



Form ADV Part 2A

February 1, 2012

This brochure provides information about the qualifications and business practices of Appaloosa Management L.P. ("Appaloosa"), an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this brochure, please contact us at 973-701-7000. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about Appaloosa Management L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 4. Advisory Business

A. General Description of Firm. Appaloosa is an investment adviser with its principal place of business in Short Hills, New Jersey. Appaloosa commenced operations as an investment adviser on March 19, 1993. Appaloosa Partners Inc. is the General Partner of Appaloosa. David A. Tepper is the principal owner of Appaloosa and Appaloosa Partners Inc.

B. Description of Advisory Services. Appaloosa provides advisory services on a discretionary basis to its clients, which include pooled investment vehicles (also referred to herein as “Clients” or “Funds”) intended for sophisticated investors and institutional investors.

Appaloosa is generally granted broad investment authority with respect to the management of its Clients. Appaloosa employs two primary strategies. One strategy seeks current income and long-term capital appreciation through investment primarily in debt instruments, although Appaloosa expects that ordinarily up to 30% of net assets may be invested in non-fixed income instruments, excluding hedges. The other strategy seeks to obtain annual returns substantially in excess of those derived from buy-and-hold strategies for equity securities, investment-grade fixed-income and high-yield debt by purchasing and selling high-yield bonds, bank loans to highly-leveraged companies, sovereign debt and other debt and equity securities, including securities of financially-distressed companies.

Appaloosa also acts as the investment adviser to a fund-of-funds available only to affiliates of Appaloosa.

Investors and prospective investors should refer to the confidential private placement memorandum, limited partnership agreement (or memorandum and articles of association) and other governing documents for each Fund (the “Governing Documents”) for more complete information about the investment objectives and investment restrictions with respect to a particular Fund. There is no assurance that the investment objectives will be achieved.

C. Availability of Tailored Services for Individual Clients. Appaloosa may enter into “side letters” or similar agreements with certain investors in the Funds granting the investor certain specific rights, benefits, or privileges that are not made available to other investors. Investors may not impose restrictions on investing in certain securities or certain types of securities except as agreed to in the Governing Documents.

D. Wrap Fee Programs. Appaloosa does not participate in wrap fee programs.

E. Assets Under Management. As of December 31, 2011 Appaloosa had approximately \$12,012,276,000 in assets under management, all of which was managed on a discretionary basis.

Item 5. Fees and Compensation**A. Advisory Fees.**

All investors should review the Governing Documents for each Fund in conjunction with this brochure for more complete information about the fees and compensation payable to Appaloosa.

Asset-Based Compensation

Appaloosa charges each Fund an investment management fee based on the value of the assets under management. The fee charged to Thoroughbred Fund L.P. and Thoroughbred Offshore Fund Ltd. is 0.75% of net assets annually, and the fee charged to Appaloosa Investment L.P. I and Palomino Fund Ltd. is 2.0% of net assets annually. Appaloosa does not charge a fee to the fund-of-funds for advisory services.

Investment management fees are charged each quarter in advance based on the total market value of the assets in the Fund (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the quarter.

Performance-Based Compensation

Appaloosa also receives a performance-based fee or special allocation of profits, based on a share of the net capital appreciation of the assets of each Client. This compensation may be paid to Appaloosa or to a related person of Appaloosa and ranges from 20 - 30%. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate of 3%.

The fees charged by Appaloosa are not negotiable but may be waived in Appaloosa's sole discretion.

B. Payment of Fees. Appaloosa deducts the investment management fee from Client accounts on a quarterly basis by instructing the Client's custodian.

C. Other Fees and Expenses. In addition to paying investment management fees and performance-based fees or allocations, Client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; research and data service fees; costs of margin accounts and other borrowings; borrowing charges on securities sold short; interest expense; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged in connection with specific investments; any legal fees and costs arising in connection with any litigation or regulatory investigation instituted against Appaloosa or any Client; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the Client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts. Investors in each Fund will bear their pro rata share of the Fund's operating and other expenses including, in addition to those listed above: legal expenses; audit and tax preparation expenses; fees and expenses of the administrator, insurance costs, expenses relating to computer systems and software of the Advisor used in connection with services and other ordinary operating and out-of-pocket expenses of the Fund. Please refer to Item 12 of this brochure for a discussion of Appaloosa's brokerage practices.

D. Prepayment of Fees.

Appaloosa is authorized under the Governing Documents to charge and deduct management/advisory fees directly from the assets of each Fund. Clients are required to pay Appaloosa's management/advisory fees quarterly in advance.

E. Additional Compensation and Conflicts of Interest.

This question is not applicable.

