot generate adequate cash flow to meet debt service. Additionally, the securities acquired by an Account may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

*Investment in Small Companies.* There is no limitation on the size or operating experience of the companies in which the Adviser may invest. Some small companies in which the Adviser may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

*Early-Stage and Later-Stage Private Companies.* Early-stage companies (sometimes referred to as “start-up companies”) often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period, or may operate at a loss. The success of an investment in an early-stage company may depend significantly on an entrepreneur or management team. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel.

Investments in companies in a later-stage of development (sometimes referred to as “pre-IPO companies”) also involve substantial risks. These companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire a business or develop new products and markets. These activities by definition involve a significant amount of change and disruption, which can give rise to significant problems in sales, manufacturing and general management of business activities.

There is no certainty that the additional financing required by early-stage and later-stage companies will be available on favorable terms when required. If such companies raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to the rights of the securities held by the counterparties with which an Account contracts. It is also possible that if such companies raise such additional funds, such companies will be less incentivized to achieve an event (e.g., a public offering of securities, or a disposition of the relevant securities pursuant to an acquisition of the issuer by another company) that triggers the payment or delivery of agreed consideration to an Account under a private securities contract.

Such risks and other risks may adversely affect the performance of the investments of an Account and result in substantial losses. There can be no assurance that any such early-stage or later-stage companies will have assets or products that generate meaningful revenue, will ever be profitable, or will ever determine to or be able to achieve an event that triggers the payment or

delivery of agreed consideration of an Account under a private securities contract. No assurance can be made that any such event will occur within the timeframe anticipated by such Account at the time of making such investment, within a certain timeframe, or at all. Furthermore, while the counterparty to any such private securities contract may be incentivized to see the relevant company achieve such an event, such counterparty may not be in a position to cause any such event to be achieved. If payment or delivery of agreed consideration under a private securities contract takes the form of securities, no assurance can be made that there will be sufficient liquidity in the markets to allow an Account to dispose of all or any of such securities or to realize any increase in the price of such securities.

In addition, the marketplace for investments in such companies has become increasingly competitive. Involvement by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at high levels. There can be no assurances that an Account will locate an adequate number of attractive investment opportunities. To the extent that an Account experiences increased competition for investments, returns to investors may vary.

*Investment in Forward Securities Contracts.* The Adviser, on behalf of an account invests in early-stage or later-stage private companies. Such investments may be structured as private securities contracts or similar instruments, entered into with individuals (or entities controlled by individuals) that are shareholders of such private companies, with respect to securities in such private companies acquired by them (e.g., securities acquired by employees under employment compensation or similar plans).

*Uncertain Exit Opportunities.* Generally, the ability of a company to achieve a transaction that triggers the payment or delivery of agreed consideration to an Account under a private securities contract depends, in large part, upon favorable market conditions, including receptiveness of the public markets to public offerings for the applicable type of company and/or an active mergers and acquisitions market. The receptiveness of the public markets to public offerings and the activity in the mergers and acquisitions market vary dramatically from period to period. An otherwise successful company may yield poor investment returns if it is unable to consummate such a transaction at a given time. Even if a company effects such a transaction, any securities offered or received as consideration may be subject to contractual “lock-up,” securities law or other restrictions which may, for a material period of time, prevent an Account that holds such securities from disposing of such securities. Such restrictions on the sale or transfer of securities may delay the ability of an Account holding such securities to liquidate such securities when it would otherwise choose to do so. No assurance can be made that any investment will result in a liquidity event via public offering, merger, acquisition or otherwise. The lack of favorable market conditions (or a highly volatile market) could therefore result in substantially lower liquidation values and substantially longer periods before liquidity is achieved, and could substantially reduce the investment returns of such Account.

Investments in companies undergoing (or that recently underwent) initial public offerings (“IPOs”) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies undergoing IPOs are involved in relatively new

industries or lines of business, which may not be widely understood by investors. These and other factors discussed herein may contribute to substantial price volatility for such securities and thus for the value of the investments by an Account.

*No Control.* An Account generally will not hold voting rights with respect to any of the securities held by such counterparty, nor is such Account (even if it has voting rights following a default) expected to have any ability to affect the decision making or governance of any of the issuers of such securities. An Account will generally have no control over when and at what price any publicly-traded securities in any such companies will be offered or sold by such company.

*Limited Transparency.* Private companies, such as the issuers of the securities referenced in an Accounts' private securities contracts, are not required to make periodic public filings, and as such detailed operational information regarding any such companies, including historical financial results and projected financial results, customer and sales data, strategic plans, and management discussion of operations, is not expected to be available to an Account prior to investment. As a result, the investments by an Account will be made on the basis of limited publicly-available information, which may be incomplete, inaccurate, or not confirmed by the companies in question.

