

SPM III, L.L.C.

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Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of SPM III, L.L.C. ("SPM III"). If you have any questions about the contents of this brochure, please contact us at (203) 351-2870. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about SPM III also is available on the SEC's website at www.adviserinfo.sec.gov.

In this brochure, SPM III refers to itself as a registered investment adviser. This means that SPM III is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Advisers Act registration does not and should not be read to imply a certain level of skill or training.

The headings in this brochure correspond to the Item headings of Form ADV Part 2A.

Item 2. – Material Changes

On July 28, 2010, the SEC adopted significant changes to the Form ADV Part II. This is the first time that SPM III has been required to provide and file its annual updating amendment to Form ADV Part II on the new Form ADV Part 2A (the “Brochure”). This Brochure is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is different in structure than the previous Form ADV Part II that you may have received, and requires SPM III to provide certain new information that its previous brochure did not require.

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Item 4.- Advisory Business

Overview of SPM III

SPM III is a Delaware limited liability company that was formed in 2004 and became registered as an investment adviser under the Advisers Act in February of that year. Structured Portfolio Management, L.L.C. ("SPM"), a registered investment adviser, owns the majority of the interests in SPM III. Employees and former employees of SPM III, SPM and/or their affiliates ("SPM Affiliates") own the remaining interests in SPM III. SPM's voting units are owned by Upper Shad Associates, L.L.C. ("Upper Shad") and Structured Partners, L.L.C. ("SP"). Upper Shad is owned by employees of SPM and their affiliates, including Donald Brownstein, CEO of SPM III, and Christopher Russell, COO of SPM III, their friends and family. SP is substantially owned by employees of SPM and their affiliates, their friends and family. The managing members of SP are Kenneth Cron, President of SPM III and the SPM Affiliates, and a relative of Christopher Russell.

SPM III is the investment manager of three private investment funds (each a "Fund" and, collectively, the "Funds"). Each Fund is exempt from registration as an investment company pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended ("1940 Act"). The interests or shares in each Fund are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended (the "1933 Act").

Under the investment management agreement ("IMA") with each Fund, SPM III has control over the investment activities and day-to-day operation of each Fund. As described in greater detail in Item 8 below, SPM III provides investment advice primarily with respect to U.S. residential mortgage-related securities; however, the Funds may invest in other types of securities and assets as well.

The three Funds are organized in a master-feeder structure and consist of the following: (i) SPM Directional Mortgage Prepay Fund II, L.P., a Delaware limited partnership ("Onshore Feeder"), (ii) SPM Directional Mortgage Prepay Offshore Fund II, Ltd., an offshore company ("Offshore Feeder"), and (iii) SPM Directional Mortgage Prepay Master Fund II, L.P., a Delaware limited partnership ("Master Fund").

Each of the Onshore Feeder and Offshore Feeder (each a "Feeder Fund" and collectively the "Feeder Funds") is not currently accepting new investors. The Feeder Funds invest substantially all of their assets in the Master Fund. The Master Fund accepts investments from the Feeder Funds and certain private funds ("Affiliated Funds") managed by SPM Affiliates.

SPM III does not tailor its investment advice to the needs of any investor in a Fund. Investors in a Fund cannot impose restrictions or limitations on Fund investments.

SPM III has full discretionary authority over the investment activities of each Fund. As of December 31, 2010, SPM III had \$465.2 million in discretionary assets under management. SPM III does not advise any non-discretionary accounts or funds for which it does not have discretionary authority.

Item 5. - Fees and Compensation

Because this Brochure is being delivered only to “qualified purchasers” under the 1940 Act, SPM III is not required to provide a fee schedule for the Funds.

Each Feeder Fund pays a monthly management fee and an annual performance-based fee (subject to a loss-carryforward or “high water mark” and a “hurdle rate”). The fees paid by an investor in a Feeder Fund are set forth in the private placement memorandum and related organization documents for that Feeder Fund (“Memorandum”).

