PROTECTED MATERIALS

Relating to the PRIM Board Meeting
Tuesday, August 11, 2015

The following are protected materials consisting of trade secrets or commercial or financial information relating to the investment of public trust or retirement funds, the disclosure of which would likely impair the ability to obtain such information in the future or cause substantial harm to the competitive position of the person or entity from whom the information was obtained.

Contents

Appendices

I. Direct Hedge Fund Recommendation: Mudrick Capital Distressed Opportunity Strategy.

Manager Name:	Mudrick Capital Management
Fund/Strategy Name:	Mudrick Distressed Opportunity
Manager Size:	$1.2 billion
Fund/Strategy Size:	$780 million

Firm Overview

The Mudrick Distressed Opportunity strategy aims to achieve equity-like returns with credit-like risk and volatility in a relatively uncorrelated fashion to the overall markets. The portfolio is comprised of long and short investments primarily in distressed leveraged loans, distressed bonds, post-bankruptcy securities and other event driven special situations. Mudrick seeks to use the potential or actual restructuring process as a catalyst to capture the spread between market price and net asset values. Mudrick seeks to purchase cash flow positive businesses at low multiples of operating cash flow and uses its short portfolio to hedge longs, market/macro risks and generate alpha from overvalued securities. The strategy focuses primarily in North America and looks across the capital structure.

In addition to the issuer size premium enjoyed by the strategy, Mudrick's portfolio also offers uncorrelated returns to other stressed/distressed managers. Mudrick has been able to deploy capital in the current market environment and has been able to avoid larger "on-the-run" investment names with significant market beta. The combination of detailed bottom up analysis with the middle market focus has led to significant "credit selection alpha" relative to the index over time.

Firm History and Ownership

Mudrick Capital was founded in February 2009 by Jason Mudrick; the fund has an event-driven stressed/distressed credit mandate with catalysts coming from the restructuring process. Prior to founding Mudrick Capital, Jason Mudrick joined Contrarian Capital Management in 2001 where he focused on distressed investing. In October 2002, Mudrick launched the Contrarian ("post re-org") Equity Fund, which was an investment vehicle focused on purchasing distressed debt that would be restructured into equity, post-bankruptcy equities and other event-driven deep value special situations. As Managing Director and Portfolio Manager at Contrarian, Jason Mudrick grew the Contrarian Equity Fund to peak assets of approximately $400mn and close to $1bn in total assets for the strategy (including the positions in Contrarian's other funds co-invested alongside Jason's fund). Jason left Contrarian in October 2008 to launch Mudrick Capital. The Contrarian fund has an audited track record (19.5% net annualized return) from October 2002 – October 2008.

The firm has 17 employees, of which 8 are investment professionals. The firm has been looking to further match assets to investor liabilities and has announced its plan to close the quarterly investor share class to new investors (currently representing $500mn) at year-end and concurrently launch a drawdown vehicle. The firm also manages two sidecar funds allowing investors to size up its media (15% NAV) and energy themes (20% NAV); these sidecar funds were created in 2014 and 2015 respectively.

Officer	Biography
Jason Mudrick, President & Chief Investment Officer	Jason Mudrick is the primary risk taker at the firm. Mudrick is actively involved in the corporate restructuring process and has served on multiple creditors' committees and served on the Board of Directors of numerous public and private companies including Safety-Kleen Holdings, Integrated Alarm Services Group, Salton and Rotech Healthcare. In October 2002 Jason Mudrick launched the Contrarian ("post re-org") Equity Fund which was an investment vehicle focused on purchasing distressed debt that would be restructured into equity, post-bankruptcy equities and other event-driven deep value special situations. As Managing Director and Portfolio Manager at Contrarian, Jason Mudrick grew the Contrarian Equity Fund to peak assets of ~$400mn and close to $1bn in total assets (including the positions Contrarian's other funds co-invested alongside Jason's fund). Jason left Contrarian in October 2008 to launch Mudrick Capital. The fund has an audited track record (19.5% net annualized return) from October 2002 – October 2008. Jason earned a B.A. in Political Science from the University of Chicago and a J.D., *cum laude*, from Harvard Law School.
Victor Danh Head of Research & Senior Analyst	Victor Danh is Head of Research and a Senior Analyst at Mudrick Capital. He is responsible for analyzing distressed credit and equity opportunities across a diverse range of industries and oversees the research team. Danh focused on deep value and distressed investments in a wide range of industries across the entire capital structure while at Contrarian with Jason Mudrick. Victor earned an A.B. in Economics from Harvard University.
David Kirsch Senior Analyst	David Kirsch is a Senior Analyst at Mudrick Capital responsible for analyzing distressed credit and equity opportunities across a diverse range of industries. David was a Senior Analyst and Managing Director at Miura Global Management (a global long-short equity hedge fund) covering the financial and consumer industries across the Americas, Europe and Asia. David has restructuring experience as a Director at Alvarez & Marsal. He served in management roles on an interim basis for distressed companies and advised creditors on balance sheet solutions. Engagements include representing Senior Secured Creditors in the Delphi and Oneida restructurings and overseeing the Tarragon (public real estate development company) Finance Department during its restructuring. David earned a B.S. in Economics, *magna cum laude*, from the Wharton School at the University of Pennsylvania.

Fund Strategy
Mudrick focuses on "off-the-run" opportunities typically overlooked by larger distressed-focused firms; its investment universe consists of companies with enterprise values between $500mn-$2bn ("middle market" companies). Mudrick Capital is a value-focused, fundamentally driven investment firm with a niche in identifying value created by balance sheet events, or more generally, the restructuring process (potential or realized). Balance sheet events are used as a catalyst to capture the spread between market and net asset values. The fund focuses on low security valuations with a higher perceived margin of safety (2-4x EBITDA, cash flow positive) and repairable capital structures. Mudrick limits its investment universe to the U.S. and Canada but will deploy cash across the entire capital structure in a diverse mix of industries.

The strategy benefits from the spread between larger company (>$5bn EV) high-yield and middle market high-yield, which has grown over the past 36 months given the middle market's difficulty in accessing the capital markets. Mudrick believes there are only 10 or so other hedge funds of its size that can complete security analysis and steer a restructuring process to the same level of diligence as Mudrick.

The high-yield and levered loan universe currently consists of $5tn in par value outstanding, and by number of issuers approximately 50% of this universe is comprised of companies that are below $1.5bn in enterprise value. The $750bn middle market high-yield/leveraged loan security universe, while extensive, is often too small for larger distressed funds to dedicate significant resources towards individual credits.

Investment Characteristics
(i) low securities valuations and higher perceived margin of safety (2-4x EBITDA; cash flow positive; large discount to asset value: expanding margins).
(ii) "good" businesses with repairable capital structures (i.e., companies with high barriers to entry, difficult to replicate).
(iii) securities trading at discounted valuations due to event-related dynamics (facing technical selling pressure, complex and difficult to analyze distressed situations, possessing potential catalysts for value recognition).
(iv) favorable risk/reward opportunities (capital structure arbitrage, pre-bankruptcy, distressed securities, post-bankruptcy securities).

Risk Management and Operational Review
Mudrick seeks to control risk through its bottom-up research approach on each individual security (roughly 35-40 names). Mudrick utilizes a deep value investment methodology of seeking to purchase free cash flow positive businesses at low multiples of earnings to provide some margin of safety. The strategy guidelines generally call for limited or no use of leverage on the long side and some hedging using bond shorts, CDS and equity index puts to manage downside risk. Additionally, the firm has been very deliberate in matching the liquidity terms of the strategy with the liquidity of the underlying assets in the portfolio.

Investment limits:

(i) Single company to be < 20% of NAV; typically single positions will not exceed 10% of NAV
(ii) Single industry to be < 50% of NAV
(iii) Total Non-US investments to be < 49% of NAV
(iv) Emerging Markets to be < 20% of NAV

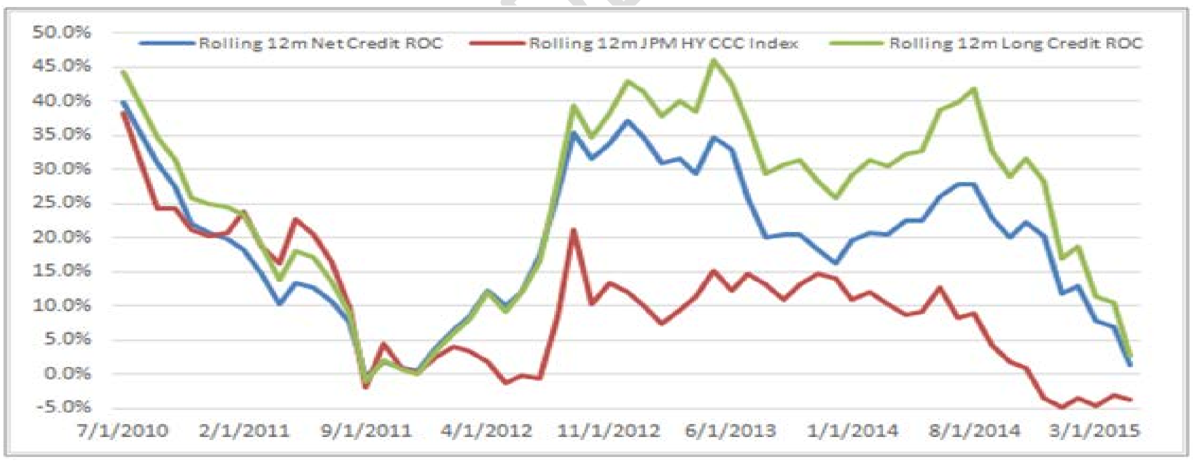
Additional flexibility will be provided in the mandate to allow Mudrick to invest up to 20% of the portfolio in opportunistic, less liquid or other investments not otherwise accessible through the Mudrick flagship program or as otherwise agreed by the parties.

Fund Performance and Fees

Mudrick Monthly Net Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	-0.90%	2.60%	-2.30%	0.80%	-2.50%								-2.37%
2014	5.30%	1.60%	2.10%	1.50%	2.40%	2.50%	0.30%	0.80%	-1.60%	-0.80%	0.50%	0.20%	15.65%
2013	2.10%	0.50%	1.80%	0.20%	1.90%	-0.40%	-0.40%	0.80%	1.30%	0.60%	-2.70%	1.90%	7.76%
2012	4.10%	2.40%	1.60%	1.20%	-0.60%	0.90%	2.80%	3.60%	0.80%	0.70%	0.20%	2.40%	21.93%
2011	1.20%	0.60%	0.10%	-1.10%	0.60%	-0.30%	0.20%	-2.40%	-5.80%	4.00%	-1.60%	1.00%	-3.75%
2010	2.00%	1.10%	1.70%	2.00%	-0.90%	-0.20%	1.70%	0.80%	1.70%	0.50%	-0.40%	0.90%	11.40%
2009							1.90%	1.20%	1.50%	2.00%	3.30%	4.30%	15.03%

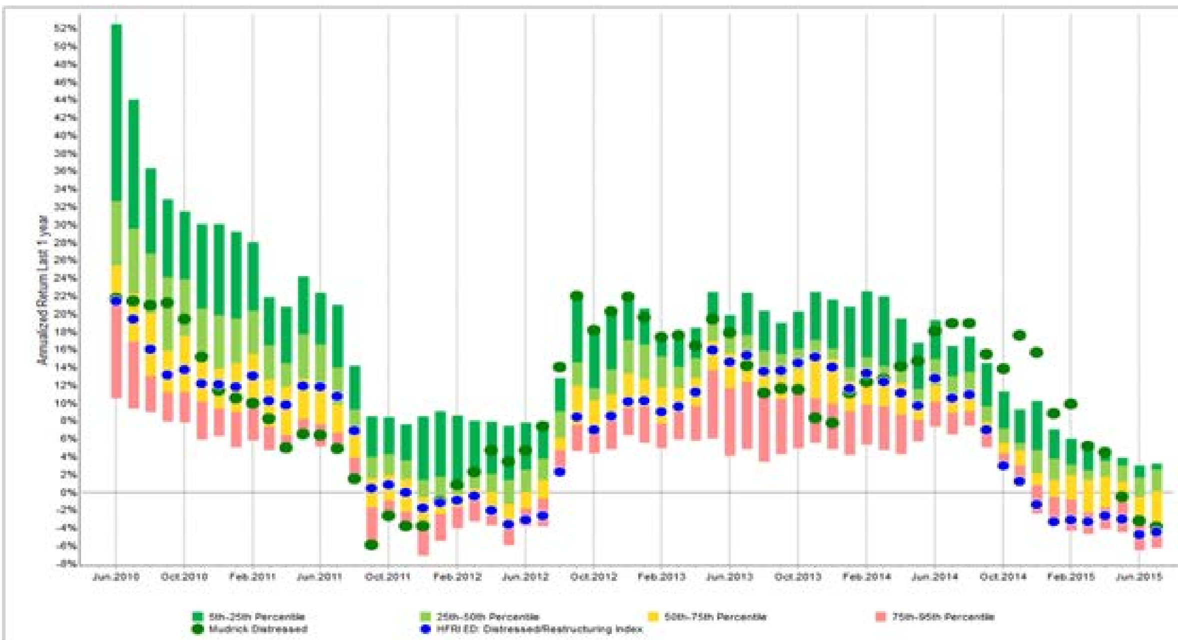
The chart below illustrates that since inception Mudrick's approach to detailed bottom-up analysis has yielded significant and consistent "credit selection alpha" relative to the index.