*Tax Treatment.* Private securities contracts may be treated as variable prepaid forward contracts for U.S. federal income tax purposes, although there can be no assurance that the Internal Revenue Service will agree. The U.S. federal tax treatment of certain contracts may change if such contracts are treated as debt instruments or subject to current sale or exchange treatment or constructive sale rules.

*Investment in Non-U.S. Securities.* The Adviser, on behalf of an Account, from time to time invests a portion of its capital outside the United States in non-dollar denominated securities and instruments, including in securities and instruments issued by non-U.S. companies and the governments of non-U.S. countries and in non-U.S. currency. These investments involve special risks not usually associated with investing in securities of U.S. companies or the U.S. federal, state or local government. Because investments in securities and instruments issued by non-U.S. issuers may involve non-U.S. dollar currencies and because an Account may temporarily hold funds in bank deposits in such currencies during the completion of its investment program, an Account may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. In general, there may be less regulation of the securities markets in non-U.S. countries than there is in the United States. Some non-U.S. securities markets have a higher potential for price volatility and relative illiquidity compared to the U.S. securities and capital markets. With respect to certain countries there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, dividends, capital gain, other income or sales proceeds, import duties or other protectionist measures, various laws enacted for the

protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect an Account's investments in those countries.

*Non-U.S. Currencies Risk.* The Adviser's investments, on behalf of an Account, that are denominated in currencies other than the U.S. dollar are subject to the risk that the value of the particular currency will change in relation to one or more other currencies. As a result, an Account could realize a net loss on an investment even if there were a gain on the underlying investment before currency losses were taken into account. Among the factors that may affect the currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Adviser, in its sole discretion, may seek to hedge these risks by investing in currencies, currency futures contracts and options on currency futures contracts, forward currency contracts, swaps, swaptions, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies will be effective. These instruments are subject to the risk of non-performance by the counterparty as described immediately below.

*Counterparty Risk.* The Adviser has established a number relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Adviser to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Adviser will be able to establish or maintain such relationships. An inability to establish or maintain such relationships or any disruption in the services that they provide, could limit the Adviser's trading activities, create losses or preclude an Account from engaging in certain transactions, or might prevent the Adviser from trading at optimal rates and terms. Moreover a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on that Account's business due to the Adviser's reliance on such counterparties.

The Adviser may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Series enters into a contract directly with dealer counterparties which may expose the Series to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, the Series may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Series had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that the Series post collateral.

Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Adviser's counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of an Account's financial instruments and other assets from such counterparty will be delayed or be of a value less than the value of the financial instruments or assets originally entrusted to such counterparty.

In addition, the Adviser may use counterparties, located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in their respective jurisdictions, which laws are generally designed to protect customers in the event of insolvency. However, the practical effect of these laws and their application to an Account's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on an Account and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to such Account, which could be material.

If there is a default by a counterparty, an Account under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Account being less than if the Account had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Account's securities from such counterparty or the payment of claims therefor may be significantly delayed and the Account may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether the Series may terminate its agreement with an insolvent counterparty.

Collateral that an Account posts to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Account may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Adviser may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to an Account's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on an Account and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering an Account's securities from or the payment of claims therefor by such counterparty and a loss to the Account, which could be material.

*Increased Regulatory Oversight.* Increased regulation (whether promulgated under securities laws or any other applicable law) and regulatory oversight of and changes in law applicable to private investment funds and their advisers may impose administrative burdens on the Adviser, including responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert the Adviser's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are



confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

*Cybersecurity Risk.* As part of its business, the Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Accounts and personally identifiable information of the investors. Similarly, service providers of the Adviser, its clients, especially the Administrator, may process, store and transmit such information. The Adviser has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Adviser may be susceptible to compromise, leading to a breach of the Adviser's network. The Adviser's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Adviser to the investors may also be susceptible to compromise. Breach of the Adviser's information systems may cause information relating to the transactions of the Series and personally identifiable information of the Members to be lost or improperly accessed, used or disclosed.

The service providers of the Adviser and its clients are subject to the same electronic information security threats as the Adviser. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Series and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Adviser's, or its clients' proprietary information may cause the Adviser's, or its clients' to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Client Funds and the investors' investments therein.

*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 may in the future have an adverse effect on clients' investments and the Advisor's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may 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 Adviser and other 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.

*Assumption of Business, Terrorism and Catastrophe Risks.* An Account's portfolio is subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by an Account in assuming these risks and, depending on the size of the loss, could adversely affect the return of that Account.

*Options.* The Accounts may engage in options trading, which is speculative and involves a high degree of risk. If an Account purchases a put or call option, it may lose the entire premium paid. If an Account writes or sells a put or call option, its loss is potentially unlimited.