Each Feeder Fund pays fees to SPM III directly. The third-party administrator of the applicable Feeder Fund calculates the monthly or annual fee. Generally, asset-based management fees are deducted monthly, in arrears, while performance-based fees, when applicable, are deducted annually at the end of each fiscal year once the applicable Feeder Fund’s annual audit is complete. With respect to the management fees, an independent accountant reviews the monthly financial statements prepared by the administrator and drafts and signs a letter instructing the custodian to release funds to pay the management fee. The accountant sends this letter to SPM III’s Chief Compliance Officer (the “CCO,” which may include a designee of the CCO), who reviews the management fee calculations and signs and sends a similar letter to the custodian. The custodian then sends the funds to the administrator, who transfers the management fee to SPM III. The performance fee is accrued each month during the fiscal year and is paid to SPM III once the independent accountant has audited the applicable Fund’s financial statements. After the financial statements are audited, the custodian is authorized to release the fee to the administrator, who reviews and sends the fee to SPM III. If an investor in a Feeder Fund redeems or withdraws all or part of its investment at any time other than the last business day of a fiscal year, the investor will pay a pro-rated performance fee to SPM III calculated in the manner described above. Neither of the Feeder Funds charge investors any fees in advance.

Structured Servicing Transactions Group, L.L.C., a Delaware limited liability company and an affiliate of SPM III (“SSTG”), is the general partner of the Onshore Feeder and the Master Fund. The Onshore Feeder and Master Fund each pay SSTG an annual “general partner fee” of \$15,000.

Each Feeder Fund bears its ongoing transaction, administrative, custody, legal (including blue sky compliance), tax preparation, investor reporting, valuation agent and appraisal fees and expenses, insurance and accounting and audit expenses and any other expenses are reasonably incurred in connection with the business or maintenance of that Fund. Each Feeder Fund also pays the fees and expenses of any prime brokers and any administrator. Each Feeder Fund also pays its *pro rata* share of the expenses of the Master Fund.

As noted above, certain Affiliated Funds also invest in the Master Fund. In such cases, the Affiliated Funds will not bear an asset-based or performance-based fee in connection with their investments in the Master Fund. The Affiliated Funds will, however, be responsible for their *pro rata* share of the Master Fund’s expenses as an investor therein, including its share of any general partner’s fee paid to SSTG.

None of SPM III or its supervised persons accept compensation for the sale of securities or other investment products. See Item 12 for a discussion of SPM III's brokerage practices.

Item 6. – Performance-Based Fees and Side-by-Side Management

SPM III charges each Feeder Fund a performance-based fee as well as a management fee. The performance-based fee for each Feeder Fund is subject to a “high-water mark” and a “hurdle rate.” The performance-based fee is based upon unrealized appreciation of assets.

As a result of the performance-based fee, SPM III may have an incentive to make investments that are riskier or more speculative than it otherwise might make in the absence of compensation based on the performance of such a Fund. SPM III monitors the investments made for the Funds on an ongoing basis and endeavors to ensure that investments made for the Funds are appropriate without regard to the potential for performance-based fees.

Because both of the Feeder Funds are subject to a performance-based fee and invest substantially all of their assets into the Master Fund, SPM III does not have an incentive or ability to favor performance-based fee paying accounts over accounts that do not pay such a fee. SPM III and the SPM Affiliates share common employees, including portfolio managers, as discussed in Item 10 below. These portfolio managers make investment decisions for both the Funds and funds managed by SPM Affiliates. As a result, SPM III and the SPM Affiliates may have an incentive to favor accounts (through allocation of investments) that are above or near the “high water mark” or “hurdle rate” over those that are significantly below the “high water mark” or “hurdle rate.” This is because SPM III and the SPM Affiliates will not earn a performance-based fee from a Feeder Fund or other fund managed by an SPM Affiliate, as applicable, unless the performance of that Feeder Fund or other client fund exceeds the high water mark and hurdle rate. SPM III and the SPM Affiliates monitor investments made for the Master Fund and the other funds managed by SPM Affiliates on an ongoing basis and endeavor to ensure that investments made for the Master Fund's and the other SPM Affiliate client funds' accounts are appropriate without regard to performance-based fees.