Mudrick's cumulative returns (+83% ITD) have outpaced those of its peers as well as several relevant indices. It is also worth noting that over this same period Mudrick was able to generate these returns with an average equity allocation of only 5.9%, considerably lower than the peer average.

	Anchorage Capital	Mudrick Distressed	GSO Special Situations	Archview Credit Opportunities	Davidson Kempner	Brigade Leveraged Capital Structures	King Street	JP Morgan Domestic High Yield	HFRI ED: Special Situations Index	Barcap US Aggregate
2009	17.58%	15.03%	18.87%	18.23%	10.13%	11.52%	9.97%	22.40%	15.69%	3.95%
2010	7.05%	11.40%	12.43%	9.63%	9.17%	7.66%	4.79%	14.74%	14.11%	6.54%
2011	-6.54%	-3.75%	1.29%	0.10%	1.26%	2.55%	-2.35%	6.96%	-6.41%	7.84%
2012	16.02%	21.93%	13.17%	9.63%	7.90%	6.91%	11.85%	9.31%	9.34%	3.67%
2013	20.21%	7.76%	16.54%	15.24%	9.52%	6.13%	10.91%	7.62%	14.81%	-2.02%
2014	9.14%	15.65%	-1.93%	4.22%	4.22%	0.67%	5.12%	2.10%	0.80%	5.97%
2015	3.78%	-2.37%	4.04%	2.04%	2.01%	6.40%	-0.09%	4.18%	5.09%	1.00%
Cumm.	85.83%	82.98%	82.16%	74.31%	52.96%	49.65%	46.61%	87.97%	64.30%	29.84%

Returns July 2009 – May 2015



The Mudrick Distressed Opportunity Fund has a management fee of 2.00%, with a 20% incentive fee for investments in Class A shares. PRIM has succeeded in negotiating terms with the manager to create better alignment of interests and reduce fees in a dedicated managed account structure. Mudrick has agreed to run the strategy for PRIM with a 1% management fee for the first $150 million in AUM and a 0.75% management fee for balances over $150 million. Mudrick has agreed to a 15% incentive fee, with crystallization to occur only after 3 years, and also after a 1M LIBOR + 400bps cumulative preferred return hurdle (with full catch up). The strategy will be executed for PRIM in a dedicated managed account.

Recommendation

The Investment Committee and PRIM Staff are recommending that the PRIM Board approve an initial allocation of up to $150 million to the Mudrick Capital Distressed Opportunity strategy. Arden's recommendation report is attached at **Appendix A**.

II. Private Equity Douglas Co-Investment, L.P. Update.

PRIM Staff will provide the Board with an update on the Douglas Co-Investment, L.P. A memo is attached at **Appendix B**.

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PROTECTED MATERIALS

Appendix A

Arden Recommendation: Mudrick Capital Distressed Opportunity Strategy.

PRIM Board Meeting
Tuesday, August 11, 2015

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MUDRICK DISTRESSED OPPORTUNITY FUND

IC MANAGER FUNDING RECOMMENDATION MEMORANDUM

July 2015

PROTECTED MATERIALS

BACKGROUND INFORMATION	
Manager Name:	Mudrick Capital Management, LP
Fund Name:	Mudrick Distressed Opportunity Fund
Arden Strategy/ Sub-Strategy:	Event-Driven (Stressed/Distressed Credit)
Coverage:	
Senior:	Darren Wolf
Primary:	Christopher Dowd
Secondary:	Arun Loomba
Operational Due Diligence:	Christopher Omueti
Date Submitted to IC:	*July 10, 2015*
Date Approved by IC:	*July 10, 2015*

FUND SNAPSHOT	
Inception Date:	July 1st, 2009
Portfolio Manager (s):	Jason Mudrick
AUM ($$ millions):	
Fund:	$780mn
Strategy:	$780mn
Firm:	$1.2bn

TERMS/OTHER	
Fees:	
Management Fee:	2.0%
Incentive Fee:	20%
Liquidity Terms:	Quarterly with 90-Days notice. 1-Year Soft Lock (6% fee).
Gate (yes/no, %, type):	No
Side Pocket (yes/no, max %):	No
Side Letter (yes/no):	Yes
Regulatory Registration:	
SEC (yes/no):	Yes
FCA (yes/no):	No
Other (specify):	Rule 4.13 (a) (3) CFTC exemption on being a CPO
HedgeMark Approved (yes/no/other):	N/A – managed account

***For PRIM's negotiated terms, please see the Executive Summary/Recommendation section**

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ARDEN
ASSET MANAGEMENT LLC

INVESTMENT REVIEW

SUMMARY OF INVESTMENT RANKINGS

Category	Score*
Overall outlook score	1.5
Return profile (left tail, core, right tail)	Core
Investment thesis: pros/cons/conclusion	1.5
Firm stability and background	2.0
Strength and quality of track record	2.0
Strength and quality of references	2.0
Transparency/HedgeMark	2.0 (Improves to 1.0 in SMA)

**Key: 1 (best) – 4 (worst)*

EXECUTIVE SUMMARY/RECOMMENDATION

Mudrick Capital is an event-driven stressed/distressed credit manager focusing on deep value-based and event-driven opportunities revolving around the corporate restructuring process (i.e. balance sheet events) as a catalyst to capture the spread between market price and net asset values. The firm specializes in a universe of off-the-run opportunities in “middle market” companies with $500mn-$2bn enterprise value, which are typically overlooked by Mudrick’s larger peers. Being able to traffic in the middle market universe is a significant competitive advantage when considering that almost $1 trillion of middle market high-yield/leveraged loan paper is currently outstanding for companies with an enterprise value (“EV”) of below $1.5bn. These companies are often too small for larger distressed funds to dedicate significant resources on and consequently carry wider spreads and deeper discounts.

In addition to the issuer size premium enjoyed by the strategy, Mudrick’s portfolio also offers uncorrelated returns to other stressed/distressed managers. Mudrick has been able to deploy capital in the current market environment and has been able to avoid larger “on-the-run” investment names with significant market beta. The fund has instead sourced and invested in middle market debt instruments that use the restructuring process as a catalyst to capture the spread between market prices versus net asset values.

Middle market credits inherently afford less liquidity than “on the run credits” therefore credit selection is critically important, requiring the manager to be “right” on the credit work more than is the case with larger credits.

Mudrick's founder and PM (Jason Mudrick) comes from a legal background and feels very comfortable directly influencing the restructuring process of the underlying investments. Mudrick previously ran the Contrarian "re-org" Equity Fund for several years (with an audited track record) and has demonstrated consistent alpha in credit selection both at Contrarian and now Mudrick Capital as is further illustrated later in the analysis section.

Arden and PRIM have succeeded in negotiating terms with the manager to create better alignment of interest and reduce fees in a dedicated managed account structure. The Mudrick Distressed Opportunity Fund has a management fee of 2.00% with 20% incentive fee for investments in Class A investments. Mudrick has agreed to run the strategy for PRIM with 1% management fee for the first $150 million and 0.75% management fee for anything over $150 million. Mudrick has agreed to a 15% incentive fee payable after 3 years and after a 1M LIBOR+400bps cumulative preferred return (with full catch up). The strategy will be executed for PRIM in a dedicated managed account.

INVESTMENT THESIS

<u>INVESTMENT MERITS</u>:

- Ability to source and quickly deploy capital to idiosyncratic, event driven opportunities that require structuring expertise, and are different from "on-the-run" names
    - Second best pairwise correlation (47.7%) in Arden's stressed/distressed peer group
    - Since 2009 the fund has annualized returns at 10.8%, while realizing a beta 0.2 beta to the S&P and 0.54 to the HY Index
    - 2014's +22.1% gross return was generated with no single position contributing more than +3.5% gross. Nine of the ten largest contributors last year were small/mid cap names, the 10th was Energy Future Holdings (formerly TXU)
- A majority of the portfolio's investment catalysts are "hard catalysts" created by corporate restructurings and/or balance sheet events
    - Short term catalysts provide "refreshing" capital (the portfolio currently has 9% NAV in "short-term" catalysts, as defined later in the risk management review section)
- Middle market securities may offer wide discounts to net asset values given limited investor universe and additional credit risk
    - This discount is illustrated in the YTM chart shown in the investment strategy section
    - The opportunistic nature of the strategy will also identify large cap structures where discounts are identified
- Very detailed, bottom-up fundamental security analysis (illustrated in the analysis section)
    - Extensive "micro analysis" of companies, typically including on-site meetings with management to better understand the fundamentals and restructuring potential

- Ability to move quickly on market dislocations (illustrated later with historical net exposures)
    - The fund put 20% of NAV to work in the energy sector in Dec. 2014/Jan. 2015 and contributed towards a +2.6% month in Feb. 2015
    - This can create unrealized losses as Mudrick is building positions
    - Mudrick runs the risk of being “early” during a market dislocation
- Concentrated portfolio of high conviction ideas (top 10 positions represent 50%+ NAV)
    - This can create “lumpy” monthly return streams that don’t correlate with the market
- Resulting returns have been top quartile since inception of the fund. We are being mindful of asset growth, but expect the manager to continue to outperform over time.
    - The combination of detailed bottom up analysis with the middle market focus has led to significant “credit selection alpha” relative to the index over time.

KEY CONCERNS:

- Amplified potential for mark-to-market volatility
    - Reduced liquidity in middle market credit
    - Concentrated portfolio increases exposure to risk of individual events taking longer than expected to play out
    - Constraints in exiting positions in the secondary market
- Firm assets must be monitored to stay within reasonable capacity constraints (~$2.5bn)
- Mudrick tends to hold a relatively high amount of cash (average ~25% ITD); this can dampen returns
    - Mudrick should be viewed as a “core” holding despite its underlying stressed/distressed securities.
- The portfolio runs directionally net long with approximately 30% hedging; this is primarily comprised of market hedging using HY CDX, as the fund believes it is difficult or expensive to find 1:1 hedges on many of its holdings.
- Credit spreads have been artificially compressed in recent years due to central bank monetary easing policies
    - Mitigant: middle market credit has not participated to the same extent as large cap high-yield bonds/loans
    - Mitigant: Q3 could be an attractive entry point to invest in Mudrick’s portfolio given a sluggish 2015 YTD

CONCLUSION

As of the beginning of July, Mudrick is nearly fully invested in a market where other stressed/distressed managers are holding up to 50% cash or considering returning capital.

Mudrick's ability to deploy capital in the current benign default rate environment is an advantage over its peers. Additionally Mudrick's focus on shorter term catalysts should allow it to participate in future market dislocations, for example if rising rates create stressed/distressed opportunities in middle market credit.

We are recommending this fund for inclusion in any Arden portfolio which is seeking to both add higher absolute returns and diversify their credit exposure away from larger, more crowded names.

MANAGER/STRATEGY REVIEW & ANALYSIS

FIRM OVERVIEW/BACKGROUND

Mudrick Capital was founded in February 2009 by Jason Mudrick; the fund has an event-driven stressed/distressed credit mandate with catalysts coming from the restructuring process. Prior to founding the Mudrick Distressed Opportunity Fund, Jason Mudrick joined Contrarian Capital Management in 2001 where he focused on distressed investing. In October 2002, Mudrick launched the Contrarian Equity Fund, which was an investment vehicle focused on purchasing distressed debt that would be restructured into equity, post-bankruptcy equities and other event driven deep value special situations. As Managing Director and Portfolio Manager at Contrarian, Jason Mudrick grew the Contrarian Equity Fund to peak assets of approximately $400mn and close to $1bn in total assets for the strategy (including the positions in Contrarian's other funds co-invested along-side Jason's fund). Jason left Contrarian in October 2008 to launch Mudrick Capital. The Contrarian fund has an audited track record (19.5% net annualized return) from October 2002 – October 2008.

	Contrarian Net Perform.	S&P 500	Merrill Lynch High-Yield	Altman Index
2002 (10/1-12/31)	19.80%	8.44%	6.89%	5.89%
2003	108.07%	28.69%	28.15%	49.32%
2004	22.49%	10.87%	10.87%	15.13%
2005	-2.69%	4.89%	2.74%	1.73%
2006	17.61%	15.79%	11.77%	23.38%
2007	-14.46%	5.50%	2.19%	-3.29%
2008 (9/30 YTD)	-2.80%	-19.28%	-10.64%	-22.13%
Annualized	19.45%	8.15%	8.06%	9.46%
Cumulative	190.55%	60.03%	72.04%	59.26%

Mudrick Distressed Opportunity Fund aims to achieve equity-like returns with credit-like risk and volatility in a relatively uncorrelated fashion to the overall markets. The portfolio is comprised of long and short investments primarily in distressed leveraged loans, distressed bonds, post-bankruptcy securities and other event driven special situations. Mudrick seeks to use the potential or actual restructuring process as a catalyst to capture the spread between market and net asset values. Mudrick seeks to purchase cash flow positive businesses at low multiples of operating cash flow and uses its short portfolio to hedge longs, market/macro risks and generate alpha from overvalued securities. The strategy focuses primarily in North America and looks across the capital structure.

