

MAK Capital

590 Madison Avenue
Suite 3100
New York, NY
(212) 486 - 3211

March 2023

This Brochure provides information about the qualifications and business practices of MAK Capital. If you have any questions about the contents of this Brochure, please contact David Smith, our Chief Compliance Officer (“**CCO**”) at (212) 486-3211 or at dsmith@makcap.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about MAK Capital also is available on the SEC’s website at www.adviserinfo.sec.gov.

An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2: Material Changes

Since our last update in March 2022 this Brochure has been updated to reflect the addition of the Opportunity funds and the relevant fees, expenses, and risk factors associated with such funds.

Item 3: Table of Contents

| | |
|---|----|
| Item 1: Cover Page | 1 |
| Item 2: Material Changes..... | 2 |
| Item 3: Table of Contents | 3 |
| Item 4: Advisory Business | 4 |
| Item 5: Fees and Compensation | 5 |
| Item 6: Performance-Based Allocations and Side-By-Side Management..... | 6 |
| Item 7: Types of Clients..... | 7 |
| Item 8: Methods of Analysis, Investment Strategies and Risk of Loss | 7 |
| Item 9: Disciplinary Information | 20 |
| Item 10: Other Financial Industry Activities and Affiliations..... | 20 |
| Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 20 |
| Item 12: Brokerage Practices | 21 |
| Item 13: Review of Accounts | 23 |
| Item 14: Client Referrals and Other Compensation | 23 |
| Item 15: Custody..... | 23 |
| Item 16: Investment Discretion | 23 |
| Item 17: Voting Client Securities..... | 24 |
| Item 18: Financial Information..... | 24 |

Item 4: Advisory Business

Founded in May 2002, MAK Capital One, L.L.C. (“**MAK**,” “**Adviser**,” “**we**,” “**us**,” “**our**” or the “**Firm**”), is a Delaware limited liability company, owned solely by Michael Kaufman. MAK is the sole member of MAK Management LLC, a Delaware limited liability company that currently provides discretionary investment advisory services. MAK Management LLC provides management services to MAK One Fund LP, a Delaware limited partnership (the “**MAK Domestic Fund**”), and MAK Capital International Limited, a Bermuda based exempted company (the “**MAK Offshore Fund**” collectively, the “**MAK Feeder Funds**”). The MAK Feeder Funds directly or indirectly invest substantially all of their assets into MAK Capital Fund LP, a Bermuda based exempted company (the “**MAK Master Fund**”) that is also managed by MAK Management LLC.

MAK GP LLC, a Delaware limited liability company, will serve as the MAK Master Fund General Partner.

The MAK Feeder Funds and the MAK Master Fund are herein referred to collectively as the “**Hedge Fund Investment Vehicles**” or “**Hedge Fund Clients**”.

Beginning in October 2018, MAK began providing advisory services to MAK Capital Offshore Distressed Debt Fund I, LP and MAK Capital Distressed Debt Fund I, LP. Under this arrangement, MAK Capital Offshore Distressed Debt Fund I, LP invests through and is a limited partner of MAK Capital Distressed Debt Fund I, LP. Collectively, MAK Capital Offshore Distressed Debt Fund I, LP and MAK Capital Distressed Debt Fund I, LP are herein referred to collectively as the “**Distressed Debt Funds**” or “**Distressed Debt Clients**”. As of the time of this filing, the Distressed Debt Funds have not called any capital.

MAK DDF-I GP LLC, a Delaware limited liability company, will serve as the Distressed Debt Funds’ General Partner.

Additionally, in July 2022, MAK began providing advisory services to MAK Capital Opportunities Fund I LP and MAK Capital Offshore Opportunities Fund I LP. Under this arrangement, MAK Capital Offshore Opportunities Fund I LP invests through and is a limited partner of MAK Capital Opportunities Fund I LP. Collectively, MAK Capital Opportunities Fund I LP and MAK Capital Offshore Opportunities Fund I LP are herein referred to collectively as the “**Opportunity Funds**” or “**Opportunity Clients**”.

MAK OPF GP LLC, a Delaware limited liability company, will serve as the General Partner to the Opportunity Funds.

The Hedge Fund Investment Vehicles, the Distressed Debt Funds and Opportunity Funds are herein collectively referred to as “**Clients**”.

The Clients are managed in accordance with each fund’s investment objectives, strategies, restrictions and guidelines, as described in their respective private placement memoranda (the “**PPM**”). MAK does not tailor advisory services to the individual needs of investors in the Hedge Fund Investment Vehicles the Distressed Debt Funds or the Opportunity Funds, and investors in the Hedge Fund Investment Vehicles or the Distressed Debt Funds may not impose restrictions on investing in certain securities and other financial instruments or certain types of securities and other financial instruments.

As of December 31, 2022, the Firm managed approximately US \$1,811,984,364 of regulatory assets under management, all of which is managed on a discretionary basis.

Item 5: Fees and Compensation

The Hedge Fund Investment Vehicles

The Hedge Fund Investment Vehicles are generally charged the following: (1) a management fee (the “**Management Fee**”) and (2) a performance allocation (the “**Performance Allocation**”) which is calculated based upon a percentage of the net capital appreciation of the Hedge Fund Investment Vehicles at the end of each fiscal year.

MAK’s current fee schedule for the Hedge Fund Investment Vehicles is generally as follows:

Management Fee: 1.50% annually (0.125% monthly)

Performance Allocation: 20% annually, subject to a high water mark

The Management Fee and Performance Allocation are deducted from either a Hedge Fund Feeder Fund or Hedge Fund Master Fund (as described in each Feeder Fund’s PPM). The Management Fee is deducted on a monthly basis in advance, and the Performance Allocation is deducted annually at the end of each year. The Management Fee will be prorated for any period that is less than a full month. Fees are deducted and allocations are made from each Hedge Fund Investment Vehicles’ account.