In cases where the Master Fund and one or more funds managed by SPM Affiliates buys or sells the same security, the portfolio managers employed by SPM III and/or the SPM Affiliates seek to allocate these purchase and sale opportunities in a fair and equitable manner in light of the Funds' and the other SPM Affiliate client funds' strategic mandates, including, but not limited to liquidity, leverage, sourcing opportunities and cash needs. Collectively, the Chief Operating Officer, the Head of Risk and the Head of Portfolio Management for SPM III and the SPM Affiliates periodically review allocated trades to verify that allocation decisions continue to be fair and equitable over time. Further, if block trades are made at different prices, allocations of the relevant investment will be made to the relevant accounts on an average pricing basis.

Item 7. – Types of Clients

SPM III provides investment management services to the Funds, each of which is a private investment vehicle that is not registered as an investment company under the 1940 Act. The Funds are described in greater detail in Item 4 and Item 8.

Each investor in the Onshore Feeder must be (1) an accredited investor as defined in Rule 501(a) of Regulation D under the 1933 Act (an “accredited investor”), (2) a qualified purchaser as defined in the 1940 Act and the regulations thereunder (a “qualified purchaser”), and (3) a United States person under the Internal Revenue Code of 1986, as amended (“Code”).

Each investor in the Offshore Feeder must be (1) an accredited investor, (2) a qualified purchaser, and (3) if a United States person under the Code, an entity that is exempt from U.S. federal income tax under Section 501 of the Code or otherwise.

The minimum initial investment by an investor in a Feeder Fund, subject to waiver, is \$1 million.

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

The Funds invest primarily in mortgage-related securities, particularly residential mortgage securities. The Funds may, however, invest in other assets. The Feeder Funds invest all or substantially all of their assets in the Master Fund in exchange for a Master Fund interest. (All references to the activities of the Master Fund shall mean the activities of the Master Fund and each of the Feeder Funds, directly or indirectly through the Master Fund.)

As a consequence of the convergence of a number of environmental factors, SPM III believes that that voluntary residential mortgage prepayments will slow to rates, per unit of interest rate incentive, that have not been seen in a number of years. SPM III believes that these changes have not been priced into mortgage backed securities (“MBS”) except in the most preliminary of ways and that Interest-Only (“IO”) MBS will benefit directly from these changes. The Funds’ investment strategy is designed to attempt to exploit these conditions through investments in various types of IOs from the “conforming” sector – *i.e.*, IOs backed by Fannie Mae and Freddie Mac mortgage collateral. Investments will not include any IOs or other instruments from the “subprime” sector.

SPM III believes that standard prepayment models have been based upon data that does not reflect new factors in the marketplace. While some agreement has been reached about their effects upon non-rate incented prepayments, SPM III believes that the market has not priced in the effects upon rate-incented prepayments. The Funds execute a strategy of buying IOs and other mortgage-related securities, particularly residential mortgage securities, together with interest rate risk hedging instruments, in order to capture excess return from slower than expected prepayments on residential mortgages.

The Funds’ portfolio of IOs is generally hedged relative to interest rate risk but not directly hedged relative to systematic prepayment model error.

In selecting investments, SPM III uses a variety of proprietary and “off the shelf” financial models, together with research obtained from third parties and market knowledge obtained from the experience and professional contacts of its professionals.