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

Appaloosa and its investment personnel provide investment management services to multiple Clients. Appaloosa is paid performance-based compensation by its Fund Clients. In addition, Appaloosa's investment personnel are typically compensated on a basis that includes a performance-based component. Performance-based compensation arrangements may create an incentive for Appaloosa to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. When Appaloosa and its investment personnel manage more than one Client account, a potential exists for one Client account to be favored over another Client account. Appaloosa and its investment personnel may have a greater incentive to favor Client accounts that pay Appaloosa performance-based compensation or higher fees.

Appaloosa has adopted and implemented policies and procedures intended to address potential conflicts of interest relating to the management of multiple accounts, including Funds with multiple fee arrangements, and the allocation of investment opportunities among such accounts. Appaloosa reviews investment decisions for the purpose of ensuring that all Clients with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, Appaloosa's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities generally on a pro rata basis based on asset size, subject to any relevant special considerations relating to liquidity requirements, tax status, investment restrictions or other matters as described in Item 16 below.

Item 7. Types of Clients

Appaloosa provides advice to pooled investment vehicles. The investors in each Fund may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans. The Funds are offered exclusively to "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), and are therefore not required to register as investment companies under the Investment Company Act in reliance upon the exemption under Section 3(c)(7) of the Investment Company Act.

The initial and additional subscription minimums are disclosed in the offering memorandum for each Fund.

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

Appaloosa utilizes a variety of methods and strategies to make investment decisions and recommendations. The primary method of analysis is fundamental research.

Appaloosa employs the following investment strategies:

Appaloosa's opportunistic strategy purchases and sells high-yield bonds, bank loans to highly-leveraged companies, sovereign debt and other debt and equity securities, including securities of financially-distressed companies, in an effort to obtain annual returns substantially in excess of those derived from buy-and-hold strategies for investment-grade fixed-income, high-yield debt and equity securities.

Appaloosa's fixed income strategy seeks current income and long-term capital appreciation through investment primarily in debt instruments. This strategy may invest in equity securities, high-yield bonds, bank loans, sovereign debt, asset-backed securities and other debt securities, including securities of financially-distressed companies and non-performing debt instruments. It may also invest in options, futures, forwards and other derivatives. This strategy has similar investment latitude to the opportunistic strategy. However, Appaloosa expects that, under this strategy, no more than 30% of net assets will ordinarily be invested in non-fixed income instruments, excluding hedges, and expects that leverage ordinarily will not exceed 250% of net asset value.

These strategies and investments involve risk of loss to investors and investors must be prepared to bear the loss of their entire investment.

B. Certain Risks Relating to Investment Strategies.

The investment strategies employed by Appaloosa on behalf of its clients involve significant risks. Prospective investors should carefully review the risks described in the Governing Documents for the

relevant Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the applicable Governing Documents.

Distressed Situation Risk. Investment in distressed situations exposes the Client to significant risks, including: the difficulty in obtaining information as to the issuer's true condition; regulatory risk; lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk.

Illiquid Assets. A portfolio may invest in "restricted" or non-publicly traded securities and loans or thinly traded securities. It may not be easy to dispose of such non-publicly or thinly traded securities or loans, and in some cases, there may be contractual restrictions preventing the disposal of securities for a specified period of time. Such investments may require a significant amount of time from the date of initial investment before disposition.

The ability of an investor to redeem or withdraw its investment or for a Fund to pay redemption or withdrawal proceeds in respect of redemptions may be adversely affected by illiquidity of the underlying assets. If redemptions exceed the amount of cash or other liquid assets immediately available to fund such redemptions, a Client may need to liquidate additional assets, which may in turn limit or otherwise affect investment positions and strategies within a portfolio.

Concentration of Investments. Accounts managed by Appaloosa may at times hold relatively few investments. The result of such concentration of investments is that a loss in any such position could materially reduce the value of the Fund.

Leverage. Leverage can be employed in a variety of ways including direct borrowing, margining, short selling and the use of futures, warrants, options and other derivative products. Generally, leverage is used to increase the overall level of investment in a portfolio. This may expose an investor to increased risk as leverage can increase an account's market exposure and volatility. The risk of leverage in futures contracts, options, warrants and other derivatives is that small movements in the price of the underlying asset or index can result in large losses or profits. Many derivatives are not traded on any exchange, and no assurance can be given that a liquid market will exist for any particular futures contract or other derivative at any particular time.

Currency Exposure. Certain assets may be invested in securities and other investments that are denominated in currencies other than the US Dollar and in other financial instruments, the price of which is determined with reference to currencies other than the US Dollar. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates.