MAK’s fees are exclusive of brokerage commissions, transaction fees, custodial fees and other related costs and expenses which shall be incurred by Hedge Fund Clients and investors.

In our discretion, fees and allocations may be subject to individual negotiation.

The Hedge Fund Investment Vehicles are subject to fees, allocations and expenses as described in the applicable PPM. For brokerage practices see Item 12.

The Distressed Debt Funds

The Distressed Debt Funds are generally charged the following: a Management Fee on any called capital and (2) a Performance Allocation which is calculated based upon a percentage of the net capital appreciation of the investments, upon their maturity.

Management Fee: 1.50% annually (0.125% monthly)

Performance Allocation: 20%, subject to a high water mark

The Management Fee and Performance Allocation are deducted from the Distressed Debt Funds (as described in each Distressed Fund’s PPM). The Management Fee is deducted on a monthly basis in advance and is only applied to called capital. The Performance Allocation is deducted upon the realization of investments and subject to a “clawback” provision as further described in Item 6. The Management Fee will be prorated for any period that is less than a full month. Fees are deducted and allocations are made from each Distressed Debt Fund’ account.

The Opportunity Funds

The Opportunity Funds are generally charged the following: a Management Fee on any called capital and (2) a Performance Allocation which is calculated based upon a percentage of the net capital appreciation of the investments, upon their maturity.

Management Fee: 1.50% annually (0.125% monthly)

Performance Allocation: 20%, subject to a high water mark

The Management Fee and Performance Allocation are deducted from the Opportunity Funds (as described in each Opportunity Fund's PPM). The Management Fee is deducted on a monthly basis in advance and is only applied to called capital. The Performance Allocation is deducted upon the realization of investments and subject to a "clawback" provision as further described in Item 6. The Management Fee will be prorated for any period that is less than a full month. Fees are deducted and allocations are made from each Opportunity Fund' account.

In our discretion, fees and allocations may be subject to individual negotiation.

Michael Kaufman and/or employees of MAK currently serve on, and may in the future serve on, boards of directors of certain companies and receive compensation in connection therewith. Any compensation including, but not limited to, fees, stock options, and/or stock grants received by Michael Kaufman or any other MAK employee in connection with such service may be paid to such person in their individual capacity and any compensation may not reduce the Management Fee paid to MAK.

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

MAK GP, LLC may be entitled to a performance allocation with respect to each Hedge Fund Investment Vehicles that is calculated based upon a percentage of the net capital appreciation of the relevant Hedge Fund Investment Vehicles. MAK DDF-I GP LLC may be entitled to a performance allocation with respect to the Distressed Debt Funds. MAK OPF GP LLC may be entitled to a performance allocation with respect to the Opportunity Funds. The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

The Hedge Fund Investment Vehicles

The Performance Allocation is subject to a "high water mark." The "high water mark" feature prevents MAK from receiving a Performance Allocation as to profits that simply restore previous losses and is intended to ensure that each Performance Allocation is based on the long-term performance of an investment in the Hedge Fund Investment Vehicle. MAK, in its sole discretion, may waive all or any portion of the Performance Allocation with respect to an investor in Hedge Fund Investment Vehicle.

Net asset value includes net realized and unrealized profits and losses.

Performance based allocation arrangements may create an incentive for MAK to recommend investments which may be riskier or more speculative than those which would be recommended under a different arrangement. Such an allocation arrangement may also create an incentive to

favor higher allocation accounts over other accounts in the allocation of investment opportunities. MAK has procedures designed and implemented to ensure that all Hedge Fund Clients are treated fairly within the limits of the investment constraints and objectives of each Hedge Fund Client, and to prevent this potential conflict from influencing the allocation of investment opportunities among Hedge Fund Clients. These procedures include, to the extent orders are aggregated, that orders are price-averaged.

The Distressed Debt Funds

As General Partner to the Distressed Debt Funds, MAK DDF-I GP LLC may be entitled to a performance allocation or carried interest of 20% of the net profits earned from all portfolio companies in the Distressed Debt Funds, with a catch-up on the preferred return, calculated on each investment. The preferred rate of return will be 8% per annum on capital invested. MAK DDF-I GP LLC is subject of a “clawback” of carried interest previously received to the extent that MAK has received cumulative distributions in excess of amounts otherwise distributable to MAK by the Distressed Debt Funds as “carried interest.” In no event will MAK or its affiliates be required to restore more than the cumulative distributions received by MAK or its affiliates as “carried interest”, determined on an after-tax basis.

The Opportunity Funds

As General Partner to the Distressed Debt Funds, MAK OPF GP LLC may be entitled to a performance allocation or carried interest of 20% of the net profits earned from all portfolio companies in the Opportunity Funds, with a catch-up on the preferred return, calculated on each investment. The preferred rate of return will be 8% per annum on capital invested. MAK OPF GP LLC is subject of a “clawback” of carried interest previously received to the extent that MAK has received cumulative distributions in excess of amounts otherwise distributable to MAK by the Opportunity Funds as “carried interest.” In no event will MAK or its affiliates be required to restore more than the cumulative distributions received by MAK or its affiliates as “carried interest”, determined on an after-tax basis.

In our discretion, fees may be subject to individual negotiation.

No other hourly, flat or asset-based fees are charged to the Clients.

Item 7: Types of Clients

MAK's Clients consist of the Hedge Fund Investment Vehicles, Distressed Debt Funds and the Opportunity Funds. The initial subscription minimums for the Clients are disclosed in the PPMs of the respective Clients. Minimum investment for a managed account would be agreed upon between MAK and the managed account.