*Derivative Financial Instruments and Instruments Generally.* Derivative instruments, or "derivatives," include instruments and contracts that are derived from and are valued in relation to one or more underlying assets, benchmarks or indices. Derivatives include options traded on a regulated exchange. Derivatives are products that allow an investor to hedge or speculate upon the price movements of a particular asset, financial benchmark or index that could be a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative is linked to the price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset may also be applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading.

Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, the longevity of the contract, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the assets that are underlying them. In addition, an Account's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Additional risks associated with derivatives trading include:

Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative and the underlying investment sought to be hedged may prevent an Account from achieving the intended hedging effect or expose an Account to risk of loss. If the Adviser, on behalf of an Account, invests in derivatives at inopportune times or incorrectly judges market conditions, the investments may lower the return of that Account or result in a loss. An Account also could experience losses if derivatives are poorly correlated with its other investments.

Liquidity. Derivatives, especially when traded in large amounts, may not be liquid in all circumstances so that in volatile markets the Adviser may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the transactions in derivatives of an Account may be conducted may prevent profitable liquidation of positions, subjecting such Account to the potential of greater losses. The market for many derivatives is, or suddenly

can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Leverage. Trading in derivatives can result in large amounts of leverage. Thus, the leverage offered by trading in derivatives may magnify the gains and losses experienced by an Account and could cause the Account's net asset value to be subject to wider fluctuations than would be the case if such Account did not use the leverage feature of derivatives.

Over-the-Counter Trading. Derivatives purchased or sold by an Account may include instruments not traded on an exchange. The risk of nonperformance by the obligor or derivative counterparty on an instrument may be greater than, and the ease with which an Account can dispose of or enter into closing transactions with respect to a security or instrument may be less than, the risk associated with an exchange traded security. In addition, significant disparities may exist between "bid" and "asked" prices for derivatives that are not traded on an exchange. Derivatives not traded on exchanges also may not be subject to the same type of government regulation as exchange traded securities, and many of the protections afforded to participants in a regulated environment may not be available in connection with the transactions.

The Adviser, on behalf of an Account, may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that is currently not available, but that may be developed, to the extent such opportunities are deemed by the Adviser to be consistent with the investment objective of an Account. Special risks may apply to instruments that are invested in by an Account in the future that cannot be determined at this time or until such instruments are developed or invested in by the Account.

*Credit Default Swaps.* An Account may enter into credit default swaps or acquire or sell credit-linked notes secured by credit default swaps for, among other reasons, the purpose of implementing the Adviser's view that a particular credit, or group of credits, will experience credit improvement or credit deterioration, or to pursue other investment strategies. Credit Default Swaps have the same risk as other derivative products. (See "Derivative Financial Instruments and Instruments Generally and Counterparty Risk" above.) In the case of expected credit improvement, the Adviser may cause an Account may "write" or "sell" credit default protection in which it receives spread income. The Adviser may also cause an Account to "purchase" credit default protection even in the case in which such Account does not own the referenced obligation if, in the judgment of the Adviser, there is a high likelihood of credit deterioration. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the underlying credit and potential loss upon default, among other factors.

*Synthetic Assets.* Specifically, the Adviser, on behalf of an Account, may acquire exposure to the risk of various types of credits, such as CMBS, CDOs, debt securities and loans synthetically through products such as credit default swaps (including, LCDS, CDS, CDX, LCDX and CMBX contracts), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a "Synthetic Asset"). A Synthetic Asset could take many forms, including a credit derivative transaction that references a CMBS, CDO security, debt security loan, or a credit derivative transaction that references a portfolio or index of underlying

credits consisting of CMBS, CDO securities, debt securities, bonds or other financial instruments, or the tranche of the capital structure of an entity, such as the senior unsecured debt of an entity.

Exposure to underlying credits through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. An Account will have a contractual relationship only with the Synthetic Asset counterparty, and not with the issuer(s) (the "Reference Entity") of the underlying credit unless a termination (in whole or in part) of the contract prior to such contract's scheduled maturity date (in the event of a credit event) occurs with respect to any such underlying credit, physical settlement applies and the Synthetic Asset counterparty delivers such credit to an Account. Other than in the event of such delivery, an Account generally will have no right directly to enforce compliance by the Reference Entity with the terms of any particular obligation of the Reference Entity and such Account will not have any rights of set-off against the Reference Entity. In addition, an Account generally will not have any voting or other consensual rights of ownership related to the underlying credit. An Account also will not directly benefit from any collateral supporting the underlying credit and will not have the benefit of the remedies that would normally be available to a holder of such credit.