Currency exchange rates are highly volatile and subject to severe event risks, as the political situation with regard to the relevant foreign government may itself be volatile. Moreover, if the cash flow from investments is contingent or uncertain, it may be difficult to quantify the attendant cross-currency risk, compounding the risk of changes in underlying currencies by the other risks in the portfolio. Correlations between these risks are difficult to quantify and, therefore, difficult to hedge. An inaccurate estimation of the correlation may lead to a faulty hedge, and a consequent loss in a Client's portfolio.

Hedging. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments. For a variety of reasons, it may not be possible to establish a sufficiently accurate correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent an investor from achieving the intended hedge or expose the investor to risk of loss. In addition to possible losses on the position sought to be hedged notwithstanding the attempted hedge, an investor could incur losses on the hedging position itself.

Short Selling. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no guarantee that securities or other instruments necessary to cover a short position will be available for purchase.

Derivatives. Appaloosa may utilize exchange-traded and over-the-counter futures, swaps, “synthetic” or derivative instruments, certain types of options and other customized financial instruments issued by banks, brokerage firms or other financial institutions. A swap is an agreement between an investor and a financial intermediary whereby cash payments periodically are exchanged between the parties based upon changes in the price of an underlying asset (such as an equity security, an index of securities, or another asset or group of assets with a readily determinable value). Swaps and other derivatives are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. Swaps and other forms of derivative instruments are not guaranteed by an exchange or clearing house or regulated by any U.S. or foreign governmental authority. It may not be possible to dispose of or close out a swap or other derivative position without the consent of the counterparty, and the account may not be able to enter into an offsetting contract in order to be able to cover its risk.

C. Risks Associated with Certain Types of Securities.

Asset-Backed Securities. Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. In addition, asset-backed securities experience credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

Derivatives. Swaps and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments may involve a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) can be much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or Appaloosa. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and may expose the Client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Emerging Markets. The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. These countries are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries may have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Equity Securities. The value of equity securities can fluctuate in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities, such as bonds, notes and asset-backed securities, subject a Client portfolio to the risk that the value of securities will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in lower-rated debt securities will also be subject to the risk that the securities may fluctuate more in price, and are less liquid, than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and Appaloosa's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for Appaloosa to obtain market quotations based on actual trades for the purpose of valuing a Fund's portfolio.

Mortgage-Backed Securities. Mortgage-backed securities are subject to credit risk associated with the performance of the underlying mortgage properties. Factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates and regulatory or zoning restrictions, or the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, these securities are subject to prepayment risk. Some securities have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

REITs. REITs in which Appaloosa invests Client accounts may be affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Rising interest rates may cause investors in REITs to demand a higher annual yield from future distributions, which may in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

Item 9. Disciplinary Information**A. Criminal or Civil Actions.**

This Item is not applicable.

B. Administrative Proceedings before Regulatory Authorities.

On July 2, 2010, the SEC entered an order instituting public administrative proceedings pursuant to Section 21C of the Securities and Exchange Act of 1934 and Section 203(e) of the Investment Advisers Act of 1940 making findings and imposing remedial sanctions and a cease-and-desist order against Appaloosa. Appaloosa, without admitting or denying the allegations of the Commission, agreed to settle the administrative proceedings.

C. Self-Regulatory Organization (SRO) Proceedings.

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations**A. Broker-Dealer Registration Status.**

This Item is not applicable.

B. Commodities-Related Registration.

Appaloosa is registered with the Commodity Futures Trading Commission as a commodity pool operator and a commodity trading advisor.

C. Material Relationships or Arrangements with Industry Participants.

Appaloosa and its employees and affiliates, in the course of its investment management and other activities, may serve on the board of directors or a creditors committee, and may come into possession of confidential or material nonpublic information about issuers, including issuers in which Appaloosa or its related persons have invested or seek to invest on behalf of Clients. Appaloosa may be prohibited from disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. As a result, Client accounts managed by Appaloosa may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of certain issuers. Appaloosa maintains written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Appaloosa is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, Appaloosa may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Appaloosa will be prohibited from communicating such information to the Client or using such information for the benefit of any Client. In such circumstances, Appaloosa will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that Appaloosa possesses such information), or not using such information for the Client's benefit, as a result of following Appaloosa's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

D. Material Conflicts of Interest Relating to Other Investment Advisers

This Item is not applicable.

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

Appaloosa has adopted a Code of Ethics (the “Code”) that requires Appaloosa and its related persons to put the interests of Appaloosa’s Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. The Code includes procedures for monitoring the personal securities transactions of all employees as described in greater detail below. The Code also contains policies and procedures regarding the receipt of gifts. All employees must acknowledge the terms of the Code of Ethics annually. Appaloosa will make a copy of the Code available to Clients or prospective clients.