The firm was founded in 2009 with $5mn AUM and has grown to approximately $1.2bn as of June 2015. The firm has 17 employees, of which 8 are investment professionals. The firm has been looking to further match assets to investor liabilities and has announced its plan to close the quarterly investor share class to new investors (currently representing $500mn) at year-end and concurrently launch a drawdown vehicle. The firm also manages two sidecar funds allowing investors to size up its media (15% NAV) and energy themes (20% NAV), these sidecar funds were created in 2014 and 2015 respectively.

INVESTMENT STRATEGY

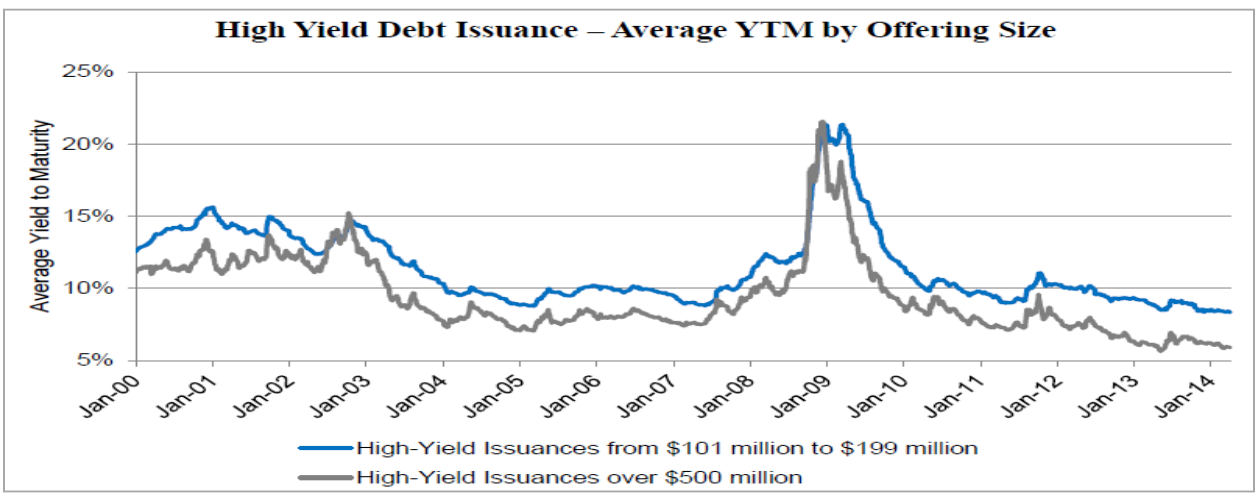
Mudrick focuses on “off-the-run” opportunities typically overlooked by larger distressed-focused firms; its investment universe consists of companies with enterprise values between $500mn-$2bn or “middle market” companies. Mudrick Capital is a value-focused, fundamentally driven investment firm with a niche in identifying value created by balance sheet events, or more generally, the restructuring process (potential or realized). Balance sheet events are used as a catalyst to capture the spread between market and net asset values. The fund focuses on low security valuations with a higher perceived margin of safety (2-4x EBITDA, cash flow positive) and repairable capital structures. Mudrick limits its investment universe to the U.S. and Canada but will deploy cash across the entire capital structure in a diverse mix of industries.

The strategy benefits from the spread between larger company (>$5bn EV) high-yield and middle market high-yield, which has grown over the past 36 months given middle market’s difficulty in accessing the capital markets. Mudrick believes there are only 10 or so other hedge funds of its size that posses the skills and experience required to complete the in-depth security analysis and steer a restructuring process as Mudrick.

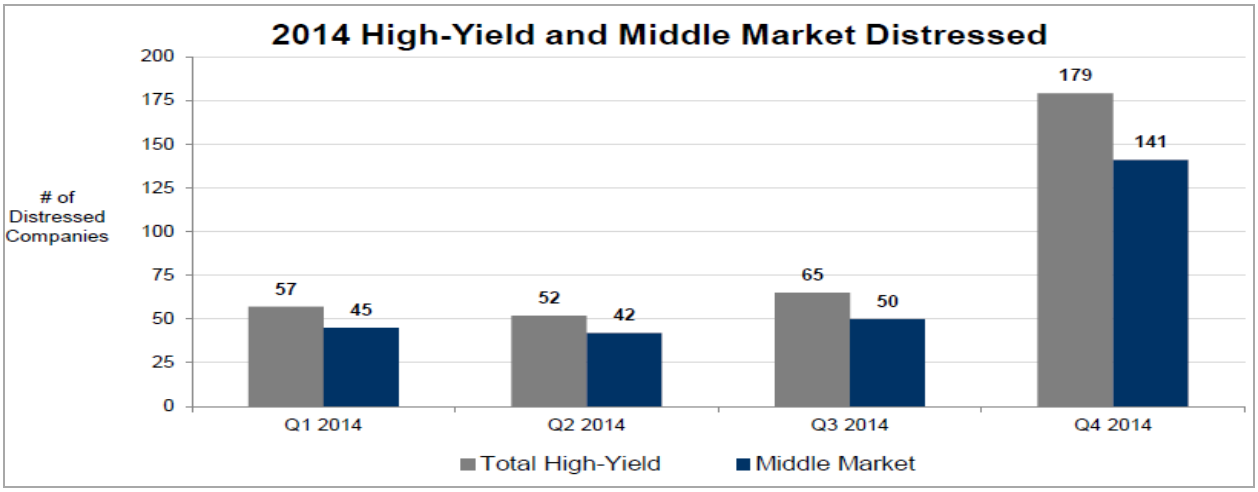
<u>Characteristics of the middle market</u>:

The high-yield and levered loan universe currently represents $5tn in par value outstanding, and by number of issuers, approximately 50% of this universe is comprised of companies that are below $1.5bn EV which represents 15% of the dollar value outstanding. This $750bn middle market high-yield/leveraged loan security universe while extensive is often too small for larger distressed funds to dedicate significant resources towards individual credits.

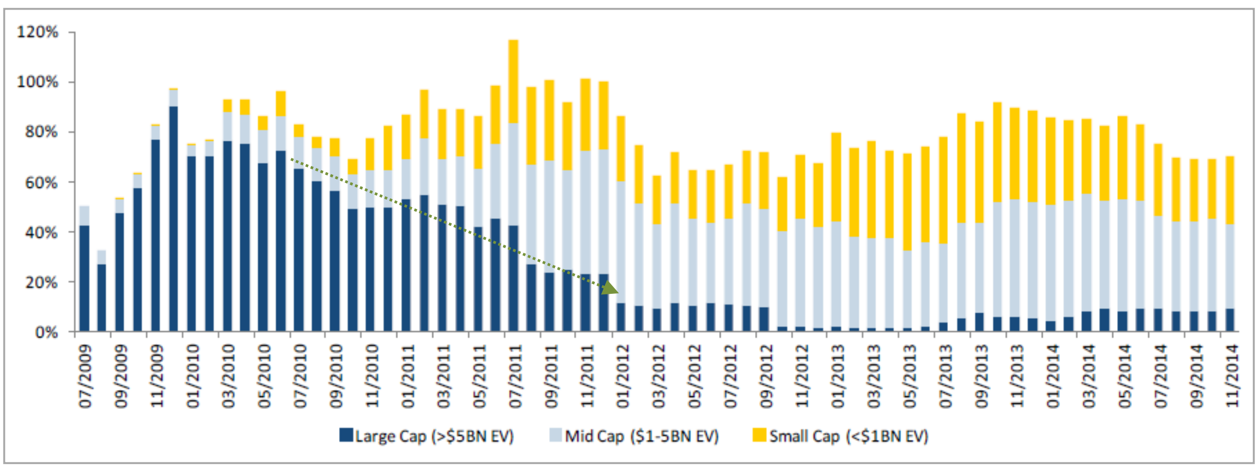
As shown in the chart on the next page middle market credits have always incurred higher costs of capital as compared to larger companies (due to reduced lender competition, weaker credit profiles, illiquidity premiums etc.), for the past 15 years the normalized spread between larger company high-yield and middle market high-yield have ranged between 150–200bps. The reach for yield brought on by central bank monetary easing, as well as the shuttering of proprietary trading desks and investors' desire for "liquidity" have widened this gap even further; while large cap companies have been able to access low absolute yields, middle market discounts have remained largely unchanged. Mudrick seeks to use the potential or actual restructuring process as a catalyst to capture the spread between discounted market value versus net asset values.



As referenced previously Mudrick is currently fully invested at a time when other stressed/distressed managers are having difficulty deploying capital; the chart below illustrates that recent distressed opportunities (bond prices sub-$50) have been most abundant in the $500mn-$2bn EV pool of companies that Mudrick specializes in.



Mudrick observed this structural shift in the high-yield market and transitioned its large cap concentrated portfolio (2009-2011) towards the current middle market orientation:



The focus of the long portfolio is to identify distressed credits that are cash flow positive businesses at low multiples of EBITDA (i.e. offering significant discount to net asset value) that are too small for larger managers to devote significant resources towards.

The strategy focuses primarily in the U.S. and looks across the entire capital structure, as was the case with Mudrick's previous strategy at Contrarian. For asset class exposures since inception, please see the risk environment section.

<u>Long Investment Characteristics</u>:
(i) low security valuations and higher perceived margin of safety (2-4x EBITDA, cash flow positive, large discount to asset value and expanding margins).

(ii) "good" businesses with repairable capital structures (i.e. companies with high barriers to entry, difficult to replicate).
(iii) securities trading at discounted valuations due to event-related dynamics (facing technical selling pressure, complex and difficult to analyze distressed situations, possessing potential catalysts for value recognition).
(iv) favorable risk/reward opportunities (capital structure arbitrage, pre-bankruptcy, distressed securities, post-bankruptcy securities).

Portfolio Characteristics:
Mudrick's portfolio will typically hold 35-40 individual longs and shorts. Long positions will typically represent 3%-5% of NAV and have a maximum position size of ~10%. It is important to note that as of July 2015, the media theme and energy theme in aggregate represent 15% and 20% of NAV, respectively. There is a soft risk guideline of 25% per sector. Short positions will range between 1%-2.5% of NAV.

Asset allocation targets are as follows: (i) 40% distressed bank debt; (ii) 40% distressed bonds; (iii) 10-20% cash; (iv) 0-5% post-bankruptcy equities; and (v) 0-5% liquidations with the caveat that this allocation naturally evolves towards more post bankruptcy equities as the economy strengthens.

Additional flexibility will be provided in the mandate to allow Mudrick to invest up to 20% of the portfolio in opportunistic, less liquid or other investments not otherwise accessible through the Mudrick flagship program or as otherwise agreed by the parties.

INVESTMENT PROCESS

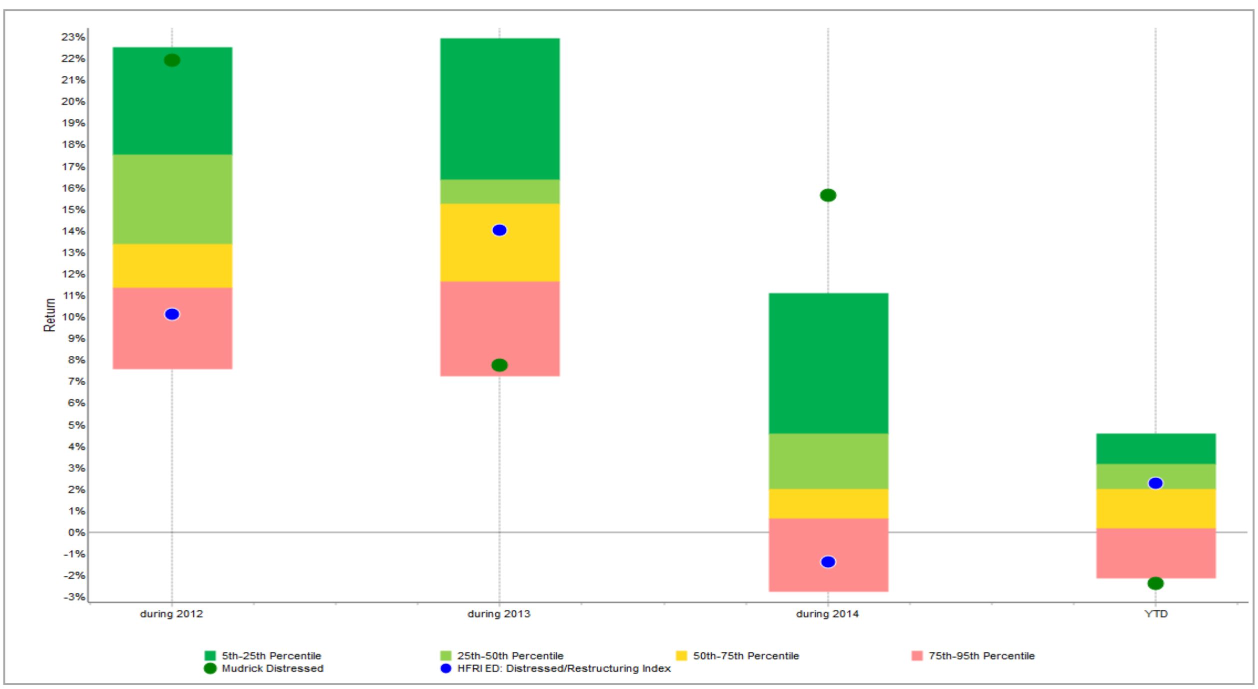
Investment ideas are sourced in-house via the firm's research and trading staff (8-person investment team). The firm's investment sourcing/screening process starts with a database populated with every U.S. bond and loan rated "BB" and below. This database pulls real time pricing updates for credits trading below $100 and utilizes a scraping tool that sends a Bloomberg notification once a debt instrument trades below $90. Following a price move the security is then assigned to a research analyst who begins the due diligence process and is expected within one week to have prepared and presented a company overview so that the team can determine whether the situation warrants further research. On average the due diligence process takes 3-6 months and includes hiring external lawyers to thoroughly review all the bond documentation. Additionally the team will set up calls with customers, competitors and typically (90% of time) will meet with corporate management before investing. If an investment is approved by Jason Mudrick, the target initial investment size ranges from $20-$30mn (2.5-4.0%).