In the event of the bankruptcy or insolvency of the Synthetic Asset counterparty, an Account will be treated as a general unsecured creditor of such counterparty as further described in the Counter Party Risk above. The failure counterparty to perform may cause the Adviser's hedging strategies, to the extent that they involve the purchase of credit default protection, to be less effective or ineffective.

*Non-U.S. Futures Transactions.* Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Client Funds may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

*Futures Contracts.* Transactions in futures contracts carry a high degree of risk. Though the futures contract may require a much smaller amount of margin to be provided in comparison to the economic exposure which the futures contract provides to the relevant investment, index, rates, currency or physical commodity, investment in a futures contract creates a "gearing" or "leverage" effect. This means that a small margin payment can lead to enhanced losses as well as enhanced gains. It also means that a relatively small movement in the underlying reference investment, index, rate, currency or physical commodity can lead to a much larger

proportional movement in the value of the futures contract. This may be to the financial benefit of an Account as well as to its detriment.

Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Such regulations may impact the Adviser from liquidating a position on behalf of its Accounts and the Accounts could be subject to substantial losses.

*Commodity Risk.* The Adviser, on behalf of an Account, may invest directly or indirectly in commodities such as precious metals, oil and natural gas or in commodity interest contracts. Investments in commodities or commodity interest contracts may subject an Account to greater volatility than investments in traditional securities and may cause that Account to incur additional tax liability. The value of commodities and commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The profitability of an Account may depend on the ability of the Adviser to predict these fluctuations accurately.

*Investments in Master Limited Partnerships and in the Energy and Natural Resources Industry/Publicly-Traded Partnerships.* The Adviser, on behalf of an Account, may invest in master limited partnerships, including those with a focus in the energy and natural resources industry and in publicly-traded partnerships. While certain master limited partnerships and publicly-traded partnerships are "pass-through" entities and treated as partnerships for federal income taxation purposes, Congress may, in the future, change such tax treatment, resulting in adverse tax consequences for such investments. In addition, the energy and natural resources industry often undergoes substantial changes in general supply and demand characteristics and investments in that industry are subject to fluctuations in prices of commodities, geopolitical risks, and operating risks such as: special risks of constructing and operating facilities; lack of control over pricing; mergers and acquisitions activities; changes in regulations and regulatory policies, including in environmental laws and energy conservation laws; adverse geological conditions; uncertainty of estimates of oil and gas reserves; taxes; and uninsurable losses and catastrophic events, such as fires, earthquakes, adverse weather conditions, and similar risks. Such factors may, among other things, increase compliance costs and the costs of doing business, and may tend to limit the growth potential of companies operating in the energy and natural resources industry. If the Adviser's investment strategy with respect to any investment in such industries, including through purchase of master limited partnership interests, is based on an incorrect assumption about the movement of any of these factors, an Account may not be able to successfully achieve its investment objective.

*Reinsurance Transactions.* The Adviser, on behalf of an Account, may invest in reinsurance transactions. Reinsurance transactions include insurance-linked securities and insurance-linked derivatives. Insurance-linked securities are fixed income or equity securities for which the return of principal or invested capital and payment of interest or dividends are contingent on the occurrence or non-occurrence of specific natural or man-made perils such as hurricanes,

earthquakes or other physical or weather-related catastrophic events, aviation or marine disasters and similar events. Insurance-linked derivatives are financial contracts the returns on which are linked to the same types of events as insurance-linked securities. In addition, reinsurance transactions may include life insurance-based financial instruments, the returns on which are linked to mortality risks or other performance-based measures of a portfolio of life insurance policies.

Insurance-linked investments are subject to relatively infrequent but severe losses resulting from the occurrence of one or more catastrophic events, such as hurricanes, windstorms, hailstorms, earthquakes, fires, explosions, severe winter weather, tsunamis, floods, riots, aviation disasters, or other physical or weather-related or man-made catastrophic events. The occurrence or non-occurrence of such catastrophic events can be expected to result in volatility with respect to an Account.

In connection with its investment diligence process related to insurance-linked investments, an Account may rely on models and analysis performed by third parties (including the sponsors of such insurance-linked investments). Actual loss experience can materially differ from that generated by such models. These models rely on various assumptions, some of which are subjective and some of which vary between the different catastrophe risk modeling firms. The loss probabilities generated by such models are not predictive of future catastrophic events, or of the magnitude of losses that may occur. Actual frequency of catastrophic events and their attendant losses could materially differ from those estimated by such models.