SPM III may use, among other methods of analysis, option-adjusted spread (“OAS”) analysis and/or relative value analysis in selecting securities and other assets for the Funds. The

OAS of a security or other asset is the yield-spread (in basis points) to some interest rate or set of interest rates (*e.g.*, LIBOR) corresponding to a specified price for the security or asset. The OAS of a security nets out the effects of the option(s) embedded in the security on the security's yield. Most mortgages, for example, come with the option – held by the mortgagors – to pay off their loans at any time before stated maturity. Thus, the mortgagors effectively hold call options exercisable against the owner of the mortgage. The value of such a mortgage depends, in part, upon the value of the call option. Likewise, the sensitivity of the mortgage's value to changes in interest rates will depend, in part, upon the effects of changes in those rates on the mortgagor's propensity to repay his, her or its loan. OAS analysis consists of evaluating the effects of the embedded options on a security's price, sensitivity to changes in interest rates, sensitivity to changes in spread and, with respect to mortgage-related investments, sensitivity to changes in mortgagor propensities to prepay their loans.

Relative value analysis is an attempt to determine which of a set of securities or other assets offers better value, given its price and related risks. For example, two securities, which may be offered at the same price, can differ in sensitivity to various uncertainties (risks). The less sensitive (riskier) of these securities will be of greater relative value than the more sensitive one.

Risks Related to Fund Strategies and Practices

Each of the following material risks apply to investment by the Feeder Funds, whether directly or indirectly through the Master Fund.

Hedging. The Funds may take both long positions and short positions in certain asset classes, primarily for hedging purposes. As part of their general strategy, the Funds may acquire positions that expose them to significant interest rate and prepayment risks but typically hedge against those risks by acquiring assets whose value should move in the opposite direction of those acquired positions that have these exposures.

The Funds typically hedge their economic interest through the purchase and/or sale of various financial instruments. In general, the successful use of any hedging technique is an uncertain matter, but it is dependent on intellectual resources, modeling tools and the various types of technology that assist in bringing these two resources together. The degree to which a Fund hedges depends on SPM III's assessment of prevailing risks, market conditions, price levels and other factors. In general, the Funds will seek to maintain low levels of exposure to certain major risks associated with interest rate levels and changes. There can be no assurance that such hedging activity will be effective in protecting any of the Funds from losses associated with those risks. Further, any such hedging activities may expose the Funds to risks to which it would not otherwise have been exposed.

Although SPM III believes that prepayments are currently below standard model predictions, other current economic factors may work against the Funds' investment strategy. These factors include:

- interest rates continuing to be relatively low and possibly falling even lower;

- borrowers are engaged in a concerted effort to convert adjustable rate loans into fixed rate loans; and
- current loan-to-value ratios will support refinancing in many places because housing prices have not declined for owner-occupied properties in many geographic areas that historically have relied on prime loans.

Current Market Conditions. Recent events in the financial sector have resulted in an unusually high degree of volatility in the financial markets. Both debt and equity markets, domestic and foreign, have been and may continue to experience increased volatility and turmoil. These conditions have particularly affected issuers that have exposure to the real estate, mortgage and credit markets. In addition, the U.S. Government has taken a number of unprecedented actions to support certain financial and other institutions and segments of the financial markets that have experienced extreme volatility and, in some cases, a lack of liquidity. These events and possible continued market turbulence may have a negative effect on the Funds' investments.

Borrowing. When deemed necessary by SPM III, a Fund may borrow money to finance investments, and for liquidity. Generally, the Funds will use repurchase agreements and/or reverse repurchase agreements for financing purposes. The Funds run the risk of a default of the counterparty to the Master Repurchase Agreement governing their repurchase and reverse repurchase agreements.

The Funds may also enter into revolving credit agreements. Such agreements are subject to a number of conditions including, without limitation, covenants relating to the activities and financial condition of the Funds, conditions of lending, representations and warranties, and events of default. A Fund's failure to comply with these terms and conditions may cause an event of default under the credit agreement, which could permit the lenders to refuse to fund additional loans and/or foreclose on the collateral which the Fund pledged in connection with the agreement. A defaulting Fund may be unable to find a replacement source of financing. Even if the Fund could find additional financing, it may not be able to negotiate advantageous terms or satisfy the terms of the replacement financing agreement.