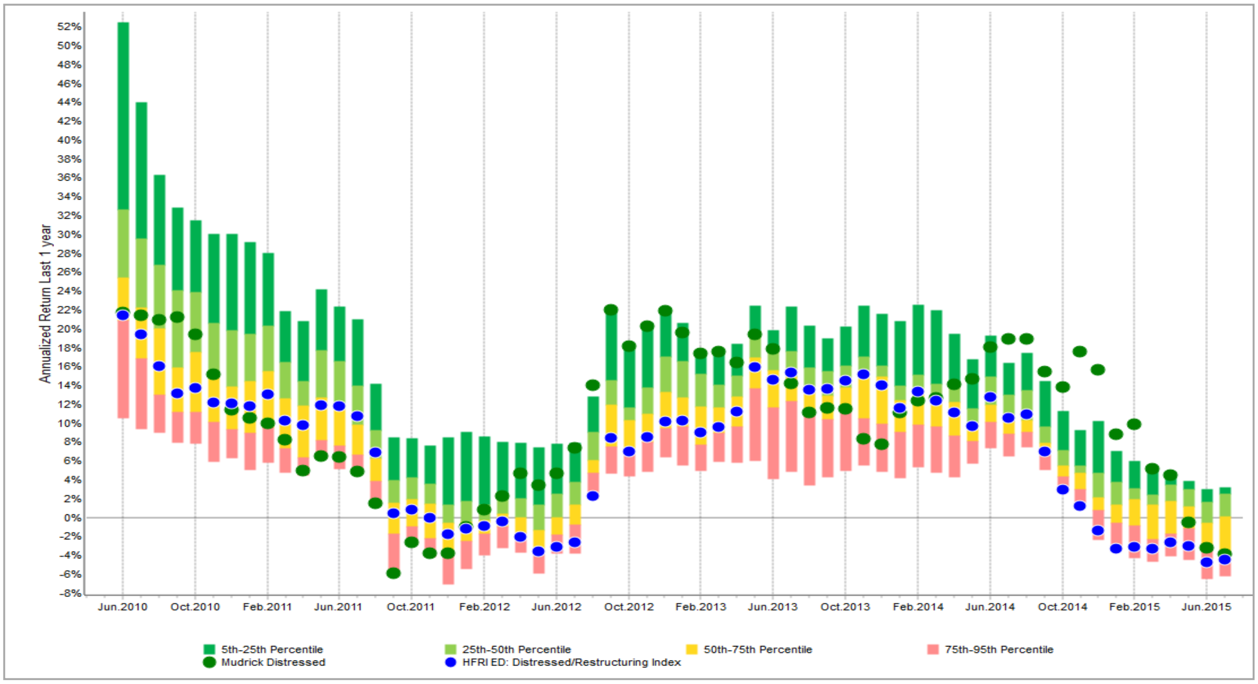
Mudrick typically adds 2-3 new positions to the portfolio per quarter, but is slightly ahead of that pace in 2015 given disruptions in the energy market. Within the energy sector, Mudrick has been adding to oil servicers ($1-3bn EV) with a hurdle IRR >20%.

In a restructuring situation where the company files for bankruptcy, Mudrick typically looks to lead the process and is comfortable owning and operating the company if needed.

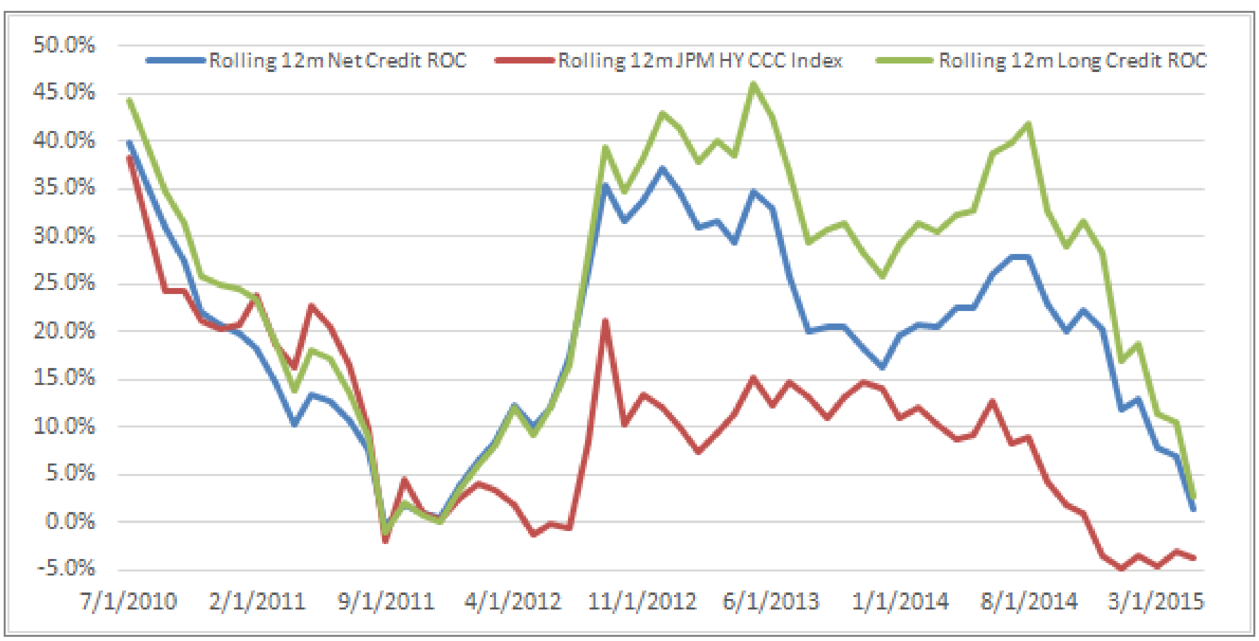
INVESTMENT THESIS SUPPORT/PERFORMANCE ANALYSIS/OTHER ANALYTICS

As indicated in the Investment Merits section, Mudrick's returns are expected to be somewhat "lumpy" month-to-month and even year-to-year given its concentrated event-oriented portfolio construction. As shown in the peer group chart below Mudrick will often underperform its peers in periods such as 2013 and 2015 when the portfolio is being replenished with new stressed/distressed situations. However, Mudrick tends to outperform its stressed/distressed peer group and the broader index when those situations play out as illustrated in 2012 and 2014. Bearing this in mind, we would suggest that Q3 may represent an attractive entry point for a new investment with Mudrick.





The chart below illustrates that since inception Mudrick's approach to detailed bottom up analysis has yielded significant and consistent "credit selection alpha" relative to the index.



<u>Mudrick's Monthly Net Performance</u>:

ARDEN
ASSET MANAGEMENT LLC

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	-0.90%	2.60%	-2.30%	0.80%	-2.50%								-2.37%
2014	5.30%	1.60%	2.10%	1.50%	2.40%	2.50%	0.30%	0.80%	-1.60%	-0.80%	0.50%	0.20%	15.65%
2013	2.10%	0.50%	1.80%	0.20%	1.90%	-0.40%	-0.40%	0.80%	1.30%	0.60%	-2.70%	1.90%	7.76%
2012	4.10%	2.40%	1.60%	1.20%	-0.60%	0.90%	2.80%	3.60%	0.80%	0.70%	0.20%	2.40%	21.93%
2011	1.20%	0.60%	0.10%	-1.10%	0.60%	-0.30%	0.20%	-2.40%	-5.80%	4.00%	-1.60%	1.00%	-3.75%
2010	2.00%	1.10%	1.70%	2.00%	-0.90%	-0.20%	1.70%	0.80%	1.70%	0.50%	-0.40%	0.90%	11.40%
2009							1.90%	1.20%	1.50%	2.00%	3.30%	4.30%	15.03%

While annual performance in any given year relative to peers has been mixed, it is important to note that Mudrick's cumulative returns (+83% ITD) have outpaced that of its peers, as well as relevant strategy indices. It is also worth noting that over this same period, Mudrick was able to generate these returns with an average equity allocation of only 5.9%, considerably lower than that of many of its peers.

Returns July 2009 – May 2015

	Anchorage Capital	Mudrick Distressed	GSO Special Situations	Archview Credit Opportunities	Davidson Kempner	Brigade Leveraged Capital Structures	King Street	JP Morgan Domestic High Yield	HFRI ED: Special Situations Index	Barcap US Aggregate
2009	17.58%	15.03%	18.87%	18.23%	10.13%	11.52%	9.97%	22.40%	15.69%	3.95%
2010	7.05%	11.40%	12.43%	9.63%	9.17%	7.66%	4.79%	14.74%	14.11%	6.54%
2011	-6.54%	-3.75%	1.29%	0.10%	1.26%	2.55%	-2.35%	6.96%	-6.41%	7.84%
2012	16.02%	21.93%	13.17%	9.63%	7.90%	6.91%	11.85%	9.31%	9.34%	3.67%
2013	20.21%	7.76%	16.54%	15.24%	9.52%	6.13%	10.91%	7.62%	14.81%	-2.02%
2014	9.14%	15.65%	-1.93%	4.22%	4.22%	0.67%	5.12%	2.10%	0.80%	5.97%
2015	3.78%	-2.37%	4.04%	2.04%	2.01%	6.40%	-0.09%	4.18%	5.09%	1.00%
Cumm.	**85.83%**	**82.98%**	**82.16%**	**74.31%**	**52.96%**	**49.65%**	**46.61%**	**87.97%**	**64.30%**	**29.84%**

<u>Important Statistics</u>:
Beta and Correlation to HFRI ED: Distressed/Restructuring Index – The fund has a beta to the HFRI ED: Distressed/Restructuring Index of 0.73 and a 64% correlation.

ARDEN
ASSET MANAGEMENT LLC

	Mudrick Distressed	HFRI ED: Distressed/ Restructuring Index	Barcap US Aggregate
Return Statistics			
Return Last 1 month	-2.50%	0.52%	-0.24%
Return Last 3 months	-3.98%	1.87%	-0.14%
Return Last 6 months	-2.18%	0.91%	1.10%
Return Last 1 year	-0.55%	-3.07%	3.03%
Annualized Return	10.75%	8.55%	4.51%
Annualized Return Last 3 years	10.84%	7.22%	2.09%
Annualized Return Last 5 years	8.46%	5.85%	3.79%
Annualized Outperformance vs HFRI ED: Distressed/Restru	2.20%	0.00%	-4.04%
Annualized Outperformance vs Barcap US Aggregate	6.24%	4.04%	0.00%
Risk Statistics			
Annualized Volatility	6.20%	5.42%	2.88%
Skewness	-0.63	-0.86	-0.38
Excess Kurtosis	2.18	1.24	-0.21
Correlation to HFRI ED: Distressed/Restructuring Index	0.64	1.00	-0.17
Beta to HFRI ED: Distressed/Restructuring Index	0.73	1.00	-0.09
Annual Sharpe Ratio (Rf= Citi 3 Month T Bill)	1.72	1.56	1.54
Annual Sortino Ratio (vs 0%)	3.18	2.70	3.06
Bias Ratio	2.54	2.38	1.22
Ann. Downside deviation (vs 0%)	3.38%	3.17%	1.47%
Annual Sortino Ratio (vs 0%) Last 3 years	3.90	3.05	1.24
Ann. Tracking Error vs HFRI ED: Distressed/Restructuring I	4.97%	0.00%	6.56%
Value-at-Risk			
Normal monthly VaR 99%	-3.29%	-2.94%	-1.57%
Modified monthly VaR 99%	-4.77%	-3.95%	-1.71%
Conditional monthly VaR 99%	-5.80%	-4.46%	-1.78%
Extreme Risk Statistics			
Max Drawdown	-8.62%	-8.68%	-3.67%
Date Max Drawdown	Sep.2011	Sep.2011	Aug.2013
Max Time-under-water (months)	10.0	17.0	12.0
Max Possible Drawdown 99%	-4.98%	-4.74%	-2.52%
Max Possible Time-under-water 99% (months)	22.9	27.2	27.1
Omega Statistics			
Omega 0.0%	3.48	2.97	3.06
Omega 0.5%	1.75	1.38	0.69
Omega 1.0%	0.82	0.59	0.13
Omega 1.5%	0.37	0.22	0.01
Omega 2.0%	0.17	0.08	0.00