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

Investment Objective of the Hedge Fund Investment Vehicles

Our broad objective is to generate positive absolute returns through a multi-strategy investment approach. We focus on opportunistic investing designed to take advantage of macro and fundamental opportunities based on an analysis of the risk-reward outlook.

We expect to invest in a broad range of securities and financial instruments, including, without limitation, debt and equity securities (including preferred and convertible securities), bank debt, high-yield debt and equity securities of financially distressed companies and "small cap" companies, commodities, currencies, options, swaps, contracts for differences, investment partnerships, warrants, futures and other derivative financial instruments (collectively, "**Financial Instruments**"). Investments in Financial Instruments may be made on securities exchanges, over-the-counter and through privately negotiated transactions. Investments in commodities may be in physical commodities.

We may hold both long and short positions in Financial Instruments and may employ leverage to enhance returns subject to regulatory limits and contractual limitations imposed by prime brokers and other lenders. Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, and entering into other forms of direct or indirect borrowing.

The principal investment strategies may include:

(1) Capital Structure Investing. MAK generally pursues a fundamental value-oriented investing approach through investments in debt and equity securities and related derivative securities including, without limitation, in common, preferred and convertible securities, bank debt, debt and equity securities of high-yield and distressed issuers and warrants and derivative securities.

(2) Equity Pairs Trading. MAK may pursue a relative value equity pairs trading strategy. An equity pairs trade may involve the simultaneous purchase of a security (or basket of securities) in an industry sector and short sale of a different security (or basket of securities) in the same industry sector, seeking to capitalize on a valuation disparity between the securities. When utilizing this strategy, MAK's view is not necessarily that one stock will go up and the other will fall but rather that one will outperform/underperform the other.

(3) Special Situations. MAK may invest in special situations. A special situation investment may include investing in a company currently in, or expected to be subject to, bankruptcy, restructuring, operational turn-around, spin-offs or other similar corporate events. MAK may evaluate the potential effects of a corporate event on a company's valuation to identify potential value-oriented investment opportunities. These investments may be long or short and may generally not be hedged.

(4) Macro-Oriented Investments: MAK may seek to capitalize on or respond to its interpretation of the outlook for various macroeconomic factors through investments in commodities, currencies or other securities or investment vehicles or related derivative instruments. Such investments may be intended to hedge other parts of the portfolio against specific risks or macro factors, or may be independent investments in which MAK seeks to profit.

Investors should note that the foregoing is not intended to be an exhaustive description of the relevant investment strategies nor a complete list of all investment strategies that may be employed by MAK.

MAK cannot assure any of its investors or Hedge Fund Clients that its investment objective will be achieved or that losses on investments will be avoided. Investing in securities involves a risk of loss that investors should be prepared to bear.

Investment Objectives of Distressed Debt Funds

The Distressed Debt Funds seek to achieve long-term capital growth through opportunistic investments in stressed and distressed securities, issued primarily by middle market companies whose headquarters are located predominantly in North America and Europe. The Distressed Debt Funds' investment activities consist primarily of two broad categories: debt which has temporarily declined in value but is expected to rebound toward par, and debt which is expected to restructure, likely into equity or a combination of post-reorganization debt and equity. The Distressed Debt Funds also invests in distressed equities.

The Distressed Debt Funds employ a fundamental, deep-value approach to investing, with a long-term investment horizon and an emphasis on downside protection and capital preservation. That strategy focuses on developing a deep understanding of a variety of credits during normal times, allowing for time-sensitive investment decisions when liquidity emergencies arise. In the early stages of a distressed cycle capital is deployed primarily in debt where MAK believes the value of the underlying security, even in a severe downturn, exceeds the purchase price of the debt. During later stages of a distressed cycle MAK frequently will seek to take advantage of debt securities that it believes will be equitized and offer significant upside but with more volatility. During more normal times, MAK invests opportunistically in debt securities where it believes the risk/reward ratio is particularly compelling.

The Distressed Debt Funds may invest in a broad range of securities and other financial instruments, including, corporate debt, high yield, leveraged loans, "rescue financing" opportunities, bank debt (including through assignment and participation), private debt and equity securities (including preferred and convertible securities), DIP loans and other debt and equity securities where MAK believes there is a compelling risk/reward opportunity. The Distressed Debt Funds utilizes their multi-channel sourcing capability to identify those investment situations that are frequently misunderstood or mispriced by the market giving the Distressed Debt Funds the opportunity to purchase securities at a substantial discount to intrinsic value from holders looking to exit their current investment position. The Distressed Debt Funds' multi-channel sourcing capabilities includes its dedicated in-house research, algorithmic screening, and an established network of secondary market and direct investment deal sources, including investment referrals generated from the MAK hedge funds which has invested in stressed and distressed opportunities since its inception in 2002.

As part of its strategy, the Distressed Debt Funds targets companies with a stressed or distressed capital structure that likely will have to restructure or reorganize either in- or out-of-court due to excessive leverage, anticipated covenant defaults, insufficient earnings to cover current interest payments, an inability to meet or refinance maturing debt or other obligations, or current or long-term capital deficiencies. The Distressed Debt Funds favor investments in higher quality businesses where the financial distress is the result of overleverage or a downturn in an industry or economic cycle, as opposed to companies requiring considerable structural change to achieve profitability.

Depending on the scale of an investment opportunity and the potential to drive value through the restructuring process, the Distressed Debt Funds may engage in an activist strategy involving:

- Accumulating an influential position in the fulcrum security at a significant discount to intrinsic value;

- Assuming a leadership role in the restructuring process by joining the creditors committee;
- Exchanging debt for equity and helping to negotiate a meaningful ownership stake in the reorganized equity; and
- Working closely with the company post-restructuring through various means including membership on the company's board of directors to seek to improve operating results, increase enterprise value, and achieve a profitable exit.

