

FORM ADV PART 2

Stone Tower Debt Advisors LLC

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This brochure provides information about the qualifications and business practices of Stone Tower Debt Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 212-258-0940. 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 Stone Tower Debt Advisors LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

We refer to ourselves as a “registered investment adviser”. Registration does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

Stone Tower Debt Advisors is required to identify and discuss material changes made to this Brochure since the last annual update. Accordingly, please note the following material changes:

On December 16, 2011, Apollo Global Management (NYSE: APO) announced that it agreed to merge Stone Tower Capital LLC and its related management companies into Apollo's capital markets business. Apollo Global Management, LLC and its subsidiaries is an alternative investment manager in private equity, credit-oriented capital markets and real estate. The transaction is expected to close in April 2012.

The discussion above relates solely to material changes made to Stone Tower Debt Advisors' Form ADV Part 2A, dated March 31, 2011.

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ITEM 4. ADVISORY BUSINESS

Stone Tower Debt Advisors LLC (“Stone Tower,” or “we”) was formed in 2003 and it and its advisory affiliate, Stone Tower Fund Management LLC, are owned by a domestic entity that is ultimately controlled by Mr. Michael J. Levitt through his ownership in Stone Tower Capital LLC, a Delaware limited liability company. Stone Tower provides discretionary investment advice as the investment/collateral manager primarily to structured investment funds including collateralized loan obligation issuers (“CLOs”) and collateralized debt obligation issuers (“CDOs”). We also are the manager/replacement manager on asset-backed security (“ABS”) CDOs comprised of assets consisting of a diverse portfolio of residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), CDOs, monoline-wrapped bonds and other asset-backed securities of investment grade and non-investment grade structured finance securities. We provide investment advisory services to an account that invests in CLOs, CDOs and other structured finance vehicles. We serve as an investment adviser to an account consisting of high grade, non-agency, prime RMBS. We act as substitute investment manager / enforcement manager for accounts in which we monitor the portfolio and suggest sales of underperforming assets, among other things. We provide services to an account, including recommending the opportunistic sales of assets, assessing the value of the assets and advising on the economic cost/benefit with respect to periodic corporate actions/amendments/tender offers that arise among the assets. We provide liquidation services, generally on behalf of a trustee for a CLO or CDO that has been directed to liquidate its collateral. We provide valuation services to other investment advisers relative to structured credit assets.

We tailor our advisory services to the stated objectives of the client. Limitations and restrictions on certain investments or types of investments, if any, are set forth in the applicable CLO or CDO indenture, operative agreements of the client investment vehicle and the investment management agreement entered into with a client.

Investment Discretion

We have discretion to determine investment acquisitions and dispositions consistent with the stated investment objectives and limitations of the respective client. We would not have discretion in instances where we are engaged to provide only recommendations or valuation services. We do not participate in wrap fee programs.

As of December 31, 2011, we provided discretionary asset management for over \$10,151,945,827 billion of client assets.

ITEM 5. FEES AND COMPENSATION

Advisory fees we generally charge for managing CLOs and CDOs are described in the applicable offering memoranda and investment management or collateral management agreements and are typically calculated as a percentage of the par amount of portfolio investments. Advisory fees for managed accounts and other services are negotiated on a case by case basis and are set forth in the applicable investment management agreement entered into with the client. Our advisory

fees for CLOs, CDOs and managed accounts are typically paid quarterly in arrears. For liquidation services, our fee will generally be based on a percentage of the proceeds of the liquidation but in certain cases may be a fixed fee. For valuation services, our fees will generally be determined based on the greater of a fee per investment or a specified fixed amount. In certain instances, we may receive structuring fees that are paid upon the closing of the formation of a CLO or CDO. We do not have a standard fee schedule.

Clients may incur additional fees and expenses including, but not limited to, brokerage commissions, trustee fees, custodian fees, rating agency fees, and other transaction expenses. See Item 12 Brokerage Practices below.

Neither we nor any of our “supervised persons” accept compensation for the sale of securities or other investment products.

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

Incentive fees we charge for managing CLOs and CDOs are described in the applicable offering memoranda and investment management or collateral management agreements. Generally, the incentive fee is calculated as a percentage of the par amount of portfolio investments accumulated over the life of the CLO or CDO, and is payable out of remaining cash flows of the CLO or CDO after payments on all obligations. In many cases, the incentive fee is subject to a hurdle rate, meaning that it is calculated as a percentage of, and paid only to the extent that, the CLO or CDO equity realizes an internal rate of return in excess of the hurdle rate. Incentive fees for managed accounts and other services may be similarly structured and are negotiated on a case by case basis.