Annual Sharpe Ratio (Rf= Citi 3 Month T Bill)	1.72	1.56	1.54
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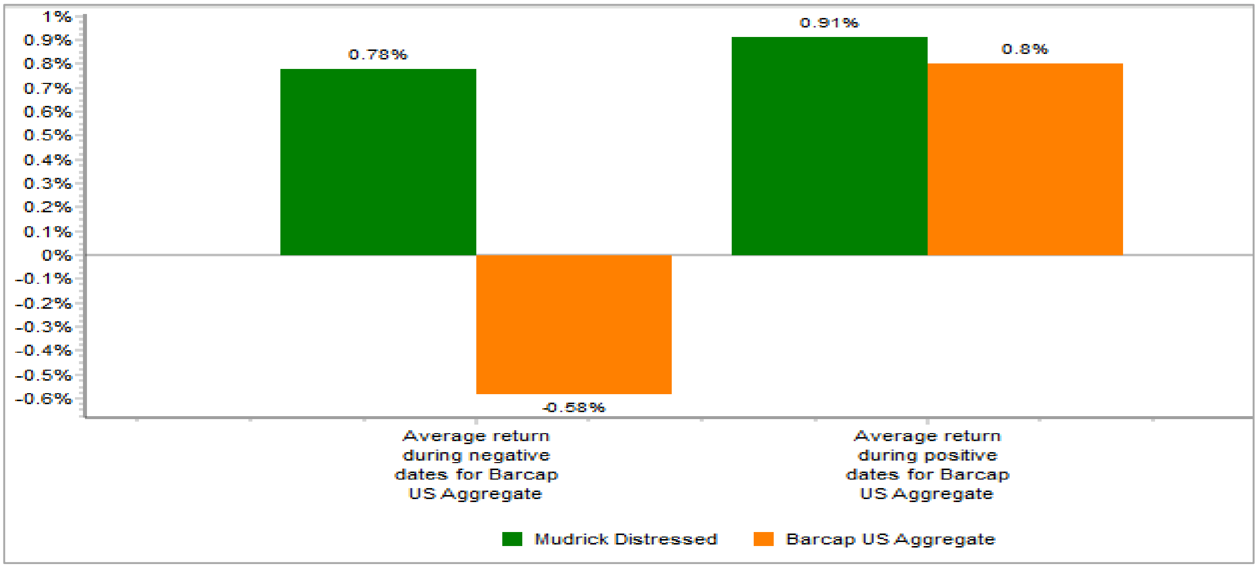
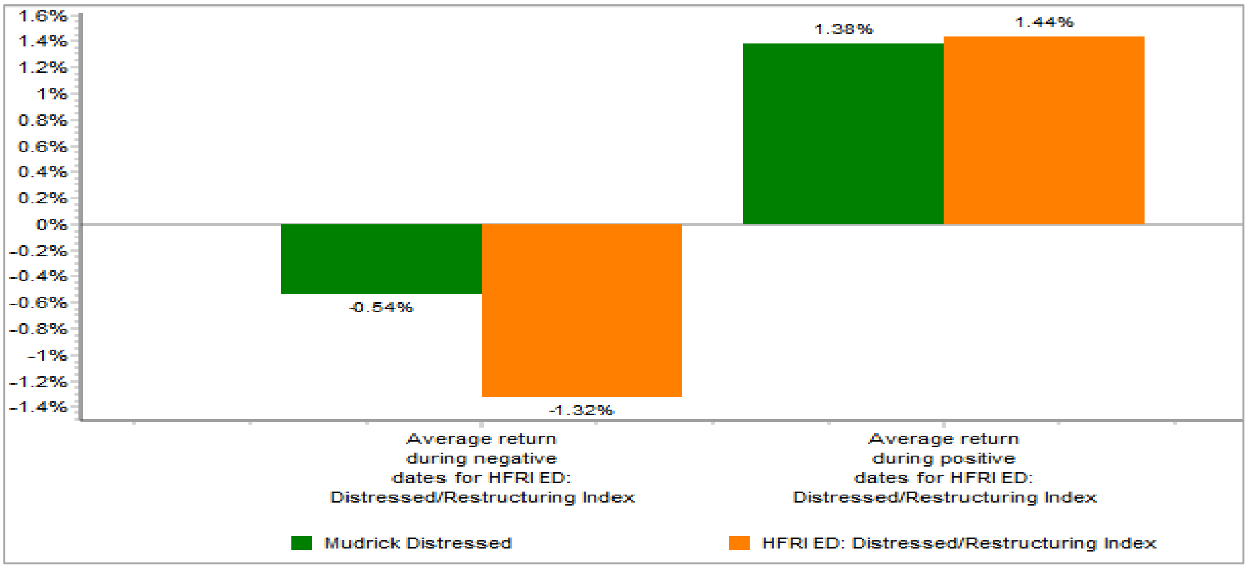
Omega 0.0%	3.48	2.97	3.06
Omega 0.5%	1.75	1.38	0.69
Omega 1.0%	0.82	0.59	0.13
Omega 1.5%	0.37	0.22	0.01
Omega 2.0%	0.17	0.08	0.00

Mudrick is able to produce positive performance results regardless of the direction of the Barcap US Aggregate long-only fixed income index. As shown in the up/down capture chart below:

Up/Down analysis since inception (July 2009 – May 2015)



Up/Down analysis since inception (July 2009 – May 2015)



As shown above Mudrick has historically done a very good job of mitigating drawdowns (only capturing 41% of the HFRI ED's drawdown) while still being able to capture 96% of the upside returns of the index.

Mudrick's returns also include low levels of correlation to other hedge fund strategies since inception with no correlation exceeding 65% and a pairwise correlation of 47.7%, which ranks as second best.

Correlation Matrix: Mudrick versus peers July 2009 – May 2015

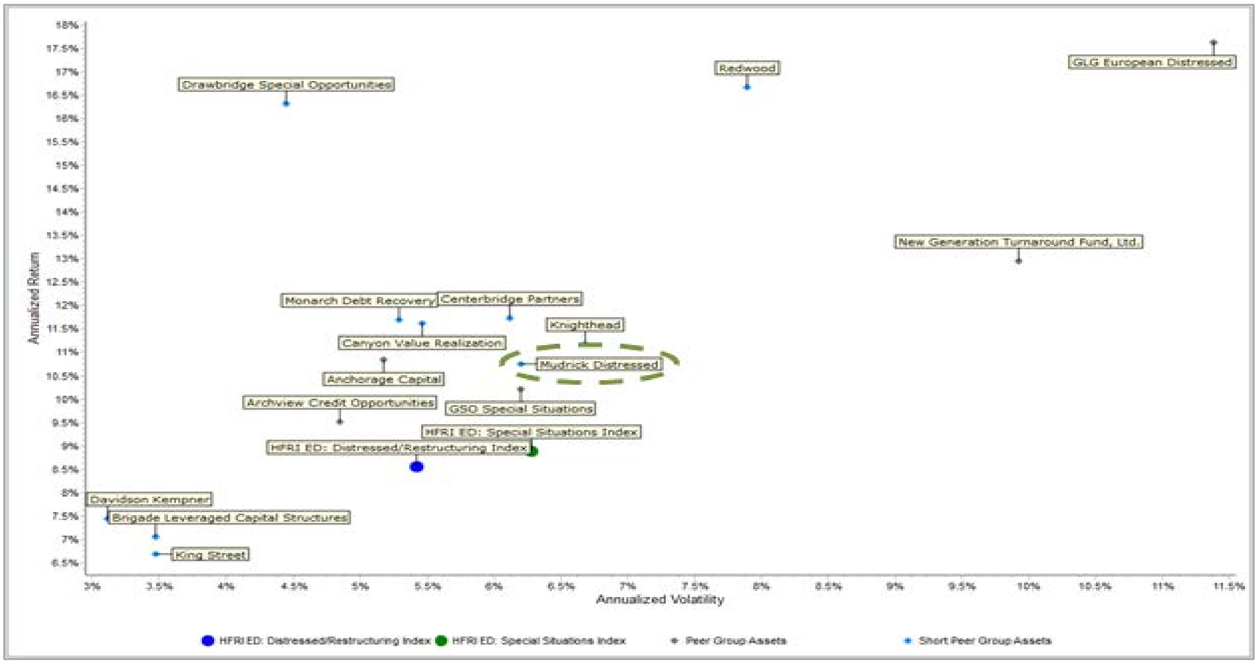
	HFRI ED: Distressed/Restructuring Index	Anchorage Capital	Archview Credit Opportunities	Brigade Leveraged Capital Structures	Canyon Value Realization	Centerbridge Partners	Davidson Kempner	Drawbridge Special Opportunities	GLG European Distressed	GSO Special Situations	King Street	Knighthead	Monarch Debt Recovery	**Mudrick Distressed**	New Generation Turnaround Fund, Ltd.	Redwood
HFRI ED: Distressed/Restructuring Index	100%	81%	74%	69%	88%	86%	87%	57%	60%	85%	83%	83%	83%	64%	84%	89%
Anchorage Capital *	81%	100%	63%	64%	83%	74%	83%	56%	64%	75%	82%	78%	77%	52%	74%	74%
Archview Credit Opportunities	74%	63%	100%	44%	67%	58%	65%	42%	52%	62%	74%	63%	66%	53%	60%	65%
Brigade Leveraged Capital Structures *	69%	64%	44%	100%	80%	80%	63%	33%	61%	59%	60%	76%	60%	40%	67%	78%
Canyon Value Realization	88%	83%	67%	80%	100%	87%	84%	53%	69%	80%	82%	91%	74%	63%	85%	93%
Centerbridge Partners	86%	74%	58%	80%	87%	100%	78%	45%	61%	71%	69%	81%	71%	60%	89%	91%
Davidson Kempner *	87%	83%	65%	63%	84%	78%	100%	62%	69%	77%	84%	80%	82%	57%	72%	79%
Drawbridge Special Opportunities	57%	56%	42%	33%	53%	45%	62%	100%	57%	63%	55%	52%	67%	36%	37%	48%
GLG European Distressed	60%	64%	52%	61%	69%	61%	69%	57%	100%	56%	63%	72%	73%	33%	59%	63%
GSO Special Situations	85%	75%	62%	59%	80%	71%	77%	63%	56%	100%	72%	73%	80%	56%	69%	77%
King Street *	83%	82%	74%	60%	82%	69%	84%	55%	63%	72%	100%	81%	72%	62%	68%	77%
Knighthead	83%	78%	63%	76%	91%	81%	80%	52%	72%	73%	81%	100%	74%	62%	78%	91%
Monarch Debt Recovery	83%	77%	66%	60%	74%	71%	82%	67%	73%	80%	72%	74%	100%	51%	62%	72%
Mudrick Distressed	64%	52%	53%	40%	63%	60%	57%	36%	33%	56%	62%	62%	51%	100%	58%	62%
New Generation Turnaround	84%	74%	60%	67%	85%	89%	72%	37%	59%	69%	68%	78%	62%	58%	100%	86%
Redwood	89%	74%	65%	78%	93%	91%	79%	48%	63%	77%	77%	91%	72%	62%	86%	100%

Fund Peers	Avg. Pairwise Correlation
Drawbridge Special Opportunities	44.97%
Mudrick Distressed	47.66%
Archview Credit Opportunities *	53.42%
GLG European Distressed	53.58%
Brigade Leveraged Capital Structures *	54.96%
New Generation Turnaround	61.57%
GSO Special Situations	62.04%
Monarch Debt Recovery	62.63%
Anchorage Capital	63.56%
King Street *	63.74%
Centerbridge Partners	64.73%
Davidson Kempner *	65.94%
Knighthead	66.75%
Redwood	67.41%
HFRI ED: Distressed/Restructuring Index	69.05%
Canyon Value Realization	69.26%

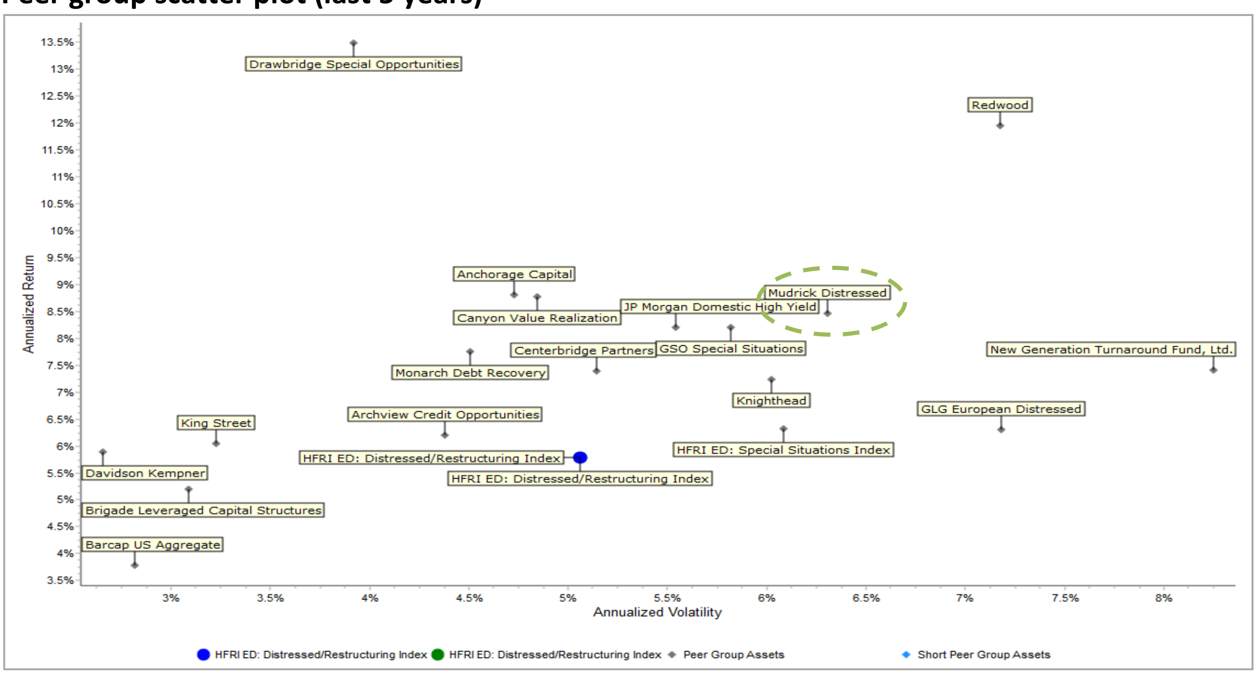
*existing holdings in the Mass PRIM hedge fund program