Focusing on downside protection and capital preservation are fundamental investment tenants of the Distressed Debt Funds. In executing its investment strategy in distressed securities, the Distressed Debt Funds will strive to invest in a manner that will achieve superior risk-adjusted returns while preserving capital throughout the investment process and over the life of an investment. MAK will seek to achieve downside protection and capital preservation by:

- Investing in differentiated businesses with defensible market positions frequently at the trough of an industry or other cycle;
- Maintaining a conservative evaluation process which seeks to ensure the security is purchased at an appropriate discount to intrinsic value; and
- Employing a process-driven sell/exit discipline to ensure investments are held for sufficient durations to realize the maximum upside balanced by the importance of monetizing positions when they approach full value.

While the Distressed Debt Funds will focus exclusively on distressed opportunities, the Distressed Debt Funds have broad and flexible investment authority in order to properly structure investments. Accordingly, the Distressed Debt Funds' investments at any time may include positions in U.S. or non-U.S. publicly-traded or privately-issued common stocks, preferred stocks, restricted stocks, stock warrants and rights, exchange-traded funds, corporate or sovereign debt, bonds, notes or other debentures, convertible securities (debt and equity), options (purchase and sold), royalties, futures contracts (including financial futures), swaps, forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies or investment funds (including closed-ended and open-ended funds whether listed or unlisted).

Further, the Distressed Debt Funds have complete flexibility to, and from time to time may, create or organize (alone or in conjunction with others, including MAK or other affiliates) or otherwise utilize special purpose subsidiaries, affiliates, feeders or other special purpose investment or financing vehicles, swaps or other derivatives or structured products to access investments, particularly in instances where MAK, in its sole discretion, determines that there is a potential tax, regulatory, finance, confidentiality or other advantage to such structured product, instrument or entity. Investments through these entities and similar arrangements entail certain additional risk.

Investment Objectives of Opportunity Funds

The Opportunity Funds seek to achieve long-term capital growth, generally through opportunistic investments in less liquid securities issued primarily by middle market companies headquartered predominantly in North America and Europe. The Opportunity Funds intends to take advantage of macro and fundamental opportunities based on an analysis of the risk-reward outlook given the particular market conditions at the time of an investment. Investments will include both distressed and non-distressed securities. Non-distressed investments will likely include situations where pricing anomalies, size or speed of investment, an activist opportunity or the perception of a

particularly strong risk/reward dynamic provide a compelling investment opportunity. The Opportunity Funds investment activities in distressed securities will likely consist of two broad categories: debt or equity which has temporarily declined in value but is expected to rebound (toward par, in the case of debt), and debt which is expected to restructure, likely into equity or a combination of post-reorganization debt and equity.

The Opportunity Funds will employ a fundamental, deep-value approach to investing, with a long-term investment horizon and an emphasis on downside protection and capital preservation.

The Opportunity Funds expect to invest in a broad range of securities and other financial instruments, including publicly traded and private equity (including preferred equity), equity derivatives such as convertible preferred shares and convertible bonds, investment partnership interests, exchange traded funds, corporate debt, high yield debt, leveraged loans, “rescue financing” opportunities, bank debt (including through assignment and participation), private debt (including related derivative securities), DIP loans, commodities, currencies, options, swaps, contracts for differences, warrants, futures, digital assets, and other securities where the Investment Manager believes there is a compelling risk/reward opportunity (collectively, “Financial Instruments”). Investments in Financial Instruments may be made on securities exchanges, over-the-counter and through privately negotiated transactions. The Opportunity Funds do not expect to employ leverage although it may invest in derivative instruments that are inherently leveraged, or other forms of indirect leverage incidental to particular investment.

The Opportunity Funds will utilize its multi-channel sourcing capability to identify those investment situations that are frequently misunderstood or mispriced by the market. The Fund may take advantage of opportunities to purchase securities at a substantial discount to intrinsic value from holders looking to exit their current investment position. The Fund’s multi-channel sourcing capability includes its dedicated in-house research, algorithmic screening, and an established network of secondary market and direct investment deal sources, including investment referrals generated from the Investment Manager’s multi-strategy hedge fund which has invested in stressed and distressed opportunities since its inception in 2002.

With regard to investment in credit opportunities, the Firm anticipates being involved with credit investing throughout all stages of the credit cycle, but being particularly active during distressed phases. The Opportunity Funds anticipate continuing to implement the distressed strategy employed by MAK Capital Fund LP, a multi-strategy hedge fund that is managed by the Investment Manager. That strategy focuses on developing a deep understanding of a variety of credits during normal times, allowing for time-sensitive investment decisions when liquidity emergencies arise. As part of its strategy, the Opportunity Funds will target companies with a stressed or distressed capital structure that likely will have to restructure or reorganize either in- or out-of-court due to excessive leverage, anticipated covenant defaults, insufficient earnings to cover current interest payments, an inability to meet or refinance maturing debt or other obligations, or current or long-term capital deficiencies. The Opportunity Funds favors investments in higher quality businesses where the financial distress is the result of overleverage or a downturn in an industry or economic cycle.

In the early stages of a distressed cycle capital is deployed primarily in debt where the Firm believes the value of the underlying security, even in a severe downturn, exceeds the purchase price of the debt. During later stages of a distressed cycle the Firm frequently will seek to take advantage of debt securities that it believes will be equitized and offer significant upside but with more volatility. During more normal times, the Firm will invest opportunistically in debt securities where it believes the risk/reward ratio is particularly compelling.

Depending on the scale of an investment opportunity and the potential to drive value through the restructuring process, the Fund may engage in an activist strategy involving:

- Accumulating an influential position in the fulcrum security at a significant discount to intrinsic value;
- Assuming a leadership role in the restructuring process by joining the creditors committee;
- Exchanging debt for equity and helping to negotiate a meaningful ownership stake in the reorganized equity; and
- Working closely with the company post-restructuring through various means including membership on the company's board of directors to seek to improve operating results, increase enterprise value, and achieve a profitable exit.