If the Funds are unable to borrow, this inability could have a negative affect on the Funds' performance and liquidity.

Derivatives. The Funds may invest in or use derivatives ("Derivatives"). These are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, index or interest rate. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular Derivative and the portfolio as a whole. Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in Derivatives could have a large potential impact on a Fund's performance. The risks generally associated with Derivatives include the risks that: (a) the value of the Derivative will change in a manner detrimental to the Fund; (b) before purchasing the Derivative, the Fund will not have the opportunity to observe its performance under all market conditions; (c) another party to the Derivative may fail to comply with the terms of the Derivative contract; (d) the Derivative may be difficult to purchase or sell; and (e) the

Derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations.

Risks Related to Specific Types of Securities In Which the Funds Invest

The Funds invest primarily in mortgage-related securities, particularly residential mortgage securities. The Funds may, however, invest in other assets.

Mortgage-Related Securities Generally. Mortgage-related securities are collateralized by residential or commercial mortgages or pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations.

Mortgage-related securities are subject to credit risk associated with the performance by the mortgagors. Prepayment risk can lead to fluctuations in value of the mortgage-related security, which may be pronounced. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. As with other interest-bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates. However, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to be prepaid. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled prepayments on the underlying mortgages. Therefore, it is not possible to predict accurately the security's return to an investor. During periods of rapidly rising interest rates, prepayments of mortgage-related securities may occur at slower than expected rates. Slower prepayments effectively may lengthen a mortgage-related security's expected maturity, which generally would cause the value of such security to fluctuate more widely in response to changes in interest rates.

Risks of Investment in Residential Mortgage Securities. The assets held by the Funds may include mortgage-related securities, government-related securities, government-sponsored securities and other securities backed by residential mortgage loans ("Residential Mortgage Securities"). Violations of certain provisions of federal, state and local laws, as well as actions by governmental agencies, authorities and attorneys general, may limit the ability of a servicer to collect all or part of the principal of, or interest on, the mortgage loans that serve as security for the Residential Mortgage Securities. Violations could also subject the entity that made the loans to damages and administrative enforcement (including disgorgement of prior interest and fees paid). In particular, a loan seller's failure to comply with certain requirements of federal and state laws could subject the seller (and other assignees of the mortgage loans) to monetary penalties and result in the obligors' rescinding the mortgage loans against the seller and any subsequent holders of the mortgage loans, even if the assignee was not responsible for and was unaware of those violations.

The terms of the documents used to create Residential Mortgage Securities typically entitle the holders of the securitized loans to contractual indemnification against these liabilities. For example, the sellers of loans placed in a Residential Mortgage Security typically represent

that each mortgage loan was in compliance with applicable federal and state laws and regulations at the time it was made. If there is a breach of that representation, the seller will be obligated to cure the breach or repurchase or replace the affected mortgage loan. If the seller is unable or otherwise fails to satisfy these obligations, the yield on the Residential Mortgage Securities may be materially and adversely affected. Due to the well-publicized recent deterioration in the housing market, many of the sellers that issued these indemnifications are no longer extant or are unable to financially respond to their indemnification obligations. Consequently, holders of interests in the Residential Mortgage Securities, such as the Funds, may ultimately have to absorb the losses arising from the sellers' violations.

Furthermore, the volume of new and modified laws and regulations at both the federal and state levels relating to Residential Mortgage Securities and residential mortgage loans has increased in recent years. It is possible that these laws, including any litigation resulting from increased enforcement, might result in additional significant costs and liabilities, which could adversely affect the Funds' returns.