An investment in insurance-linked investments will expose an Account to the credit risk of several parties involved in the reinsurance product chain. For example, an Account will have exposure to the reinsurer that is buying the reinsurance from the issuer of the insurance-linked investments in respect of such reinsurer's obligation to make premium payments to the issuer. The issuers of insurance-linked investments may also be exposed to the credit risk of reinsurance brokers and other service providers with whom the sponsoring reinsurer conducts business related to the reinsurance policies to which such insurance-linked investments have exposure.

Certain insurance-linked investments may permit an Account to acquire such investments with one or more deliveries or pledges of securities in lieu of a one-time cash purchase payment but such investments may also obligate such Account to post additional collateral if the value of securities delivered by such Account falls below certain levels. Such margin call requirements expose an Account to the risk that the securities delivered by such Account to secure its obligations to the issuer of the related insurance-linked investments or the sponsoring reinsured company may fall below certain specified levels and cause such Account to use its most liquid assets to meet margin calls.

U.S. state insurance laws and regulations and the laws of many non-U.S. jurisdictions contain broad definitions of the activities that may constitute the conduct of the business of insurance or reinsurance in such jurisdictions. Insurance regulatory authorities have broad discretionary powers in administering insurance laws, including the authority (subject to appeal in court or otherwise) to determine whether a party is conducting the business of insurance or reinsurance within their applicable jurisdictions. Because insurance-linked investments have certain features and an investment return that may be based on the occurrence of events that

traditionally are the subject of insurance, it is possible that such instruments may be structured in a manner where insurance regulatory authorities or courts would determine that the purchase or holding of such securities or the writing of such derivatives by an Account constitutes the conduct of the business of insurance and reinsurance. In the event such a determination were made, such Account may be subject to regulatory and legal action.

*Insurance Products.* Investments in public and private insurance companies, catastrophe bonds, weather derivatives, life insurance policies and annuities, and other Financial Instruments linked to insurance risks and similar factors, are subject to all of the numerous inherent risks of the insurance industry, such as weather-related and other natural or man-made catastrophes, which are unpredictable and may result in significant losses. A significant natural disaster, such as a hurricane or earthquake, or terrorist incident, or a series of such events, could have a material, adverse effect on an Account.

*Pooled Investment Vehicles and Pass-Through Entities.* The Adviser, on behalf of an Account, may invest in other pooled investment vehicles, including unregistered investment vehicles, investment companies registered under the Company Act, publicly traded master limited partnerships, real estate investment trusts and similar U.S. and non-U.S. vehicles. There can be no assurance that the Advisers of such pooled investment vehicles will be successful in their investment strategies. In addition, the risk factors in this Item 8 may apply equally to any such pooled investment vehicles in which the Adviser, on behalf of an Account, has invested and consequently, to the extent that the Adviser, on behalf of an Account, invests in any such pooled investment vehicles, such risk factors should be interpreted accordingly as applying to both an investment in an Account and such Account's investment in such pooled investment vehicles. In addition, an Account may be restricted from redeeming from a pooled investment vehicle which may lead to a suspension of the redemption rights of the investors in an Account. To the extent an Account invests in pooled investment vehicles and other "pass-through" entities which are treated as partnerships for federal income taxation purposes, an Account must rely on such vehicles to deliver to it certain tax information that is necessary to complete its own tax returns. If this information is not delivered to such Account in a timely fashion, such Account will be delayed in providing tax information to the investors.

*Business, Terrorism and Catastrophe Risks.* Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on the Adviser's business and clients' portfolios including investments made by the Adviser.

## ITEM 9. DISCIPLINARY INFORMATION

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

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. Broker-Dealer Registration Status – None.
- B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

While the Client Funds may trade commodity interests, the Adviser, with respect to the Client Funds and the respective Client Funds' General Partner, are each exempt from registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator (a "CPO") pursuant to CFTC Rule 4.13(a)(3).

- C. Material Relationships or Arrangements with Industry Participants.

The Adviser is a related person to the general partner, managing general partner and/or administrative general partner (as applicable) of its Client Funds, and/or to the Client Funds themselves, which are private investment vehicles.

- D. Material Conflicts of Interest Relating to Other Investment Advisers.

The Adviser does not currently recommend or select other investment advisers for its clients.



## ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### A. Code of Ethics

The Adviser has adopted a Code of Ethics pursuant to SEC rule 204A-1 of the Investment Advisors Act of 1940 (the "Code"). The Code outlines the Adviser's policies and procedures for the use of research consultants, personal trading accounts, gifts and entertainment, and political and charitable contributions. The Adviser recognizes that investment advisors are fiduciaries and that they owe their undivided loyalty to their clients; its Code of Ethics reflects this. The Code contains provisions regarding the following:

- The Adviser's fiduciary duty to its clients;
- Compliance with all applicable federal securities laws;
- Reporting and review of personal securities transactions and holdings;
- Reporting of violations of the Code; and
- The provision of the Code to all supervised persons.