Because we receive incentive or performance-based fees with respect to clients’ investments, and different clients may pay different levels of fees, there may be an incentive for us to select investments that are riskier or more speculative than would otherwise be selected and to allocate what we believe to be superior investment opportunities to clients and/or accounts that will pay higher fees. We disclose these potential conflicts of interest so that clients understand this risk. We also address these potential conflicts of interest by establishing and applying policies and procedures for allocating investment opportunities, which seek to ensure that investments are allocated among our client accounts fairly over time. See Item 11 below for a further discussion of conflicts of interest and allocation of investment opportunities.

ITEM 7. TYPES OF CLIENTS

Our clients are generally CLOs, CDOs, structured investment vehicles, trusts, managed accounts and Cayman Islands exempted companies that invest in CLOs, CDOs and other structured finance vehicles. We do not have a minimum account size.

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

While we generally follow the analytical methodologies and investment strategies discussed below, these methodologies and strategies are not intended to represent an exclusive list but to

provide examples. Not all these methodologies or strategies may be utilized at the same time or in the same proportions, and we may modify and/or implement additional strategies as appropriate for different investments or in response to different market conditions.

Methods of Analysis – Investment Process

Corporate Credit Investment Process. We have implemented a disciplined investment selection process and a bottom-up approach to due diligence and valuation. When evaluating prospective investments, we perform credit analysis on the company in order to identify assets that can provide attractive current income and/or capital appreciation. We study particular industries and focus on fundamental credit analyses of various companies within those industries. In addition to strong enterprise value coverage and consistent cash flow generation, our investment team looks for investments in companies with strong market share, sufficient pricing power, commitment to deleveraging, strong management teams (whether existing or available) and sufficient equity support from sponsors and management.

Our investment team gathers data through a detailed due diligence process comprised of historical financial analysis paired with cash flow forecasts, a review of relevant publicly available information, meetings with management and occasional site visits. The due diligence process may also include the review and assimilation of information from a variety of third-party sources, including, without limitation, company and industry specific data, industry analysts and consultants, materials prepared by public and private research firms, industry trade publications, various statistical services, research departments of brokerage firms, other independent research firms and interaction with company management teams and other individuals from our network who are familiar with specific companies or industries. The analyst then sets a price and yield target while identifying any catalysts needed to reach the targeted return and evaluating any specific issues such as operational challenges, cyclical pressures, financial risks and industry and general economic dynamics. Once the analyst completes such due diligence, the investment team determines the likelihood of a potential default and decides if the potential return outweighs the risk.

Once this process has been completed the portfolio manager responsible for the investment presents the idea to the investment committee. New investments require investment committee approval prior to their initial purchase.

Structured Credit Investment Process. We have implemented a disciplined investment selection process that includes both a top-down and bottom-up approach to due diligence and valuation. To gain exposure to the broadest array of ideas possible, we interface with major banks and broker-dealers, as well as key market participants which in many cases we've known for long periods of time. Given the experience of our investment team and our position in the market, we are approached by a vast array of counterparties regarding potential trades.

If a trade appears to offer potential, the investment team begins a series of evaluations designed to provide an in depth examination of the security as well as to determine its intrinsic value. In performing this analysis, the investment team employs a consistent, disciplined investment process across all sectors of the structured credit markets. At the deal level, we examine the

documentation, the structure and the cash flow waterfall. On the level of the underlying collateral, we examine the credit quality of the assets, their characteristics and their likely behavior under different scenarios. Once this analysis has been completed, we stress the collateral and the structure to determine the robustness of the asset. From this we generate our own notion of intrinsic worth and determine the asset's relative value in comparison to other similar assets in the market.

Once this process has been completed, the portfolio manager responsible for the investment presents the idea to the investment committee. New investments require investment committee approval prior to their initial purchase.

We actively monitor the assets in client portfolios through daily portfolio reviews and meetings in conjunction with ongoing surveillance using our proprietary surveillance system. When the asset is purchased, the investment team sets internal performance covenants. The surveillance system alerts the portfolio manager when a performance covenant has been breached. This provides an early warning of potential credit deterioration in a position. The investment team will then perform a re-underwriting of the position to determine if it should be held or sold.

Risks of Loss

All investments involve the risk of loss of capital. We believe that our investment programs and research techniques moderate this risk through a careful selection of securities, the possible use of short positions, derivative instruments and other financial instruments (as permitted by the governing documents of the respective investment vehicle or the respective client). However, no guarantee or representation is made, and there can be no assurance, that we will be successful.

There are investment risks associated with the types of investments we may purchase and sell for clients, which are described below. Additional risks associated with investments in or through CLOs, CDOs and other structured investment vehicles are disclosed in the applicable investment vehicle offering memorandum.

Asset Backed Securities - ABS. Consumer and commercial ABS investments could be made in a range of asset classes and are subject to certain risks, including, among others, credit risk, liquidity risk, interest rate and other market risk, operational risk, structural risk, sponsor risk, monoline wrapper risk and other legal risk.