Debt and Other Income Securities. The Funds may invest in fixed-income securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. This inverse relationship means, in general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. A Fund could lose money if the issuer of a fixed income security is unable to pay interest or repay principal when due. Credit risk applies to most fixed income securities. The values of income securities may also be affected by changes in the credit rating or financial condition of the issuing entities.

Stripped Securities. The Funds may invest in zero coupon U.S. Treasury securities, which are Treasury Notes and Treasury Bonds that have been stripped of their unmatured interest coupons, the coupons themselves and receipts or certificates representing interests in such stripped debt obligations and coupons. Such stripped securities also are issued by corporations and financial institutions and constitute a proportionate ownership of the issuer's pool of underlying securities. A stripped security pays no interest to its holder during its life and is sold at a discount to its face value at maturity. The market prices of such securities generally are more volatile than the market prices of securities that pay interest periodically and are likely to respond to a greater degree to changes in interest rates than coupon securities having similar maturities and credit qualities.

The Funds may invest in stripped MBS, including IOs. The yields to maturity on IOs and are very sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Funds may not fully recoup their initial investment in IOs.

Government-Related Securities. Mortgage-related securities issued by Fannie Mae (“Fannie Maes”) or Freddie Mac (“Freddie Macs”) are solely the obligations of Fannie Mae or Freddie Mac, respectively, and are not backed by or entitled to the full faith and credit of the United States. Fannie Mae and Freddie Mac (the “GSEs”) are government sponsored organizations owned by private shareholders. Fannie Maes and Freddie Macs are guaranteed as to timely payment of principal and interest by Fannie Mae and Freddie Mac, respectively.

In response to general market instability and, more specifically, the financial conditions of Fannie Mae and Freddie Mac, Congress established in July 2008 a new regulator for Fannie Mae and Freddie Mac, the U.S. Federal Housing Finance Agency (or the FHFA). In September 2008, the newly-formed U.S. Federal Housing Finance Agency (“FHFA”) was appointed as conservator of both Fannie Mae and Freddie Mac. Since the fall of 2008, Fannie Mae and Freddie Mac have received significant capital support from the U.S. Treasury and the U.S. Federal Reserve, including through significant purchases of preferred stock and mortgage-backed securities, and through access to a credit facility. The U.S. Treasury has committed to support the positive net worth of Fannie Mae and Freddie Mac, through preferred stock purchases as necessary, through 2012. However, there can be no assurance that these actions will be adequate for their needs. Despite the steps taken by the U.S. Government, Fannie Mae and Freddie Mac could default on their guarantee obligations which would materially and adversely affect the value of our Government-Related Securities.

Federal policy makers are seriously considering the continued role of the U.S. Government in providing liquidity for mortgage loans. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantee obligations could be considerably limited relative to historical measurements. Alternatively, Fannie Mae and Freddie Mac could be dissolved or privatized, and the U.S. Government could determine to stop providing liquidity support of any kind to the mortgage market. Any changes to the nature of their guarantee obligations could redefine what constitutes a Government-Related Security and could have broad adverse implications for the market.

For a more complete discussion of the analysis and investment strategies used in formulating investment advice or managing assets and the investment risks for the Feeder Funds, investors should review the applicable Memorandum for each Feeder Fund.

Item 9. – Disciplinary History

There are no legal or disciplinary events material to a client’s or prospective client’s evaluation of SPM III’s business.

Item 10. - Other Financial Industry Activities and Affiliations

SPM III is an affiliate of SSTG, which serves as the general partner of the Onshore Feeder and the Master Fund. SSTG also serves as general partner of other funds managed by SPM Affiliates.

In addition, SPM is a majority-owner of SPM III’s interests. SPM is also the majority owner of SPM Jr., L.L.C. (“SPM Jr.”) and SPM Products (“SPM Products”), both of which are

registered investment advisers and managers of private funds, including certain of the Affiliated Funds which invest in the Master Fund. As noted in Item 5 above, certain Affiliated Funds invest in the Master Fund, although the Affiliated Funds will not bear asset-based or performance-based fees as a result of investing in the Master Fund.