A potential conflict of interest could arise if the Adviser provided investment advice to a client in a security in which the Adviser (or an employee of the Adviser) has a material financial interest. To avoid this potential conflict, the Adviser has adopted a comprehensive policy with regard to personal securities trading. This policy substantially restricts personal securities trading and requires complete disclosure of any trading. This disclosure should bring to light any conflicts of interest so that the Adviser would be able respond appropriately. Furthermore, the Adviser's primary fiduciary duty is to its clients; conflicts of interest would be resolved in the manner that benefits them.

Clients may request a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this document.

### B. Investing in Securities that the Adviser or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, and certain members of an employee's family, including that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis, and requires that employees, and certain members of an employee's family pre-clear certain types of personal securities transactions. Generally, the Adviser's employees are subject to multiple restrictions in connection with personal securities trading. Subject to these restrictions, which are designed to avoid conflicts with clients, the Adviser, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients. Employees are precluded from trading in any securities of issuers that are the subject of an information barrier and placed on a restricted list by the Chief Compliance Officer until the engagement is complete, and/or any inside information in the Adviser's possession has been published, superseded or rendered stale.

The Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. Potential conflicts also may arise due to the fact that the Adviser and its personnel may have investments in some clients but not in others or may have different levels of investments in the various clients.

The Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

C. Conflicts of Interest Created by Contemporaneous Trading.

The Adviser manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. The Adviser has designed policies and procedures that seek to ensure that the allocation of investment opportunities to be fair and equitable over time. The appropriate allocation of investment opportunities shall be determined by taking into consideration each Account's investment objective, target return, liquidity or cash availability, intended concentration and current holdings, among other factors. The Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, or practical for the client.

If it is determined by the Adviser that it would be appropriate for more than one client to participate in an investment opportunity, the Adviser will seek to execute orders for all of the participating clients, in a manner that is fair and reasonable, taking into account such factors as the relative amounts of capital available for new investments and the investment programs, investment targets and portfolio positions of the clients for which participation is appropriate.

The Adviser's research, trading and investment employees may from time to time consult with other investment professionals in the financial industry and discuss investment ideas, including ideas generated by third party research paid for by Adviser's clients. The Adviser believes on balance, clients benefit from such discussions by providing different perspectives on particular industries or companies. However, there is no guarantee that this approach will be successful or that such discussions will not work to the detriment of the Adviser's clients. The Adviser understands and is careful not to discuss such information such that it would be considered part of a group for the purposes of Section 13 of the Securities Exchange Act of 1934, as amended, or similar foreign law.

D. Co-Investment Disclosure

Participation in co-investment vehicles, and allocations of co-investment opportunities among co-investors, may be subject to priorities and limits as set forth in a Client

Fund's organizational documents. In general, unless otherwise provided for in a Client Fund's organizational documents, (a) no investor in a Client Fund has a right to participate in any co-investment opportunity, (b) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Adviser or, in certain instances, other participants in the applicable transaction, (c) co-investment opportunities may be offered to some and not other investors in Client Funds in the sole discretion of the Adviser and (d) certain persons other than investors in the Client Funds (*e.g.*, third parties) may be offered co-investment opportunities in the sole discretion of Adviser. Such co-investments typically involve investment and disposal of interests in the applicable portfolio investment at the same time and on the same terms as the Client Fund making the investment.

## ITEM 12. BROKERAGE PRACTICES

### A. Factors in Selecting or Recommending Broker-Dealers for Client Transactions.

As noted previously, the Adviser has full discretionary authority to manage the Client Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Adviser's authority is limited by its own internal policies and procedures and each Client Fund's investment guidelines.

The Adviser serves as the investment adviser with non-discretionary trading authority for Non-Discretionary Clients. The Adviser's investment decisions and advice with respect to each Non-Discretionary Client are subject to each client's investment objectives and guidelines, as set forth in the clients' investment management agreement or sub-advisory agreement, as well as any written instructions provided by the Non-Discretionary Client to the Adviser.

The Adviser is authorized to determine the broker or dealer to be used for each securities transaction for a client. The Adviser will place trades for execution for the client with broker-dealers on the basis of seeking best execution and in consideration of relevant factors, including, but not limited to, commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to efficiently execute transactions, the broker's facilities, and the broker's provision or payment of the costs of brokerage and research services that are of benefit to the client, the Adviser, its affiliates or other clients. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Adviser nor the clients separately compensate any broker or dealer for any of these other services.