Focusing on downside protection and capital preservation are fundamental investment tenets of the Fund. The Fund will strive to invest in a manner that will achieve superior risk-adjusted returns while preserving capital throughout the investment process and over the life of an investment. The Investment Manager will seek to achieve downside protection and capital preservation by:

- Investing in differentiated businesses with defensible market positions frequently at the trough of an industry or other cycle;
- Maintaining a conservative evaluation process which seeks to ensure each security is purchased at an appropriate discount to intrinsic value;
- Employing a process-driven sell/exit discipline to ensure investments are held for sufficient durations to realize the maximum upside balanced by the importance of monetizing positions when they approach full value.

Risk Factors Relating to the Hedge Fund Investment Vehicles

The following are material risks involved in MAK's investment strategy in relation to advising the Hedge Fund Investment Vehicles. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy. In addition, certain of these risk factors may also be applicable to the Distressed Debt Funds.

- We may invest part of the Hedge Fund Clients' assets in investments that either lack a readily assessable market value or should be held until resolution of a special event or circumstance. Certain of these and other investments may be very illiquid, and may not be able to be sold at prices that reflect our assessment of their value. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of certain investments, especially those in financially distressed companies, may require a long holding period prior to profitability. To the extent permissible in accordance with an Hedge Fund Investment Vehicle's governing documents, we may designate certain illiquid investments as "special investments." If an investment is designated as a special investment, a withdrawing investor with an interest in a special investment will not receive any amount in respect of such interest until the related special investment is realized or

deemed realized. In addition, regardless of whether an investment may be designated as a special investment, MAK may have difficulty selling illiquid securities and other investments, perhaps causing MAK to have difficulty in meeting redemption requests at certain times or in certain market conditions.

- MAK's hedge fund investment program involves selling short, in which a Hedge Fund Client account sells a security it does not own in anticipation of a decline in the market value of the security. Shorts that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Under adverse market conditions, it may be difficult or impossible to purchase securities to meet short sale delivery obligations. Furthermore, a Hedge Fund Client account might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.
- Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies, commodities or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency, commodity or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading, including liquidity risk and counterparty risk.
- Investing in loans, securities traded over-the-counter, swaps, "synthetic" or derivative instruments, repurchase agreements, certain types of options and other customized financial instruments, and, in certain circumstances, non-U.S. securities, creates the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.
- Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and certain foreign securities markets, potentially including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; and (iv) the extension of credit, especially in the case of sovereign debt.
- MAK may leverage positions for the Hedge Fund Investment Vehicles and the Distressed Debt Funds by borrowing funds from securities broker dealers or others.

Leverage increases both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the investments would be amplified. Interest on borrowings will be a portfolio expense of the Clients and will affect the operating results of the Clients. Investing in options and other derivatives provides significantly more market exposure than investing directly in the underlying asset. Accordingly, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Clients to the possibility of a loss exceeding the original amount invested. In addition, the value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof.

- MAK's investment program for the Hedge Fund Investment Vehicles and the Distressed Debt Funds will not necessarily be widely diversified. Accordingly, the investment portfolio of the Hedge Fund Clients may be subject to more rapid changes in value than would be the case if the Hedge Fund Clients maintained a wide diversification among companies, securities and types of securities.
- Trading in commodity and futures contracts and options thereon are highly specialized activities that may entail greater than ordinary investment risks. Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates among others. In addition, because of the low margin of deposit normally required in futures trading, a high degree of leverage is typical of a futures trading account. Consequently, a relatively small price movement in a futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in a particular type of future beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – the Partnership could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Risk Factors Relating to Distressed Debt Funds

The following are material risks involved in MAK's investment strategy in relation to advising the Distressed Debt Funds. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy. In addition, certain of these risk factors may also be applicable to the Hedge Fund Investment Vehicles.

- If the Distressed Debt Funds invest in corporate loans by purchasing a participation, the Distressed Debt Funds will only have a contractual relationship with the selling institution, and not the borrower. As a result, the Distressed Debt Funds will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any right of set-off against the borrower, nor the right to object to certain changes of the loan agreed by the selling institution. Under the laws of the U.S., the Distressed Debt Funds may be

treated as the creditor of such selling institution, and may not have any senior claim with respect to the secured loan. Consequentially, the Distressed Debt Funds may be subject to the credit risk of the selling institution as well as of the borrower.

- The Distressed Debt Funds finance its investments using various techniques, and its ability to fund its investments may be impacted by its ability to secure bank credit facilities, warehouse facilities and structured financing arrangements, public and private debt issuances and derivative instruments, as well as transaction or asset specific funding arrangements. The Distressed Debt Funds' financing will depend on multiple factors such as general economic or market conditions, the market's view of the quality of the Distressed Debt Funds' assets, the market's perception of the Distressed Debt Funds' growth potential, and the Distressed Debt Funds' current and potential future earnings and cash distributions. As a result, any weakness in the capital and credit markets could adversely affect the Fund's lenders and could cause one or more the Distressed Debt Funds' lenders to be unwilling or unable to provide the Distressed Debt Funds with financing or to increase the costs of the financing.
- If the Distressed Debt Funds invest in trade receivables of operating companies or bank loans, it is typically hard to value and these investments may be highly illiquid. As these instruments are typically in default, collection may be through a lead bank acting as a servicer or through bankruptcy or other formal or informal collection proceedings. Despite being available at a discount to their face value, these investments should be considered highly speculative.
- Zero-coupon securities are debt obligations which are generally issued at a discount and are payable in full maturity. Zero-coupon securities trade at a deep discount from their face value and are thus subject to greater market value fluctuations from changing interest rates than debt obligations of comparable maturities which make current distributions of interest.
- The Distressed Debt Funds may invest in privately issued securities that are subject to legal or contractual restrictions, but these securities are also typically hard to value. Consequentially, disposition of privately issued securities may be difficult and require a lengthy period of time.
- The Distressed Debt Funds may also invest in credit default swaps, which is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. Institutions with corporate debt instruments can enter into a credit default swap with another bank, broker-dealer, or financial intermediary by purchasing a limited form of default protection. These swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. They also can be used to implement MAK's view that a particular credit will experience credit improvement. The Distressed Debt Funds may purchase credit default protection even in the case in which it does not own the referenced instrument if, in the judgement of the Investment Manager, there is high likelihood of credit deterioration.
- The Distressed Debt Funds will invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth. As a result, these investments may involve substantial financial and business risks that can result in substantial, or even total, losses. Inherent risks include difficulty obtaining