Mudrick's annualized return since inception falls in line with its peers, though its annualized volatility is slightly higher given the event-driven nature of its portfolio:

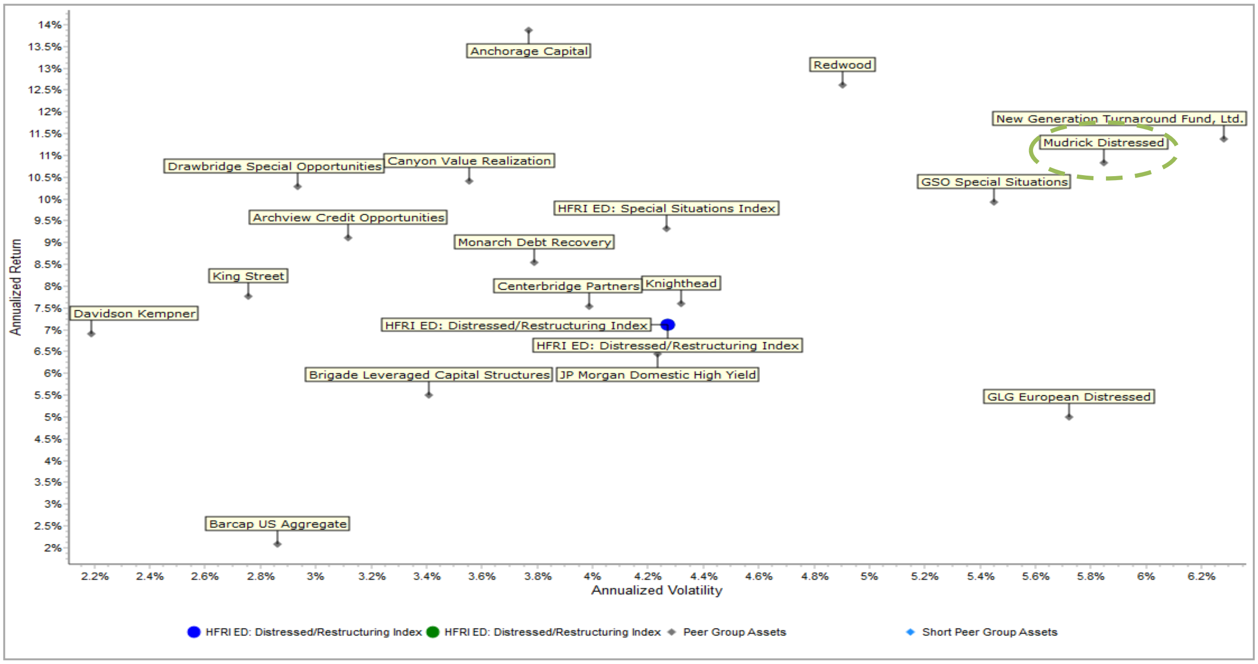
Peer group scatter plot since inception (July 2009 – May 2015)



Peer group scatter plot (last 5 years)



Peer group scatter plot (last 3 years)



PARTNER PROFILE/REFERENCES

<u>Jason Mudrick, President & Chief Investment Officer.</u>

<u>EMPLOYMENT HISTORY</u>:
Mudrick Capital, 2009 - Present, President & Chief Investment Officer.

Jason Mudrick is the primary risk taker at the firm. Mudrick is actively involved in the corporate restructuring process and has served on multiple creditors' committees and served on the Board of Directors of numerous public and private companies including: Safety-Kleen Holdings, Integrated Alarm Services Group, Salton and Rotech Healthcare.

Contrarian Capital Management, 2001-2008, Managing Director and Portfolio Manager.

In October 2002 Jason Mudrick launched the Contrarian ("post re-org") Equity Fund which was an investment vehicle focused on purchasing distressed debt that would be restructured into equity, post-bankruptcy equities and other event driven deep value special situations. As Managing Director and Portfolio Manager at Contrarian, Jason Mudrick grew the Contrarian Equity Fund to peak assets of ~$400mn and close to $1bn in total assets, (including the positions Contrarian's other funds co-invested along-side Jason's fund). Jason left Contrarian in October

2008 to launch Mudrick Capital. The fund has an audited track record (19.5% net annualized return) from October 2002 – October 2008.

Merrill Lynch, 2000-2001, Mergers & Acquisitions Associate.

EDUCATION
Harvard Law School, 2000, J.D., cum laude
College of the University of Chicago, 1997, B.A. in Political Science

Victor Danh – Head of Research & Senior Analyst

EMPLOYMENT HISTORY:
Mudrick Capital, 2009 – Present, Head of Research & Senior Analyst.

Victor Danh is Head of Research and a Senior Analyst at Mudrick Capital. He is responsible for analyzing distressed credit and equity opportunities across a diverse range of industries overseeing and coordinating the research team.

Contrarian Capital Management, 2003-2009, Vice President and Assistant PM.

Danh focused on deep value and distressed investments in a wide range of industries across the entire capital structure.

Merrill Lynch
Mergers and Acquisitions Group.

UBS
Technology Investment Banking Group.

EDUCATION
Harvard College, 2000, B.A. in Economics
David Kirsch –Senior Analyst

EMPLOYMENT HISTORY:
Mudrick Capital, 2009 – Present, Senior Analyst.

David Kirsch is a Senior Analyst at Mudrick Capital responsible for analyzing distressed credit and equity opportunities across a diverse range of industries.

Miura Global Management, 2008-2010, Senior Analyst and Managing Director.

Kirsch was a Senior Analyst and Managing Director at Miura Global Management (global long-short equity hedge) covering of the financial and consumer industries across the Americas, Europe and Asia.

Alvarez & Marsal, **2003-2008,** Director.

Restructuring experience as a Director, primary or lead management roles on an interim basis for distressed companies and advised creditors on balance sheet solutions including: representing Senior Secured Creditors in the Delphi and Oneida restructurings and overseeing the Tarragon (public real estate development company) Finance Department during its restructuring.

Banc of America Securities, Analyst
Analyst in the Healthcare Industry Group.

EDUCATION
Wharton School at the University of Pennsylvania, 2002, B.S. Magna Cum Laude in Economics

REFERENCES.
Reference checks were favorable. No red flags were highlighted. Additional information is saved in Webfolio.

RECOMMENDED FOR INVESTMENT:

☒ YES ☐ NO ____ Other Recommendation (explain)

Additional items:
☒ Reference checks ☒ HedgeMark

RISK MANAGEMENT REVIEW

SUMMARY OF RISK RANKINGS

Category	Score*
Risk overall	2
Risk environment	2
Portfolio risk	3
Liquidity/complexity	3
Portfolio concentration	2

**Key: 1 (best) – 4 (worst)*

EXECUTIVE SUMMARY AND CONCLUSION

Mudrick seeks to control risk through its bottom-up research approach on each individual security (roughly 35-40 names). Mudrick utilizes a deep value investment methodology of seeking to purchase free cash flow positive businesses at low multiples of earnings to provide some margin of safety. The funds' guidelines generally call for limited or no use of leverage on the long side and some hedging using bond shorts, CDS and equity index puts to manage downside risk. Additionally, the firm has been very deliberate in matching the liquidity terms of the fund with liquidity of underlying assets in the portfolio.

RISK ENVIRONMENT

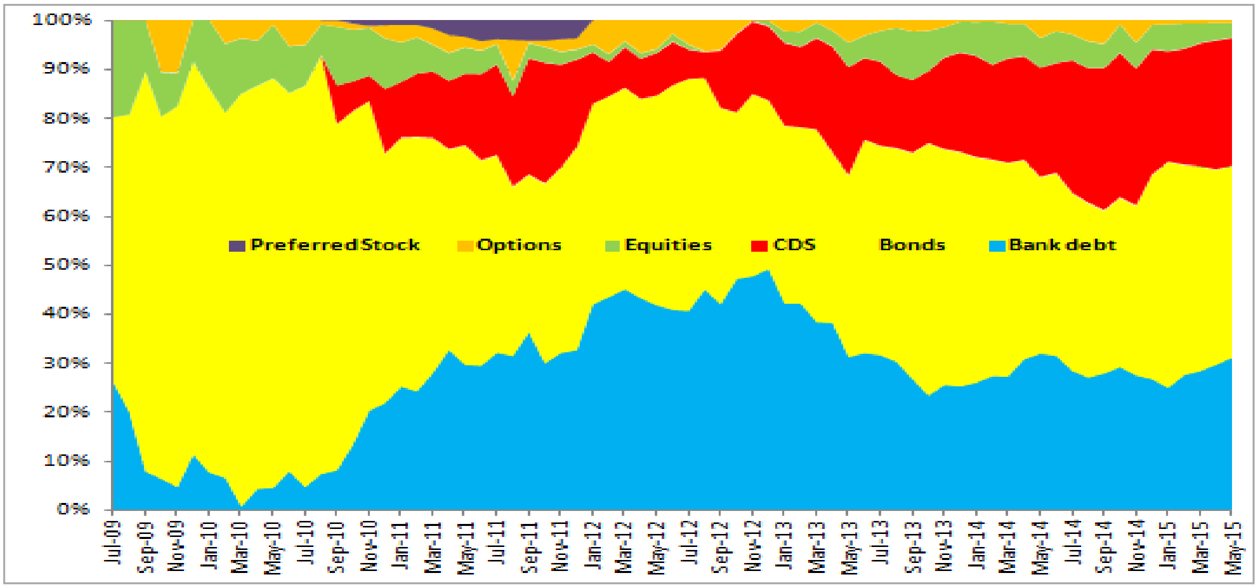
Mudrick's portfolio construction is designed to isolate event risk and reduce overall market exposure. Additionally the fund has historically had very little equity exposure (averaging 5.9% ITD) which has helped limit its beta to the S&P, BarCap Agg and other market indices.

Given that credit spreads have been artificially compressed in recent years due to central bank monetary easing policies (though middle market credit has not participated to the same extent as large cap high-yield bonds/loans), there is a risk that the correlation of Mudrick's portfolio could move higher in a "risk-off" environment. If interest rates were to start to rise as central bank easing policies are taken down Mudrick's long fixed income portfolio is currently 44% in floating rate securities.

The portfolio currently has 33 long positions (12 of which are new this year) and 8 short positions. The portfolio is 86% long by 32% short (2/3 of which is in High Yield Index Series 23 ("HY 23") and 1/3 in single name shorts)). Top 10 long positions represent 50% of NAV and the portfolio near fully invested with roughly 10% cash.

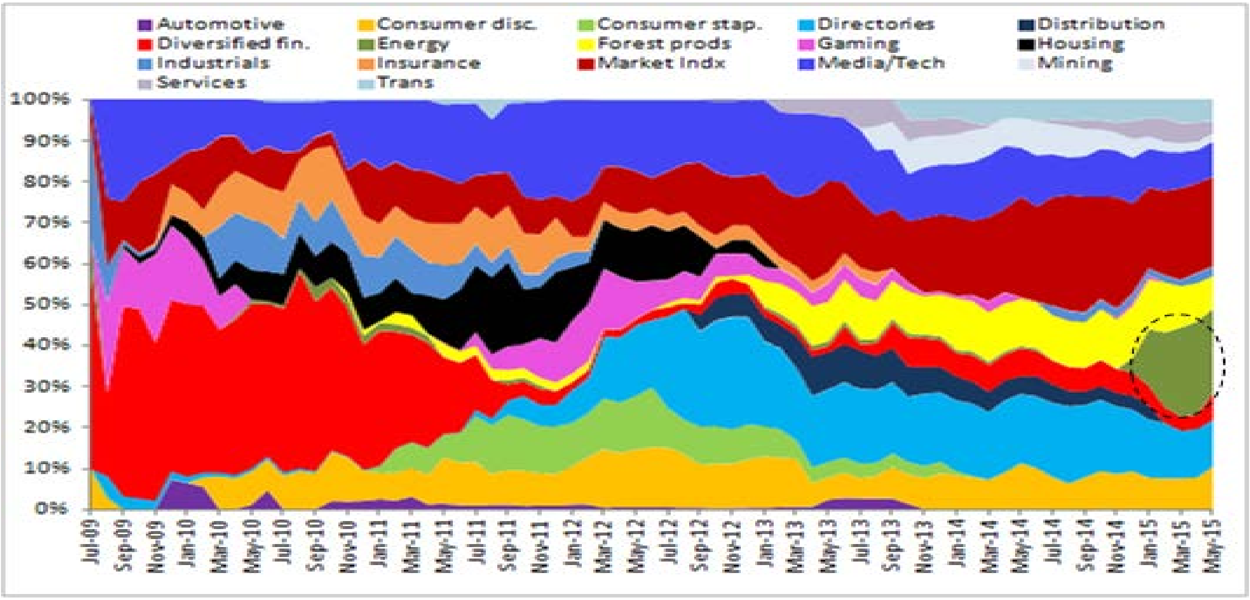
Asset Class Breakdown:

The portfolio is predominantly comprised of bonds and bank debt with a trend towards increasing CDS exposure over the past two years.