If the Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Each client may pay commissions to third-party brokers in connection with locating ("Sourcing") counterparties to transactions involving the purchase of trade claims, other private debt, equity or claims and related or similar instruments. The Adviser may in the future develop an in-house Sourcing capability (for which it may charge the client fees) if it believes that this will enhance the client's ability to acquire such instruments on beneficial terms.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser and its affiliates in its other investment activities and thus, the client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Within the last fiscal year of the Adviser, the Adviser or its related persons may have acquired the following types of products and services with client brokerage commissions: information on the economy (both globally and for individual countries), industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone, and personal meetings. In addition, such research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to the Adviser by or through broker-dealers.

The Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

Neither the Adviser nor any related person receives client referrals from any broker-dealer or third party.

The Adviser does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer.

#### **B. Allocation of Investment Opportunities and Order Aggregation.**

Serengeti's clients (including Non-Discretionary Clients, to which the policies of the Adviser with respect to allocation of investment opportunities and order aggregation are also applicable) each have differing portfolio mandates and investment objectives; however, significant

overlaps in holdings may occur. Serengeti intends the allocations of investment opportunities among its Client Funds and Non-Discretionary Clients to be fair and equitable over time. The appropriate allocation of investment opportunities shall be determined by taking into consideration each client's investment objective, target return, liquidity or cash availability, intended concentration and current holdings, among other factors.

If the Adviser determines that the purchase or sale of a security is appropriate with regard to multiple clients, the Adviser may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each Account's participation in the order (or allocation in the event of a partial fill) as determined by the Adviser. In the event of a partial fill, allocations may be modified on a basis that the Adviser deems to be appropriate, including, for example, to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Adviser. As a result, certain trades in the same security for one client (including a client in which the Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

From time to time, one client could be disadvantaged because of activities conducted by the Adviser and its affiliates for the other funds or accounts managed by the Adviser as a result of, among other things, the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions or the Adviser's determination that a particular investment is not appropriate for a particular fund or account (including based on the nature of the investment opportunity taken in the context of the other investments at the time, the liquidity of the investment relative to the needs of the particular fund, the investment or legal, regulatory or tax limitations on the particular client and the transaction costs involved).

#### C. Cross Trades

As is consistent with the Adviser's duty to seek to obtain best execution, Serengeti from time to time uses an unaffiliated broker-dealer or custodian to cross an investment and/or cash between Accounts when such a transaction is advantageous for each participant. Serengeti will follow specific procedures when effecting cross trades through an unaffiliated broker-dealer or custodian. The Adviser will not affect cross-trades with any Accounts that are "plan assets" for purposes of ERISA.

#### D. Principal Trades

Section 206(3) of the Advisers Act prohibits Serengeti and any employee or other affiliate from trading with any client on a principal basis, or from recommending an agency cross trade to both participants, unless Serengeti discloses the capacity in which it is acting to each

participating client in writing before completion of the transaction, and obtains each participating client's consent to the transaction.

Serengeti does not currently conduct principal trading. If the Adviser determines that a principal transaction is in the best interests of its clients, appropriate disclosures and consents will be obtained.

E. Trade Errors

Serengeti has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, Serengeti will use reasonable efforts to correct the error as soon as possible. As disclosed in certain Client Funds' offering documents, the cost of errors in certain Accounts will be borne by the Client Funds, unless an error is the result of bad faith, gross negligence, or willful misconduct by Serengeti. The trade error policies of the Adviser are also applicable with respect to each Non-Discretionary Client, subject to any contrary terms of that client's investment management agreement or sub-advisory agreement. The Adviser will not use soft dollars or commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade error. However, to the extent that Serengeti can demonstrate that a broker-dealer was partly or entirely responsible for a trade error, that broker-dealer may be asked to bear part or all of the cost of the error. The Adviser will bear all trading error costs for Accounts that are "plan assets" for purposes of ERISA.

### ITEM 13. REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

The Adviser performs various periodic reviews of each client's portfolio. Such reviews are conducted by the Adviser's portfolio managers and research analysts.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a client account may be triggered by any unusual market, industry or company specific activity or special circumstances that may only affect a particular company or industry.

C. Content and Frequency of Account Reports to Clients.

The Adviser generally provides annual audited financial statements to its clients generally within 90 days of the applicable client's fiscal year end or as soon as practicable thereafter but no later than 120 days after the applicable client's fiscal year end.

Investors in the Client Funds receive regular communications, at least quarterly, from the Adviser documenting the performance of their Account, along with a commentary by the Adviser, although the Adviser may provide certain investors with information on a more frequent and detailed basis if requested by the investor and agreed to by the Adviser. In addition, the Adviser issues investors tax reports generally within 90 days of the end of such Client Fund's fiscal year or as soon as practicable thereafter.