information as to the true conditions of issuers, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, or disenfranchise claims. The market prices of such securities are also subject to erratic market movements and above-average price volatility.

- The Distressed Debt Funds will also invest and trade, long and short, in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" debt securities. These securities face ongoing uncertainties and exposures to adverse business, financial, or economic conditions, resulting in the issuer's inability to meet timely interest and principal payments. These securities are highly volatile and illiquid. They tend to be more sensitive to economic conditions than higher rated securities. The risk inherent in such securities may be offset by hedging techniques, but this is not always the case. In some instances, hedging could compound the risk.
- The Distressed Debt Funds' ability to invest in high yield debt securities involves the risks of changes in credit status, industry, market, and economic risk, interest rate fluctuations, and greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. As a result, these risks may result in greater upward and downward movement of the value of the Distressed Debt Funds' portfolio. Additionally, the value of high yield securities may be more susceptible to real or perceived adverse economic, company, or industry conditions. These conditions make it more difficult to sell certain high yield securities held by the Distressed Debt Funds.
- Lender liability is the principle that an institutional lender has violated a duty of good faith, fair dealing, or assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower. This principle supports the borrower's right to sue lending institutions. The nature of MAK's Distressed Debt Funds' investments could be subject to allegations of lender liability. Further, some common law principles that form the basis for lender liability claims including if a lending institution intentional takes action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower or engages in other inequitable conduct, a court can elect to subordinate a claim of the offending lending institution to the claims of the disadvantaged creditor or creditor, a process called "equitable subordination." As a result, the Distressed Debt Funds could be subject to claims from an obligor's creditors that investments issued by such obligor that are held by the fund should be subject to equitable subordination.
- Interest rate risk is the risk that interest rates will rise, so that the value of the security will fall. The value of the fixed-income component of a convertible security generally can be expected to fall when the interest rates rise and rise when interest rates fall. Duration measures the price sensitivity of a security to changes in interest rates and it is the primary measure of risk within the fixed-income component of a convertible security.
- As with the Hedge Fund Investment Vehicles, in managing the Distressed Debt Funds, MAK may utilize financial instruments to hedge against fluctuations in the relative values of its portfolio positions. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of the portfolio positions or prevent losses if the values of the positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' values. It may not be possible for the Distressed Debt Funds to hedge against a fluctuation at a price

sufficient to protect the Distressed Debt Funds assets from the decline in value of the portfolio positions.

- Special situations include companies involved in acquisition attempts or tender offers or companies undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes. MAK's Distressed Debt Funds may invest in these special situations, but there is a risk of the transaction being unsuccessful, or that it will take considerable time, or that it will result in the distribution of cash or a new security, the value of which will be less than the purchase price. Due to substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a risk of loss for the Distressed Debt Funds.

Risk Factors Relating to Opportunity Funds

The following are material risks involved in MAK's investment strategy in relation to advising the Opportunity Funds. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy. In addition, certain of these risk factors may also be applicable to the Hedge Fund Investment Vehicles and Distressed Debt Funds.

- The Opportunity Funds will invest and trade 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 face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. Such securities tend to be highly volatile and illiquid. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. Any 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. The Fund's ability to realize significant appreciation in the value of such securities may depend upon the issuer's ability to achieve a successful reorganization or restructuring. The risk inherent in such securities may be offset by hedging techniques, but this is not always the case. In some instances, hedging could compound the risk.
- The tax accounting rules with respect to the timing and character of income and losses on investments in distressed debt instruments may result in adverse tax consequences. For instance, Limited Partners may be required to include in income accrued interest, "original issue discount," and, potentially, "market discount" (each of which will be ordinary income), with respect to debt instruments held by the Fund even though there is uncertainty as to whether such amounts and/ or the ultimate principal amount will ever be received by the Fund. If an item of income is accrued and subsequently becomes uncollectible, the effect is a deduction, rather than the elimination of the accrual, even if the item becomes uncollectible in the same tax year that it is accrued. Accordingly, Limited Partners may be subject to character mismatches where the Fund is required to accrue an amount of interest, original issue discount or market discount with respect to

a capital asset which is subsequently sold at a loss. In addition, if a debt instrument held by the Fund is modified, Limited Partners may be required to recognize gain as a result of the modification.

- Investing in high yield debt securities involves risks which are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default, (ii) industry, market and economic risk, (iii) interest rate fluctuations and (iv) greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater upward and downward movement of the value of the Fund's portfolio. Furthermore, the value of high yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. Adverse market, credit or economic conditions could make it difficult at certain times to sell certain high yield securities held by the Fund.
- The Opportunity Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to exit its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.
- The Firm may, from time to time, seek to be an active participant in the development or implementation of operating strategies of companies. There exists the risk in activist investing that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the Opportunity Funds's purchase of the securities and the anticipated results. Additionally, if the anticipated results do not in fact occur, the Opportunity Funds may be required to sell its investment at a loss. Moreover, there may be instances where the Opportunity Funds will be restricted in transacting in or redeeming a particular investment as a result of such strategy. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the Opportunity Funds may invest, there exists a potential risk of loss by the Partnership of its entire investment in such companies.