B. Client Transactions in Securities where Appaloosa has a Material Financial Interest.

Appaloosa and its related persons own significant interests in the Funds that it manages.

Appaloosa may cause one or more of its Clients to buy securities from, or sell securities to, other Clients of Appaloosa at current market prices (for example, as part of routine rebalancing of accounts traded using the same investment strategy, to reallocate an investment among the accounts managed by Appaloosa in accordance with the standards described above, or where one or more of such accounts of Appaloosa was unable to participate directly in the original trade), including accounts in which Appaloosa, its principals or employees are investors or in which such persons may have a financial interest due to the payment of a performance fee to Appaloosa (or an affiliate) by such Client. Generally, such transactions are executed at the prevailing market price for such assets at the time of the transaction; however, where no active secondary market exists for the assets, the transaction price for the assets will be set at a level deemed to be fair and equitable by Appaloosa. Where applicable, the consent of the appropriate Client (which, in certain circumstances, may be provided by the Client’s independent directors or an independent committee established to address conflicts of interest) to such transaction will be obtained in accordance with the Advisers Act and related rules.

C. Investing in Securities Recommended to Clients.

Appaloosa or its related persons may invest in the same securities (or related securities, such as warrants, options or futures) that Appaloosa or a related person recommends to Clients. Such practices may present a conflict where, because of the information Appaloosa has, Appaloosa or its related persons may be in a position to trade in a manner that could adversely affect Clients (for example, by placing their own trades before or after Client trades are executed in order to benefit from any price movements due to the Clients’ trades). In addition to affecting Appaloosa’s or its related person’s objectivity, these practices by Appaloosa or its related persons may also harm Clients by adversely affecting the price at which the Clients’ trades are executed. Appaloosa has adopted certain procedures in an effort to minimize such conflicts: Appaloosa requires its access persons to pre-clear with the Chief Compliance Officer or her designee all transactions in their personal accounts involving securities owned by a Client, certain limited offerings and initial public offerings. The Chief Compliance Officer may deny permission to execute the transaction if she believes such transaction will have any adverse economic impact on one of Appaloosa’s Clients. In addition, Appaloosa’s Code prohibits Appaloosa or its access persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of Appaloosa’s related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. All of Appaloosa’s related persons are also required to provide a quarterly certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the Client accounts and reviewed against the restricted securities list.

D. Conflicts of Interest Created by Contemporaneous Trading.

This Item is not applicable.

Item 12. Brokerage Practices**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

Appaloosa considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Appaloosa need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Appaloosa's Chief Compliance Officer and traders confer periodically to evaluate the broker-dealers used by Appaloosa to execute Client trades using the foregoing factors.

Research and Other Soft Dollar Benefits.

Appaloosa may receive research or other products or services other than execution from a broker-dealer in connection with Client securities transactions. This is known as a "soft dollar" relationship. Appaloosa will generally limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (for example, connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When Appaloosa uses Client commissions to obtain Section 28(e) eligible research and brokerage products and services, Appaloosa's Chief Compliance Officer and traders will confer periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination may be viewed in terms of either a specific transaction or Appaloosa's overall responsibilities to its Clients.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises potential conflicts of interest, since Appaloosa will not have to pay for the products and services itself. This may create an incentive for Appaloosa to select or recommend a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by Appaloosa in its other investment activities, including for the benefit of other Client accounts. Appaloosa does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

In some instances, Appaloosa may obtain a product or service that is used, in part, by Appaloosa for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, Appaloosa will make a

good faith effort to determine the relative proportion of the product or service used to assist Appaloosa in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by Appaloosa's personnel. The proportion of the product or service attributable to assisting Appaloosa in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Appaloosa from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between Appaloosa and Clients.

Brokerage for Client Referrals.

Appaloosa does not consider referral of Clients or investors as a factor in the selection of brokers.

Directed Brokerage.

Appaloosa does not accept instructions from Clients to direct brokerage to specific brokers.

B. Order Aggregation.

Appaloosa often purchases or sells the same security for a number of Clients at or near the same time and using the same executing broker. It is Appaloosa's practice, where possible, to aggregate Client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. Such aggregation may enable Appaloosa to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is completely filled, Appaloosa allocates the securities purchased or proceeds of sale pro rata among the participating accounts within a strategy, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, Appaloosa's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to Clients. Depending on the investment strategy pursued and the type of security, this may result in something other than a pro rata allocation to all participating Clients.