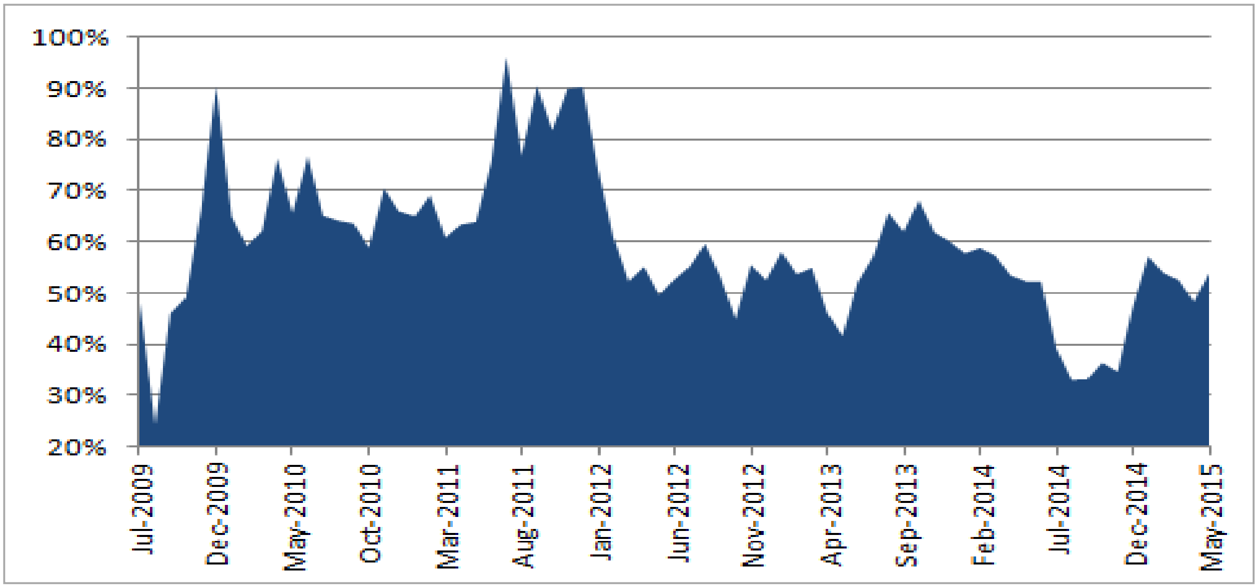


Sector Breakdown:

As discussed previously Mudrick has the ability to quickly alter the sector orientation, as illustrated below by the dramatic ramp up in energy exposure last year.



Mudrick net exposure since inception:



PORTFOLIO RISK

Mudrick invests mainly in middle market debt. While this is an attractive and differentiating quality, it results in a portfolio that possess inherent idiosyncratic risks, as middle market companies are by their nature more vulnerable to periods of stress than larger companies, which typically have much greater access to the capital markets.

To address some of the risk, Mudrick uses fundamental credit research and position sizing as its primary risk management tools and focuses predominately on the top of the capital structure. Leverage is not used except when reducing risk via shorts (maximum 33% leverage). Other notable characteristics of Mudrick's current long fixed income portfolio are the fact that 94% of the long portfolio consists of current pay securities, the portfolio's duration is 1.6 years (holding periods for positions 12-18 months) and 62% of the investments are secured.

Hedging:
Mudrick's current short exposure of 32% is slightly above the average of 25% since 2010, yet is within the range of what investors should expect in a "normal" credit environment. It is important to note that a majority of this hedged exposure will come from index protection, as is the case currently where 26% of short exposure is currently comprised by HY CDX and the balance is in a handful of single name shorts with sub-2% coupons. There are no stop loss mechanisms in place.

PORTFOLIO CONCENTRATION

Portfolio limits are set and managed by Jason Mudrick, CIO. These hard coded guidelines are monitored by the investment team and include:

Investment limits:
(i) Single company to be <20% of NAV, typically single positions will not exceed 10% of NAV
(ii) Singe industry to be <50% of NAV
(iii) Total Non-US investments to be <49% of NAV
(iv) Emerging Markets to be <20% of NAV

Sizing:
Mudrick runs a concentrated book, currently its top 13 investments represent over 60% of NAV. As previously stated this can incur mark-to-market volatility and create idiosyncratic, event-dependent return streams. Anticipated position sizing is 3-5% of NAV for longs, 1-3% for shorts, except in the case of indicies or ETFs, which could be larger short positions.

Since inception there have been two instances where Mudrick has reached saturation on a "theme" and created co-invest vehicles. In 2014, Mudrick created a $350mn co-investment vehicle focused on investing in media companies and in 2015 Mudrick launched a co-invest vehicle to invest in energy names on a pari-passu basis with the flagship fund. AUM for this vehicle is currently approximately $100mn.

TOP POSITIONS (as of June 2015)

1. R.H. Donelley Corp: 6.60%**
2. EFIH (TXU): 6.20%
3. Fieldwood Energy: 6.20%
4. TitleMax: 5.90%
5. McClatry: 4.90%
6. SuperMedia Inc: 4.80%**
7. Catalyst Paper Corp: 4.50%
8. Nelson Education: 4.00%
9. Verso Paper: 4.00%
10. Energy XXI: 3.70%
11. Dex Media East: 3.60%**
12. Afinia: 3.40%
13. Targus Group: 2.80%

** represents "Media Theme"

Somewhat mitigating the concerns expressed above about potential volatility, is the "short-term" nature of many of the portfolio's catalysts (sub-3 month horizons) that are driven by restructuring or balance sheet actions. As illustrated below, positions with short-term catalysts currently represent 9% NAV:

1. Nelson Education: 4.00% (exiting Canadian bankruptcy)
2. Allied Nevada: 2.50% (exiting bankruptcy, also DIP lender)
3. Niska Gas Storage: 2.50% (being taken out at premium)

LIQUIDITY/COMPLEXITY

Structurally, liquidity in the credit markets continues to be poor specifically due to the bond prop trading activities eliminated dealer desks holding significantly less inventory (because of Dodd/Frank). The prop desk void has been replaced with a larger proportion of debt assets now sitting in hedge funds, ETFs, and mutual funds. This investor base exposes the markets to a potential asset/liability mismatch and amongst the limited sample size of market selloffs this year, there has been a concerning lack of buyers (particularly in middle market securities) during technically driven market selloffs.

Holdings by ASC 820 Category	
Level I [5]	16%
Level II	83%
Level III	1%

As of 05/31/2015
[5] cash is considered a Level I asset

Investor Terms:

Terms & Conditions	Class A	Class B	Class C
Withdrawals (all with 90 days' notice)	Quarterly	Annual	Each three years
Lock-up	One year "soft lock", 6% early redemption fee	None	None
Management fee	2.0% per annum	1.5% per annum	1.5% per annum
Performance Allocation	20% per annum	20% per annum	15% per annum
High Watermark Protection	Yes	Yes	Yes

RECOMMENDED FOR INVESTMENT:

☒ YES ☐ NO _______ Other Recommendation (explain)

ARDEN
ASSET MANAGEMENT LLC

OPERATIONAL DUE DILIGENCE ("ODD") REVIEW

SUMMARY OF ODD RANKINGS

Category	Score*
Overall score	White
Pricing/valuation	2
Organizational viability	2
Trade flow/back office/IT	3
Ownership structure/management investment	3
Service providers	2
Current investor base	2

**Key: 1 (best) – 4 (worst)*

OPERATIONAL SCORE

Recommend initial operational score of 3 (Yellow) pending the completion of the ODD process.

SUMMARY/OVERVIEW

Jason Mudrick founded Mudrick Capital Management in July 2009. The firm currently manages about $1.2bn across three product offerings. Management has engaged reputable service providers and there has been little turnover at the firm. Many of the existing operational processes are manual which can be susceptible to human oversight or manipulation. Mudrick Capital has embarked on institutionalizing its operations by implementing more formal processes and hiring more non-investment personnel. Management is reviewing order management systems with the goal of full implementation by year-end. This will be especially important with making the trade allocation process more systematic. Mudrick does not have high daily trade volumes, so management has been able to mitigate some potential risks through daily reconciliations and continuous oversight. That said, as the firm continues to grow and introduce more products, it stands to benefit from more automated and formal processes thus becoming more aligned with industry best practices. Mudrick Capital has signed a 10-year lease at 527 Madison Ave. They will be located on the 6th floor of that building and plan to move in some time in August.

ASSESSMENT

Mudrick Capital is going through a transition phase as management has embarked on formalizing processes and procedures. Management wants the business to become more institutional. Much of the operational process is manually intensive however; management has plans to automate some areas. Mudrick has a solid group of non-investment professionals and use reputable service providers. Furthermore, management has established adequate controls to help mitigate certain key risks.

FLAGS NOTED

- Mudrick relies extensively on Excel throughout its trade process and operations. Management understands the risks, and hopes to alleviate some investor concerns by implementing an order management system by year-end. For now trade volume is very low and Mudrick perform adequate daily reviews and reconciliations.

- Mudrick does not have a systematic trade allocation process. The GC/CCO is working on systemizing this process.

- IT/DR procedures and preparation is very basic and the firm is a bit behind on cybersecurity. Mudrick does not have overly burdensome technology needs however; they are reviewing industry best practices in order to tailor them to meet their business needs.

- As with many small to mid-size hedge funds, there is no formal succession plan in place and there is considerable key man risk because Jason Mudrick is the sole decision maker. The key man language mitigates some of this risk by allowing investors to redeem should something happen. The GC/CCO is considering a proposal for the CIO to allow a committee of senior investment personnel to at the very least be able to take some risk off the table should he be unable to make a decision in real-time.

INFRASTRUCTURE OVERVIEW

- Prime Brokers/Custodians: Deutsche Bank and Goldman Sachs
- Fund Administrator: SS&C GlobeOp
- Auditor: KPMG
- Legal: Davis Polk & Wardwell
- Systems: Excel

SUMMARY OF KEY POINTS

Ownership Structure: Jason Mudrick (CIO) founded Mudrick Capital in July 2009 and owns 100% of the firm. Jason Mudrick has no immediate plans to open up the firm to new partners. Mudrick plans to launch a drawdown fund later this year, which will have a separate GP.

Although not formalized, Mr. Mudrick is considering some sort of partnership/participation for Victor Danh and David Kirsch for that GP.

Fund Structure: Mudrick Distressed Opportunity Fund operates as a master feeder fund and the fund has monthly subscriptions. Class A investors can redeem quarterly subject to a 1-year soft lock and a 6% early redemption fee, Class B investors can redeem annually and Class C every three years. Class A investors pay a management fee of 2% and a performance fee of 20%, Class B investors pay 1.5% and 20% and Class C investors pay 1.5% and 15% respectively. Mudrick also operates two other funds; Verto Direct Opportunity Fund LP and Mudrick Distressed Energy Co-Investment Fund LP.

The offshore fund has two independent board members and Jason Mudrick serves as the affiliated board member. Both independent board members are from IMS. When asked about this, the GC/CCO noted that they would be more likely to add another independent member as opposed to replacing one of the board members from IMS. The board convenes semi-annually and the GC/CCO mentioned that he has pushed for more interaction with the board as part of his plans to implement more formal policies and procedures.

Affiliated broker-dealer/entities: Mudrick does not have any affiliated broker dealers.

Staffing: Mudrick Capital has 17 employees, and historically the firm has had low turnover. Trevor Wiessmann (GC/CCO), Aviva Gulkowitz (operations associate) and Jamie Ferrara (investor relations) all joined the firm in 2015 as part of Mr. Mudrick's plan to build out the firms' operational infrastructure. Jae Hong, former head of business development and client services, left in February to pursue other opportunities. Janet Joyce and her team have stepped up and taken on much of his responsibilities.

AUM: Mudrick currently manages about $1.2bn across all its fund offerings. The breakdown by fund is as follows; $750mn in Mudrick Distressed Opportunity Fund Global LP, $280mn in Verto Direct Opportunity LP, $20mn in Mudrick Distressed Energy Co-Investment Fund LP and about $190mn across two managed accounts. Management plans to launch a drawdown fund and close the main funds' quarterly share class (Class A). The drawdown fund will be a hybrid private equity/hedge fund structure with a 3-year lock and 2 year harvest period.

Investor Base: Mudrick has about 185 investors across the firm. Over the past 3 years the top 20 investors have owned about 75% of the net assets and most recently the top 10 investors in the flagship fund own about 50% of the fund. The investor breakdown for the distressed strategy is; 40% endowments/foundations, 30% single family office, 15% fund of funds, 5% internal capital (primarily from Jason Mudrick) and 10% financial institutions.