The Opportunity Funds may also attempt to build strong relationships with company management. In certain cases, the Fund's attempts to influence a company's management may result in the Fund taking a seat on the company's board of directors. In such a case, there exists the risk that the Fund will be restricted in transacting in or redeeming its investment in that company as a result of, among other things, legal restrictions on transactions by company directors or affiliates. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the Fund

may invest, there exists a potential risk of loss by the Fund of its entire investment in such companies.

Moreover, it is possible that the Fund may become involved in litigation (as either plaintiff or defendant) as a result of any activist activities. Litigation entails expense and the possibility of counterclaims against the Fund and ultimately judgments may be rendered against the Fund for which the Fund may not carry insurance.

- The Opportunity Funds may purchase warrants and rights. Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants and rights may be considered more speculative than certain other types of equity-like securities. In addition, the values of warrants and rights do not necessarily change with the values of the underlying securities or commodities and these instruments cease to have value if they are not exercised prior to their expiration dates. As noted above, in certain instances it may not be possible to liquidate warrants held by the Fund prior to the end of the Term and accordingly, the Fund will continue and such assets will be liquidated by the Firm in an orderly manner following expiration of the Term.
- To the extent that the Opportunity Funds own a controlling stake in, has representatives on a board of directors, or is deemed an affiliate of a particular company, it may be subject to certain additional securities laws restrictions which could affect both the liquidity of the Fund's interest and the Fund's ability to liquidate its interest without adversely impacting the investment's price, including insider trading restrictions, the affiliate sale restrictions of Rule 144 of the Securities Act, and the disclosure requirements of Sections 13 and 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, to the extent that affiliates of the Fund, the General Partner or the Investment Manager are subject to such restrictions, the Fund, by virtue of its affiliation with such entities, may be similarly restricted, regardless of whether the Fund stands to benefit from such affiliate's stock ownership. Furthermore, where members of MAK Capital serve as directors of certain of the companies, they may have duties to persons other than the Fund.

If the Opportunity Funds, alone or as part of a group acting together for certain purposes, becomes the beneficial owner of more than 10% of certain classes of securities of a U.S. public company or places a director on the board of directors of such a company, the Fund may be subject to certain additional reporting requirements and to liability for short-swing profits under Section 16 of the Exchange Act. Furthermore, the Fund may also be subject to similar reporting requirements in non-U.S. jurisdictions where it holds significant positions in the securities of public companies in such jurisdictions.

- From time to time, the Firm may receive material non-public information with respect to an issuer of publicly traded securities (including in connection with a member of MAK Capital serving as a director of a public company). In such circumstances, the Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position

in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Item 9: Disciplinary Information

MAK has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

Item 10: Other Financial Industry Activities and Affiliations

As mentioned above, Michael Kaufman is the sole owner and Managing Member of MAK GP, L.L.C, MAK DDF-I GP LLC and MAK OPF GP, LLC. These Entities are not separately registered as an investment adviser with the SEC, but are subject to the Advisers Act, relying on MAK's registration in accordance with the no-action position taken by the SEC staff in the letter to the American Bar Association, Business Law Section (Jan. 18, 2012).

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

Participation or Interest in Client Transactions

Employees, affiliates of the employees, and relatives of the employees may make investments in the Investment Vehicles. MAK may or may not receive any compensation from such investments from employees.

MAK and MAK affiliates and employees have a financial interest in the Investment Vehicles through a performance allocation or a direct investment interest in the Investment Vehicles. As such, MAK could be considered to have recommended to investors that they buy or sell securities or investments in which the applicant or a related person has some financial interest.

Code of Ethics and Employee Investment Policy

We have adopted a Code of Ethics and Employee Investment Policy that establish various procedures with respect to conflicts of interest including investment transactions in accounts in which employees of MAK or related persons have a beneficial interest or accounts over which an employee has investment discretion.

In general, employees (and members of their immediate households) must obtain written pre-approval from both the CCO and Michael Kaufman prior to executing a personal transaction in equity securities, fixed income products, ETFs, options, futures and most other securities and financial instruments other than money market funds or certificates of deposit. In addition, employees may not acquire securities for their own account in an initial public offering without the consent of the CCO. Employees must also obtain pre-approval from both the CCO and Michael Kaufman before engaging in any outside business activities or investing in private placements.

All MAK employees must provide their brokers statements to the CCO on no less than quarterly basis. These records are used to monitor compliance with the foregoing policies.

MAK's Code of Ethics and Employee Investment Policy are available to Clients upon request.

MAK or its employees may invest in the same securities or other financial instruments in which MAK invests on behalf of its Clients. Such practices present a conflict when, because of the information MAK has, MAK or its covered persons are in a position to trade in a manner that could adversely affect MAK's Clients (e.g., place their own trades before or after trades for the Clients are executed in order to benefit from any price movements due to such trades). MAK's Code of Ethics and Employee Investment Policy contain policies and procedures designed to minimize any actual or potential conflicts.

Item 12: Brokerage Practices

The Hedge Fund Investment Vehicles

In selecting brokers for execution we assess the reasonableness of their compensation and commissions charged based on the range and quality of a broker's services including execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility, and responsiveness.