SPM III and each other SPM Affiliate share common offices and share most of the same employees. Each SPM Affiliate is the investment adviser to, and/or general partner of, a private fund or funds, some of which invest in the Master Fund. Each fund managed by an SPM Affiliate may hold or seek to purchase or sell some of the same investments as the Funds.

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

SPM III has adopted a Code of Ethics (“Code”) that sets forth the standards of conduct expected of SPM III’s personnel. The Code requires SPM III’s personnel to report their personal securities holdings and transactions and requires the CCO to pre-approve certain investments. SPM III’s personnel are required to submit an annual report of brokerage accounts and holdings along with an annual acknowledgement and certification stating that the individual will comply with the Code. In addition, personnel are required to submit quarterly transaction reports that detail the individual’s securities transactions for the quarter. All employees, managers and officers of SPM III must comply with the Code. The Code states that SPM III’s personnel owe a duty of loyalty to SPM III and its clients that requires personnel to act for the best interests of SPM III’s clients. In addition, personnel must avoid actions or activities that allow (or appear to allow) them or their family members to profit or benefit from their relationships with SPM III and its clients. The Code also contains policies involving the safeguarding of proprietary and non-public information by SPM III personnel along with restrictions on the use of insider information and the use of non-public information regarding a client.

SPM III will provide a copy of its Code to any investor or prospective investor upon request.

SSTG acts as the general partner, and affiliates of SPM III act as investment manager, to certain Affiliated Funds that invest in the Master Fund. In such cases, the Affiliated Funds will not pay an asset-based or performance-based fee in connection with their investments in the Master Fund. The Affiliated Funds will, however, be responsible for their *pro rata* share of the Master Fund’s expenses as an investor therein, including its share of any general partner’s fee paid to SSTG.

A fund managed by an SPM Affiliate may purchase or sell securities at the same time that the Funds purchase or sell securities. In such event, the principals of SPM III and the applicable SPM Affiliates seek to allocate these purchase and sale opportunities in a fair and equitable manner in light of Funds’ strategic mandates, including, but not limited to liquidity, leverage, sourcing opportunities and cash needs.

In order to ensure that personnel of SPM III do not buy or sell securities at the same time as the Funds, SPM III and the SPM Affiliates have a Restricted Trading List (“RTL”). The RTL is a list of securities and security types subject to restrictions in trading for proprietary accounts

and for employee and related accounts, which list is furnished to personnel. Currently these securities include any mortgage-related securities, any securities of an issuer held by a Fund, any securities of any issuer currently being researched by SPM III or an SPM Affiliate and any securities of an issuer about which SPM III or an SPM Affiliate receives non-public information. In addition, any employee of SPM III or an SPM Affiliate who provides investment advice, portfolio management or otherwise participates in transactions for SPM III or an SPM Affiliate with respect to any global corporate opportunities including, without limitation, any secured or unsecured debt of any corporate entity or any common, preferred or convertible equities of any corporate entity must receive approval of the CCO prior to trading any such securities. The placement of a security type on the RTL restricts personal trading in the specified type of security unless the CCO of SPM III or his delegate, the Compliance Officer, grants an exception, which must occur before any prohibited activity is initiated. Securities are generally kept on the RTL until the end of the quarter in which the securities is sold, but not less than thirty (30) days after the date of such sale or cover.

SPM III's CCO is required to report issues that arise under the Code to senior management at least annually.