Consumer Asset Backed Investments (Including Auto Loans and Leases). Economic conditions in states where obligors reside may affect delinquencies, losses and prepayments on the receivables. The following economic conditions may affect payments on the receivables (i) levels of unemployment, (ii) interest rates, (iii) inflation rates and (iv) consumer perceptions of the economy. In addition, epidemics and extreme weather conditions (such as hurricanes, floods, snowstorms, tornadoes, mudslides and forest fires) could cause substantial business disruptions, economic losses, unemployment and an economic downturn. Higher energy and fuel costs could reduce the amount of money that obligors have available to make monthly payments. Obligor could potentially become delinquent in making monthly payments or default.

Asset Backed Investments Collateralized by Credit Card Receivables. As owner of credit card accounts, financial institutions retain the right to change various terms and conditions of their credit card accounts, including finance charges and other fees they charge and the required minimum monthly payment. Changes in relevant law, changes in the marketplace or prudent business practices could cause financial institutions to change credit card account terms. A pay out event triggering the start of the amortization period could occur if a financial institution decreases the finance charges or fees it charges and that reduction results in a material decrease in the yield on the credit card receivables arising in those credit card accounts. In addition, financial institutions may change the terms of those credit card accounts to maintain their competitive position in the credit card industry. Changes in the terms of those credit card accounts, including increases in the finance charges or fees it charges, may reduce the amount of credit card receivables arising under those credit card accounts or the amount of collections on those credit card receivables and result in reductions in payments to interestholders. If consumer payment rates decrease significantly at a time when interestholders are scheduled to receive payments of principal, interestholders might receive principal more slowly than expected. A financial institution's ability to make payments will be impaired if sufficient new credit card receivables are not generated by such financial institution. Financial institutions may be prevented from generating sufficient new credit card receivables due to regulatory restrictions or for other reasons. Financial institutions do not guarantee that new credit card receivables will be created, that any credit card receivables will be transferred or that credit card receivables will be repaid at a particular time or with a particular pattern.

Collateralized Loan and Collateralized Debt Obligations. CLO and CDO securities generally are limited-recourse obligations of the issuer payable solely from the underlying securities or collateral, or the proceeds thereof. Holders of these securities must rely solely on distributions on the underlying securities or proceeds thereof for payment. If distributions on the underlying securities are insufficient to make payments, no other assets will be available for payment of the deficiency and such deficiency will be extinguished. The underlying securities or collateral may consist of high-yield securities, loans, structured finance securities and other debt instruments, which in many cases will be rated below investment grade. The lower rating of high-yield securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal or interest. The underlying securities or collateral of a CLO or CDO issuer may bear interest at a fixed rate while the securities issued by the CLO or CDO may bear interest at a floating rate (or the reverse may be true). As a result, there could be a floating/fixed rate basis mismatch, timing mismatch or adjustment mismatch that could adversely impact the ability of the CLO or CDO to make payments on its securities.

Equity Securities Issued by CLOs or CDOs. CLO or CDO equity securities represent leveraged investments in the underlying collateral held by the CLO or CDO. The use of leverage creates risk for the holders because the leverage increases their exposure to losses with respect to the collateral. As a result, the occurrence of defaults with respect to only a small portion of the collateral could result in the substantial or complete loss of the investment in the CLO or CDO equity securities. CLO or CDO equity securities represent unsecured equity interests in the relevant CLO or CDO, which like other securities issued by CLOs or CDOs are payable solely from and to the extent of the available proceeds from the collateral held by it. CLO or CDO

equity securities are also subordinated to the prior payment of all obligations under debt securities issued by the CLO or CDO. Except for the CLO or CDO issuer, no person is obligated to pay dividends or any other amounts with respect to the CLO or CDO equity securities. If distributions on the collateral are insufficient to pay required fees and expenses and to make payments on the debt securities of the CLO or CDO in accordance with the applicable priority of payments, no other assets of the CLO or CDO or any other person will be available for the payment of the dividends or other amounts with respect to the CLO or CDO equity securities.

Synthetic CLOs and CDOs. Synthetic CLOs and CDOs enter into credit default swaps and total return swaps. CLOs and CDOs that invest in credit default swaps rely on the creditworthiness of the credit default swap counterparty. Consequently, in addition to relying upon the creditworthiness of the reference securities, the CLO or CDO issuer is also relying upon the creditworthiness of the credit default swap counterparty to perform its obligations under the credit default swaps. The CLO or CDO issuer has no legal or beneficial interest in any reference security or any other obligation of any reference entity. The CLO or CDO issuer has no right directly to enforce compliance by the obligor under any reference obligation with the terms thereof, does not have any rights of set-off against such obligor, does not have any voting rights with respect to such reference obligation, does not directly benefit from any collateral supporting such reference obligation and does not have the benefit of the remedies that would normally be available to a holder of such reference obligation.