In selecting a broker-dealer to execute transactions and determining the reasonableness of the broker dealer's compensation, MAK need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not MAK's practice to negotiate "execution only" commission rates, thus a Hedge Fund Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

We may from time to time speak at conferences and programs for investors interested in investing in hedge funds which are sponsored by prime brokers. These conferences and programs may be a means by which we can be introduced to potential investors or clients. Prime brokers generally are not compensated for providing such "capital introduction" opportunities. In addition, prime brokers may provide financing and other services to the Investment Vehicles. MAK may place portfolio transactions for Hedge Fund Clients with such firms, if MAK determines that it is otherwise consistent with seeking best execution. In no event will we select a broker-dealer as a means of remuneration for recommending MAK or any Hedge Fund Client or affording us with the opportunity to participate in capital introduction programs.

MAK may use "soft dollars" generated through brokerage transactions for research, brokerage and research-related products and services. Such use falls within the safe harbour provided under Section 28(e) of the Securities Exchange Act of 1934, as amended.

We do aggregate trades for multiple Hedge Fund Clients. Upon execution of an aggregated trade for multiple accounts, the shares of the trade are allocated amongst the multiple participating Hedge Fund Client accounts at an average price to the extent appropriate or practicable.

The Distressed Debt Funds

The Distressed Debt Funds do not generally make investments in securities listed on national exchanges. While the Distressed Debt Funds primarily make investments directly with private issuers, there may be situations where the Distressed Debt Funds place a trade(s) through a broker, particularly if there has been a liquidity event in a portfolio holding. In such circumstances, the Distressed Debt Funds will seek "best execution" in light of the circumstances involved in transactions. In selecting a broker for any transaction for the Distressed Debt Funds, MAK may consider a number of factors similar to those assessed when executing for the Hedge Fund Investment Vehicles.

As with the Hedge Fund Investment Vehicles, in executing for the Distressed Debt Funds, MAK will monitor transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers that the Distressed Debt Funds use in order to determine that commission rates are competitive and otherwise to evaluate the reasonableness of the commission rates paid to those brokers and dealers in light of all the factors described above.

The Opportunity Funds

In selecting brokers for execution we assess the reasonableness of their compensation and commissions charged based on the range and quality of a broker's services including execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility, and responsiveness.

In selecting a broker-dealer to execute transactions and determining the reasonableness of the broker dealer's compensation, MAK need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not MAK's practice to negotiate "execution only" commission rates, thus a Hedge Fund Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

We may from time to time speak at conferences and programs for investors interested in investing in hedge funds which are sponsored by prime brokers. These conferences and programs may be a means by which we can be introduced to potential investors or clients. Prime brokers generally are not compensated for providing such "capital introduction" opportunities. In addition, prime brokers may provide financing and other services to the Investment Vehicles. MAK may place portfolio transactions for Hedge Fund Clients with such firms, if MAK determines that it is otherwise consistent with seeking best execution. In no event will we select a broker-dealer as a means of remuneration for recommending MAK or any Hedge Fund Client or affording us with the opportunity to participate in capital introduction programs.

MAK may use "soft dollars" generated through brokerage transactions for research, brokerage and research-related products and services. Such use falls within the safe harbour provided under Section 28(e) of the Securities Exchange Act of 1934, as amended.

We do aggregate trades for multiple Opportunity Funds. Upon execution of an aggregated trade for multiple accounts, the shares of the trade are allocated amongst the multiple participating Opportunity Funds accounts at an average price to the extent appropriate or practicable.

Item 13: Review of Accounts

Review of Accounts

Michael Kaufman frequently reviews the Hedge Fund Investment Vehicles' Distressed Debt Funds' and Opportunity Funds accounts to assure conformity with the relevant investment objectives and guidelines.

In particular, we engage in active management for the Hedge Fund Investment Vehicles and, accordingly, review our transactions, positions and cash balances on a daily basis.

Reporting

Each investor in the Hedge Fund Investment Vehicles, Distressed Debt Funds or Opportunity Funds will receive reports as described in the applicable PPM of the relevant fund.

Item 14: Client Referrals and Other Compensation

We do not currently compensate, either directly or indirectly, persons for client referrals or referrals of Investors in the Hedge Fund Investment Vehicles, Distressed Debt Funds or the Opportunity Funds.

As discussed herein, Michael Kaufman and/or employees of MAK currently serve on, and may in the future serve on, boards of directors of certain companies and receive compensation in connection therewith. Any compensation including, but not limited to, fees, stock options, and/or stock grants received by Michael Kaufman or any other MAK employee in connection with such service will be paid to such person in their individual capacity and any compensation will not reduce the Management Fee paid to MAK.

Item 15: Custody

MAK GP L.L.C, MAK DDF-I GP LLC and Mak OPF GP LLC are deemed to have custody over the funds because it serves as general partner of those funds.

MAK GP LLC MAK DDF-I GP LLC and MAK OPF GP LLC are subject to Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"). However, it is not required to comply (and is not deemed to have complied) with certain requirements of the Custody Rule with respect to the Hedge Fund Investment Vehicle because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each applicable private 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 applicable fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

Item 16: Investment Discretion

MAK has the authority to determine (i) the securities to be purchased and sold for the Hedge Fund Investment Vehicles, Distressed Debt Funds and Opportunity Funds and (ii) the amount of

securities to be purchased or sold for the Hedge Fund Investment Vehicles, Distressed Debt Funds and the Opportunity Funds.

Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients with respect to securities and financial instruments held in the particular fund(s).

Item 17: Voting Client Securities

Proxy Voting Policy

To the extent that MAK has been delegated proxy voting authority on behalf of its Clients, MAK has adopted proxy voting policies and procedures that are designed to ensure that in cases where MAK votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. In fulfilling its obligations to its advisory Clients, MAK seeks to act in a manner that will enhance the economic value of the underlying securities held by each Client. Investors in the Investment Vehicles are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between MAK and a Client exists with respect to voting proxies, MAK will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the Client.

Upon request from a Client, MAK will provide such Client with a copy of its proxy voting policies and procedures and information about how MAK voted proxies on behalf of such Client.

Item 18: Financial Information

MAK has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.