Item 12. – Brokerage Practices

SPM III makes investment decisions and arranges for the placement of buy and sell orders and the execution of portfolio transactions for the Funds. While some investment advisers may allow clients to direct the execution of transactions through a specified broker-dealer, SPM III selects the brokers used by the Funds. In arranging for the execution of portfolio transactions on behalf of the Funds, SPM III uses its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the most favorable execution. The full range and quality of services available is considered in making these determinations. In those instances where it is reasonably determined that more than one broker or dealer can offer the services needed to obtain most favorable execution, consideration may be given to those dealers or brokers that supply investment research, economic, market and statistical information and brokerage services (which may include certain computer software, reports and research seminars) to SPM III. SPM III may deem certain of these services useful in the performance of its obligations to the Funds. Not all of these services may be useful for all of the Funds. Certain of these services may be useful to clients of SPM Affiliates.

SPM Affiliates apply the same best execution policies and procedures as SPM III.

While soft dollar arrangements are permitted in the industry subject to certain conditions, SPM III does not currently engage in any soft dollar activity with respect to the Funds' trades.

SPM III and the SPM Affiliates generally aggregate trades where aggregation will provide the best price. Each Fund or other entity participating in an aggregated trade receives an allocation of its respective portion or proceeds of the aggregated purchase or sale based upon the allocation policies as set forth in Item 6.

Item 13. - Review of Accounts

SPM III reviews and monitors the Funds' accounts on an ongoing basis. Daily risk management reports, which list positions, values, and various quantitative measures of risk, are reviewed by various members of the professional staff. These are checked to determine whether risk limits have been exceeded. Adjustments are made if limits are exceeded and in case they are in danger of being exceeded. Financing ("repo") positions are reviewed periodically by the CCO to determine if leverage is within limits. Cash and position reports are checked on a regular basis by SPM III's Chief Financial Officer and position reports are also reviewed periodically as well by SPM III's Chief Executive Officer, Chief Operating Officer and/or CCO.

Investors in each Feeder Fund receive a monthly statement of the net asset value of their investment in the relevant Fund for that month. Audited financial statements are distributed to such investors as soon as practicable after the end of each fiscal year, but not later than 120 days after the end of each fiscal year.

After the end of each fiscal year, each investor in the Onshore Feeder is provided with a Schedule K-1.

Item 14. - Client Referrals and Other Compensation

SPM Products and the SPM Affiliates have retained an unaffiliated U.S. registered broker dealer to assist with placement of interests in the Funds and other funds advised by SPM Affiliates in the United States. As its sole compensation for such services, the broker-dealer receives an annual fixed fee from SPM III and the SPM Affiliates. Any solicitation firm engaged by SPM III will be paid by SPM III and not by investors.

Item 15. - Custody

SPM III has custody of each of the Funds' assets. The qualified custodian provides monthly account statements directly to each Fund. As noted above, investors in each Feeder Fund receive audited financial statements for the applicable Fund within 120 days after the end of each fiscal year.

Item 16. - Investment Discretion

SPM III has full discretionary authority over the investment activities of the Funds. The limitations in its investments for a Fund, if any, are set forth in the applicable Memorandum. As set forth in Item 4, no investor may impose limitations on the investment activities of the Funds.

Item 17. - Voting Client Securities

While SPM III does not expect to be called upon to vote proxies, it has the authority to vote proxies on behalf of the Funds. In the event the voting of proxies is required, SPM III has adopted a policy governing the voting of proxies that is designed to ensure that SPM III votes client securities in the best interest of its clients. SPM III generally will vote proxies so as to promote the long-term economic value of the underlying securities. Each proxy proposal will be considered on its own merits, and an independent determination will be made whether to support or oppose management's position. Although SPM III believes that the recommendation of management should be given substantial weight, SPM III will not support management proposals that may be detrimental to the underlying value of client positions. Investors may obtain a copy of these proxy voting policies as well as information about how SPM III has voted its clients' proxies by calling Louis DeSantis at (203) 504-6315. The SPM Affiliates have each adopted identical procedures governing the voting of their respective clients' proxies.

Under no circumstances may investors direct how a Fund votes a proxy.

Item 18. - Financial Information

SPM III does not require or solicit prepayment of any fees in advance. SPM III has not been the subject of a bankruptcy petition at any time during the past ten years.