Item 13. Review of Accounts

A. Frequency and Nature of Review.

Each Client account is reviewed by the relevant portfolio manager of Appaloosa daily to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each Client account.

B. Factors Prompting a Non-Periodic Review of Accounts

This item is not applicable.

C. Content and Frequency of Regular Account Reports.

A Fund's investors receive reports from the Client pursuant to the terms of each Client's Governing Documents or as otherwise described in the offering document of the Client.

Item 14. Client Referrals and Other Compensation**A. Economic Benefits Received from Non-Clients for Providing Services to Clients.**

Appaloosa may receive certain research or other products or services from broker-dealers through “soft-dollar” arrangements, as described in Item 12 above. These “soft-dollar” arrangements may create an incentive for Appaloosa to select or recommend broker-dealers based on Appaloosa’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates, and may result in higher transaction costs than would otherwise be obtainable by Appaloosa on behalf of its Clients.

B. Compensation to Non-Supervised Persons for Client Referrals.

Appaloosa does not compensate any third parties for the referral of Clients or investors.

Item 15. Custody

Appaloosa will not have physical custody of any Client assets, although Appaloosa may be deemed to have custody of the assets of the Funds as a result of its authority as general partner or investment advisor.

It is Appaloosa’s policy to cause each Fund with assets over which Appaloosa is deemed to have “custody” to be audited annually. Audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, will be distributed to investors no later than 120 days after the end of each fiscal year.

Item 16. Investment Discretion

Appaloosa provides investment advisory services on a discretionary basis to Clients. Prior to assuming full discretion in managing a Client’s assets, Appaloosa enters into an investment management agreement or other agreement that sets forth the scope of Appaloosa’s discretion.

Appaloosa has the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the investment management agreement or any other applicable documents including any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. The portfolio managers may consider the following factors, among others, in allocating securities among Clients: (i) Client investment objectives and strategies; (ii) Client risk profiles; (iii) tax status and restrictions placed on a Client’s portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is Appaloosa’s policy to allocate investment opportunities to eligible Client accounts within a strategy on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead a portfolio manager to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities.

Securities acquired by Appaloosa for its Clients through initial public offerings (IPOs) and secondary offerings will be allocated pursuant to the procedures set forth in Appaloosa’s allocation policy. The policy provides that: (i) if Appaloosa receives a full allocation of securities in an IPO, the securities will

generally be allocated by the trader to eligible participating Client accounts pro rata among funds with the same or substantially similar investment strategy, or (ii) if Appaloosa receives less than a full allocation of securities in an IPO, the securities will be allocated by the trader to eligible participating Client accounts based upon, among other factors, the assets, account size, investment guidelines, risk profile and tax status of each participating Fund. The portfolio manager will determine the proposed allocations of IPO securities after considering the factors described above with respect to general allocations of securities. Only those investors that have established their eligibility to participate in IPOs may participate in IPO allocations.

Securities acquired by Appaloosa for its Clients through a limited offering will be allocated pursuant to the procedures set forth in Appaloosa's allocation policy. The policy provides that the portfolio manager will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those Client accounts eligible to hold such securities. Eligibility will be based on the legal status of the Client and the Client's investment objectives and strategies.

Appaloosa and its affiliates may purchase on behalf of its Clients different classes of debt and/or equity of the same borrower or issuer. These and other investments may be deemed to create a conflict of interest. Appaloosa may be required to take certain actions for some Clients with respect to one class of debt or equity that may be adverse to other clients who hold other classes of debt or equity of the same borrower or issuer.

If it appears that a trade error has occurred, Appaloosa will review the relevant facts and circumstances to determine an appropriate course of action. Appaloosa has discretion to resolve a particular error in any appropriate manner. In the event that a Client account incurs a trade error as a result of Appaloosa's gross negligence, willful misconduct, or fraud, the trade error will be corrected by Appaloosa as soon as practicable, in a manner such that the Client incurs no loss. Trade errors that result other than as a result of Appaloosa's gross negligence, willful misconduct, or fraud are borne by the Client account.

Item 17. Voting Client Securities

A. Policies and Procedures Relating to Authority to Vote Client Securities.

Appaloosa's proxy voting policies and procedures are designed to ensure that in cases where Appaloosa votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients.

If a material conflict of interest between Appaloosa and a Client exists, Appaloosa will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

Appaloosa will make the proxy voting policies and procedures available to Clients and prospective clients.

B. No Authority to Vote Client Securities and Client Receipt of Proxies.

This item is not applicable.

Item 18. Financial Information

This Item is not applicable.

Appendix. Material Changes

This Item is not applicable.