Service Providers: See the list of service providers under the infrastructure section above. Overall management is satisfied with the service provided by the key service providers. KPMG is the auditor via its acquisition of Rothstein Kass. Management is reviewing JP Morgan to possibly add as a third prime broker but nothing has been finalized at this point. The current exposure to the existing prime brokers is roughly equal.

Counterparty Agreements: Mudrick Distressed Opportunity Fund has 10 ISDA counterparties, which includes the largest and well-known banks. All the triggers include redemptions and range from 15-20%/25-30%/35-40% monthly/quarterly/annual NAV declines. One of the agreements has a NAV floor provision and two other have manager insolvency provisions. The agreements also have cross-default and reporting provisions. Mudrick has about 30 executing brokers however a majority of the transactions go to the top 15.

Cash Management: The fund has a target of 10-20% excess cash. Mudrick switched to Northern Trust from JP Morgan a month ago primarily because JP Morgan fees were too high. Mudrick is also in the process of opening a cash custody relationship with BONY. Mudrick requires that at least 2 of 3 signers approve all cash transfers/payments regardless of amount. The authorized signatories are the CIO, CFO and GC. All wires and payments are prepared by the senior accountant and reviewed by the CFO.

Leverage Facilities: The fund typically does not use much leverage but has access to prime broker margin. Mudrick does not have any other financing or credit lines.

Daily Ops & Controls: Jason Mudrick has complete portfolio discretion. He verbally or electronically communicates trades to Kevin Sahl (head trader) for execution. The trader then sends the trade instructions via Bloomberg chat or email to the brokers for execution. The trader executes about 20% of the trades over the phone. The trader executes a small number of equity trades via Knight Direct execution management system and he subsequently receives confirmations of all executed trades via Bloomberg or email from the brokers and records all trades in the trade blotter. At the end of the day, the operations team matches the trade blotter details to information received from trade counterparties and then allocates those trades to prime brokers. Mudrick maintains an Excel based trade blotter and much of the firms' reconciliation and recordkeeping is done in Excel. This is not ideal from a controls standpoint. That said, Mudrick does perform daily cash, position and transaction reconciliations with the prime brokers and fund administrator. Mudrick typically executes only 2 to 3 trades per day and there have been no material trade errors since inception.

The funds' portfolio comprises mainly bank debt, corporate bonds, equities and options. Mudrick works closely with administrative agents to ensure that they have the most up to date bank debt records. On a quarterly basis, Mudrick confirms the bank debt holdings with the agents. The Administrative agents send payments and interest to the prime brokers who subsequently send the confirmation to the administrator for record keeping. Mudrick internally calculates its payments and interest amounts as a control and sends it to the administrator.

Mudrick allocates trades on a pari-passu basis. Target allocations are calculated across the funds at the beginning of the month and revisited on a daily basis. The head trader enters the allocation into Excel, which is subsequently reviewed by the operations associate. The GC/CCO reviews the trade allocations on a weekly basis. While there appears to be adequate oversight, the process is very manual and needs to be automated especially since they have multiple trading vehicles. Mudrick plans to launch a drawdown fund later this year, which would further complicate the allocation process. Management plans to formalize this process and plans to implement an order management system by year-end. As part of the firms' best execution process, the head trader, CFO and GC review the approved counterparties and brokers at least on a monthly basis. As part of the broker review process, the team reviews market information, CDS spreads and other financial information. The fund trades primarily in bonds and bank debt so a majority of the commissions are implied hence much of their review is ex-post for reasonableness. Mudrick generally strives for the cheapest commissions for its equity trades. The CIO and CFO are both responsible for approving all counterparty/broker relationships.

Pricing & Valuations: Mudrick's valuation committee meets on a monthly basis and comprises the CIO, CFO, Controller, head trader and senior accountant. The fund has the ability to create a side-pocket of up to 20% of NAV however investors can opt-in or opt-out at the time of subscription. Where broker quotes are needed, Mudrick strives to obtain quotes from at least 3-5 brokers. The head trader enters the broker quotes into an Excel based valuation matrix. The fund administrator independently receives the broker quotes and is able independently verify the price the vast majority of the portfolio at any point in time. The ASC 820 breakdown at the end of the month was as follows; 16% level 1, 83% level 2 and 1% level 3. Level 3 comprises a direct loan with no active trading which could be monetized within the next 6 months. It is currently marked at par.

Fund Accounting/Tax/Audit: The 2014 audited financial statements were unqualified, and the funds have never had a qualified audited opinion or NAV restatement. The offshore fund uses series accounting and the funds are under US GAAP. The financial statements are typically available by mid-April subsequent to the balance sheet date. SS&C provides full fund administration and the CFO signs off on the final NAV at month end. The Controller, senior accountant and operations associate collectively produce the daily p/l which is reviewed by the CFO and CIO each morning on T+1. All its records are maintained in Excel. Mudrick tracks expenses, fees, and other accruals and calculate interest payments for internal recordkeeping and monitoring. Mudrick is FATCA compliant.

Regulatory Compliance/Legal Issues: Mudrick Capital is SEC registered. There are currently no legal or regulatory issues against the firm or key personnel. Trevor Weissmann recently joined the firm, as GC and has formally taken on the role as CCO, which the CFO held in the past. This is a welcome development and Mudrick is taking the right steps to become more institutional as the business grows and becomes more complex. Mudrick uses Kinetic for compliance consulting. Kinetic performs formal quarterly email reviews and the GC/CCO uses SMARSH to perform ad-hoc real-time reviews.

The GC/CCO maintains a restricted list and all employees are required to get pre-approved from the GC/CCO prior to trading any type of security except for mutual funds. Mudrick does not have a minimum holding period however according the GC/CCO employees do not do much personal trading.

IT/BCP: Mudrick does not have a dedicated IT person and fully outsources its technology needs to Richard Fleischman & Associates (RFA). Mudrick switched to RFA from Gravitas in the fall of 2014. The CFO and GC/CCO are jointly responsible for technology at the firm. Mudrick's entire technology infrastructure is on the cloud so there is very little by way of physical server's onsite. The server room is very basic and doubles up as a storage room. Mudrick does not currently have a formal testing policy in place but insists that they plan to formalize a process with RFA. RFA did perform a test at the beginning of the relationship. The next test is planned for when they move to their new office premises. RFA performs live backups for the firm. All employees can login remotely should the office become inaccessible.
Mudrick is in the process of developing a cybersecurity policy, which it hopes to implement over the next several months. This will include but is not limited to performing penetration testing, phishing exercises, formal due diligence on the service provider's cybersecurity preparedness among other areas. Mudrick is a bit behind on this as many firms have implemented many of these procedures.

Side Letters: Mudrick Capital has about 9 side letters across the firm. MFN provisions include monitoring ERISA levels and notification provisions. If Mudrick gives certain investors a different fee arrangement, all investors will be notified. None of the firm's current side letters provide special fee breaks, preferential liquidity or additional transparency rights.

ASSESSMENT/FLAGS NOTED

Mudrick relies extensively on Excel throughout its trade process and operations. Management understands the risks, and hopes to alleviate some investor concerns by implementing an order management system by year-end. For now trade volume is very low and Mudrick perform adequate daily reviews and reconciliations.

The trade allocation process is not formalized. The GC/CCO is working on systemizing this process.

IT/DR procedures and preparation is very basic and the firm is a bit behind on their cybersecurity initiative. Mudrick does not have overly burdensome technology needs. However, it is reviewing industry best practices in order to tailor them to meet its business needs.

As with many small to mid-size hedge funds, there is no formal succession plan in place and there is considerable key man risk because Jason Mudrick is the sole decision maker. The key man language mitigates some of this risk by allowing investors to redeem should something happen. The GC/CCO is considering a proposal for the CIO to allow a committee of senior investment personnel to at the very least be able to take some risk off the table should he be unable to make a decision in real-time.

RECOMMENDED FOR INVESTMENT:

☒ YES ☐ NO ____ Other Recommendation (explain)

Pending Due Diligence Items:
☒ Service provider verification ☒ Background Checks ☒ Manager Documents
☒ Other

Explain:

PROTECTED MATERIALS

Appendix B

Private Equity Douglas Co-Investment, L.P. Memo.

PRIM Board Meeting
Tuesday, August 11, 2015

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84 State Street, Second Floor
Boston, Massachusetts 02109

Deborah B. Goldberg, Treasurer and Receiver General, Chair
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer

To: Michael Trotsky

From: Michael McGirr

Date: June 19, 2015

RE: Co-Investment Recommendation: Douglas Co-Investment, L.P.

This memorandum contains trade secrets and/or commercial or financial information that relates to the investment of public trust retirement funds, the disclosure of which would likely impair PRIM's ability to obtain such information in the future and/or cause substantial harm to the competitive position of the person or entity from whom the information was obtained. As such, the information contained in this memorandum is protected by statute from disclosure, and accordingly this memorandum should be distributed only to its specifically-listed recipients, and should not be further disseminated nor disclosed.

Private Equity Co-Investment Program Overview

At its February 4, 2014 meeting, the PRIM Board approved an annual co-investment program with existing general partners. The guidelines, criteria, and procedures for co-investments are detailed below:

1. All co-investments must be sourced from PRIM's approved bench of co-investment managers.
2. All co-investments must fit with the manager's specific investment skills.
3. All co-investments must be recommended to the CIO for approval with notification to the Investment Committee members.

Additional criteria are as follows:

Criteria	Policy
Annual Capital Deployment	Not to exceed 10% of total private equity annual commitments
Equity Size	Not more than $30 million in any single transaction
Investment style	No venture capital investments
Geography	North America and Western Europe only
Leverage	May not invest in transactions with >10x leverage (debt/ebitda) without Investment Committee approval

Control	General partner and co-investors must represent >50% of outstanding equity
Board Representation	General partner must have at least one board seat

CVC/Douglas Co-Investment Recommendation

At its December 2, 2014 meeting, the PRIM Board approved CVC Capital Partners as an approved co-investment general partner. CVC is one of the world leading private equity firms and PRIM has invested in six of CVC's funds over the past 19 years. CVC invests in businesses with strong market positions, stable cash flows, and talented and experienced management teams. CVC is especially skilled at investing in European companies. On June 5, 2015, CVC presented PRIM with a co-investment opportunity in Douglas (Kirk Beauty S.A.R.L.). Douglas is the leading beauty retailer in Europe and is headquartered in Hagen, Germany. Douglas was considering listing its shares on a public exchange when CVC approached the company. Douglas is thought to have been also discussing a transaction with LVMH and two Chinese buyers. The anticipated total size of the Douglas investment will be approximately €1,110 million and CVC has indicated that CVC Capital Partners VI, in which PRIM is invested, will invest approximately €650 million. Douglas' founders (the Kreke family) will be investing €175 million and Douglas's management team will be investing €10 million alongside CVC. The remaining €275 million will be offered to CVC's limited partners in the form of co-investment on a pro rata basis according to their fund VI commitment. As such, PRIM anticipates an allocation of roughly €6.5 million. If other CVC limited partners pass on this transaction, PRIM's pro rata allocation could be increased and the PRIM private equity team is interested in as much as €10 million.

Consistent with the Board-approved co-investment guidelines, PRIM staff is recommending that the ED and CIO approve the CVC co-investment in Douglas.

Co-Investment Criteria Check-List

1.	PRIM's co-investment policy only permits co-investing with approved co-investment managers. CVC Capital Partners is currently on PRIM's approved list of co-investment partners.	Yes
2.	PRIM's private equity allocation is limited to a maximum of up to 10% of the program's annual budget. PRIM's annual budget for 2015 is currently $1.7 billion of which PRIM has committed $0 year to date. This co-investment is within PRIM's annual co-investment allocation budget.	Yes
3.	PRIM's maximum permitted co-investment amount is $30 million per investment. This co-investment of up to €10 million is less than PRIMs maximum co-investment.	Yes
4.	PRIM's co-investment policy currently restricts venture capital transactions. This co-investment is not a venture capital transaction.	Yes
5.	PRIM's co-investment policy currently permits investments in companies that have their headquarters in either North America or Western Europe. This co-investment is headquartered in North America or Western Europe.	Yes
6.	PRIM's maximum permitted D/EBITDA multiple per transaction is 10x. This co-investment will employ less than 10x D/EBITDA.	Yes

7.	PRIM's co-investment policy permits investments where the general partner has control of the company and will have representation on the company's board of directors. CVC will have control of Douglas and CVC will have board representation.	Yes
8.	PRIM's co-investment policy only permits co-investment transactions where co-investors will invest on the same terms as the general partner's fund investment. This co-investment will be on the same terms as CVC's fund investments.	Yes
9.	PRIM's co-investment policy only permits co-investments that do not charge any management fees or any carried interest. This co-investment will not charge any management fees or carried interest.	Yes
10.	PRIM's co-investment policy only permits co-investments that fit with the general partner's investment skills. PRIM's private equity team has determined that CVC is skilled at purchasing high quality businesses with strong market positions in Europe and that Douglas fits these characteristics.	Yes

The PRIM private equity team is recommending approval of an investment in Douglas (Kirk Beauty S.A.R.L.) of up to €10 million. The deadline for approval is 5 P.M. on June 30, 2015.

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