Some investors in a Client Fund may receive additional and/or different information than other investors, which is in addition to information provided in a Client Fund's regular reports to investors, and such information may provide such investor with greater insight into the Client Fund's activities. This may enhance those investors' ability to make investment decisions with respect to the Client Fund and possibly affect their decision to request a redemption from, or make an additional subscription to, the Client Fund.



#### ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. A Client Fund or the Adviser may enter into arrangements with placement agents to solicit investors to invest in the Client Fund. These arrangements may provide for compensation of such placement agents for their services at the Client Fund's, the Adviser's, the investor's or prospective investor's expense, as applicable. Any such compensation paid by the applicable Client Fund will reduce the amount of the Management Fee due in respect of the shares or interests of the applicable investor, as determined in the sole discretion of the Adviser. A prospective investor solicited by a placement agent will be advised, and asked to acknowledge in writing its understanding, of any such arrangement.

## ITEM 15. CUSTODY

The Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Adviser.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Client Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Client Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Client Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

The Adviser does not have custody of the assets of the Non-Discretionary Clients. These clients should receive account statements directly from their custodian and should review them carefully.

## ITEM 16. INVESTMENT DISCRETION

The Adviser serves as the management company with discretionary trading authority to each Client Fund. In addition, the Adviser serves as the investment adviser with non-discretionary trading authority for the Non-Discretionary Clients.

The Adviser's investment decisions and advice with respect to each Client Fund are subject to each Client Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, the Adviser's investment decisions and advice with respect to each Non-Discretionary Client are subject to each client's investment objectives and guidelines, as set forth in the clients' investment management agreement or sub-advisory agreement, as well as any written instructions provided by the Non-Discretionary Client to the Adviser.

## ITEM 17. VOTING CLIENT SECURITIES INVESTMENT DISCRETION

The Adviser has the authority to vote client securities through its proxy voting procedures. The Adviser will vote each proxy in accordance with its fiduciary duty to its clients and will generally seek to maximize the value of client assets.

The Adviser may take into account all relevant factors, as determined by the Adviser in its discretion, including, without limitation:

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

The proxy ballot is provided to the portfolio manager and/or analyst who will consider whether the Adviser is subject to any material conflict of interest and how to vote the proxy. If no material conflict of interest is identified, the Trading Analyst will vote the proxy.

In limited circumstances, the Adviser may refrain from voting proxies where the Adviser believes that voting would be inappropriate, taking into consideration the cost of voting the proxies and the anticipated benefit to its clients. For example, the Adviser may be unable to vote Securities or its full position in a particular investment because the securities have been lent by the prime broker or custodian. Serengeti believes that the benefit of lending the securities outweighs the benefits of voting the proxies in many instances. Also, proxy voting in certain countries involves "share blocking," which may limit the ability to sell the affected investment during a blocking period that can last for several weeks. If the Adviser believes that the potential consequences of being unable to sell a Security outweigh the benefits of participating in a proxy vote, Serengeti may abstain from voting when share blocking is required. In addition, Serengeti may abstain from voting when the costs of translation of the proxy outweigh the benefits of voting such proxy. Generally, clients may not direct the Adviser's vote in a particular solicitation.

If a material conflict of interest is identified, a meeting is convened of the relevant portfolio manager and/or analyst, Chief Compliance Officer and Chief Financial Officer. This group will consider the course of action believed to be in the best interest of the Adviser's clients.

Any request for information about proxy voting or class actions should be promptly forwarded to the General Counsel and Head of Investor Relations, who will coordinate a prompt response to any such requests.

Clients may obtain a copy of the Adviser's proxy voting policies and its proxy voting record upon request. Clients may also obtain information from the Adviser about how the Adviser voted any proxies on behalf of the clients.

As a fiduciary, Serengeti always seeks to act in clients' best interests with good faith, loyalty, and due care. Serengeti's portfolio managers and/or analysts will consider each class action received and will determine whether clients will (a) participate in a recovery achieved through class actions, or (b) opt out of the class action and potentially pursue a separate remedy.

Serengeti has retained a third party Class Action Service to assist in any documentation required to submit a claim. The Chief Compliance Officer assists the third party service provider in the submission of Proof of Claim forms and any associated documentation, the submission of such documents to the claim administrator, and the receipt of any recovered monies under the supervision of the Chief Compliance Officer and General Counsel. The Class Action Service is compensated based on a percentage of the proceeds recovered from all Serengeti class action filings. It should be noted that typically clients bear the cost (i.e., receive a reduced amount of the class action proceeds) of the Class Action Service. Serengeti credits any class action settlement proceeds received to existing beneficial owners/investors in the Accounts.

Serengeti does not serve generally as the lead plaintiff in class actions because the costs of such participation typically exceed any extra benefits that accrue to lead plaintiffs.

## ITEM 18. FINANCIAL INFORMATION

The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.