Mortgage-backed Securities. RMBS and CMBS have various risks, including credit, market, interest rate, structural and legal risks. Risks affecting the underlying real estate investments of an RMBS or CMBS include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicity and leverage associated with real estate-related instruments have historically resulted in periods of adverse performance, including performance that may be materially more adverse than the performance associated with other instruments.

Subprime Mortgage Backed Securities - RMBS. RMBS are backed by collateral pools of subprime residential mortgage loans, mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories, where the amount of the loan at origination is 80% or more of the value of the mortgaged property, made to borrowers with low credit scores, made to borrowers who have other debt that represents a large portion of their income and made to borrowers whose income is not required to be disclosed or verified. Due to economic and market conditions, including increased interest rates and lower home prices, as well as aggressive lending practices, subprime mortgage loans have in recent periods experienced unprecedented increased rates of delinquency, foreclosure, bankruptcy and loss and they are likely to continue to experience rates that are higher than those experienced by mortgage loans underwritten in a more traditional manner.

Commercial Mortgage Backed Securities - CMBS. Commercial mortgage loans, in addition to certain risk factors that are applicable to RMBS securities (described above), generally lack

standardized terms, have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. Additional risks may be presented by the type and use of a particular commercial property. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to-four family lending since it typically involves larger loans to a single borrower than residential one-to-four family lending.

Structured Investment Vehicles - SIVs. SIVs generally issue one or more classes of debt securities, including medium term notes, Euro notes and commercial paper of various degrees of seniority. The securities issued by SIVs are often backed by ABS, RMBS, CMBS, CLO or CDO securities or other asset types of the kind discussed above and, accordingly, are subject to the risk factors inherent in the types of assets backing the securities of the SIV. SIVs may have swap counterparties or liquidity providers that provide hedging, liquidity or other credit support or enhancement. These features of SIVs make them subject to counterparty and performance risks similar to those discussed above. In addition to the risks relating the underlying assets of a SIV, the structure and securities issued by a SIV may introduce certain other risks such as credit, market, liquidity, downgrade, hedge or liquidity counterparty, interest or currency, redemption, prepayment, the effects of leverage and other risks inherent in structured vehicles.

High-Yield Securities. High-yield securities trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace and include bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities that react primarily to fluctuations in the general level of interest rates and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing.

Corporate Leveraged Loans. Corporate leveraged loans originated by banks and other financial institutions, may be term loans and revolving loans that may pay interest at a fixed or floating rate, may be senior or subordinated and may be secured or unsecured. These loans may be illiquid. To the extent that they are non-investment-grade, they may also bear risks associated with high-yield bonds described above.

Bank Loans. Bank loans and loan participations are subject to unique risks, including (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations and (iv) limitations on the ability to directly enforce rights with respect to participations. Bank loans are further subject to the risk that the borrower will fail to make timely payments of principal and/or interest.

Distressed Securities. Distressed securities include those securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled companies is the fact that it frequently may be difficult to obtain information as to the true condition of such companies. These investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. A company's securities may be considered speculative and the ability of such company to pay its debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within a company. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security having a lower value and/or adverse terms.

Bankruptcy Claims. We may invest on behalf of clients in bankruptcy claims, which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest, and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

Trust Preferred Securities. Trust preferred securities, typically issued by banks, insurance companies and similar institutions, have characteristics that are common to both preferred stock and debt securities and represent a leveraged investment in collateral of the issuer. Trust preferred securities will generally be part of the issued share capital of an issuer and will not be secured under any indenture or by any pool of collateral or asset types. The issuer generally will pledge substantially all of its assets to secure any notes or any other obligations, all of which are senior to trust preferred securities. The collections on and proceeds of the issuer's assets will be available to make payments in respect of the trust preferred securities only if, as and when funds are released from the lien of any debt indenture in accordance with its terms. Since the timing and amount of cash available for the trust preferred securities is subject to many uncertainties, there can be no assurance that the issuer will have funds remaining after application of available funds to its debt, expenses and other obligations to make distributions in respect of trust preferred securities.

Index-Related Risks. Indices and index-related products may be used to make investments or pursue hedging strategies. Several economic and market factors will influence the value of the underlying credit products comprising the various indices, including (i) the value of any index at any time, (ii) the volatility (frequency and magnitude of changes in value) of any index, (iii)

interest and yield rates in the particular credit markets, (iv) geopolitical conditions and economic, financial, political and regulatory or judicial events that affect the credit products underlying the applicable indices, or credit markets generally, and that may affect the final value of the applicable indices, (v) the time remaining to the maturity of the underlying credit products comprising the various indices, (vi) a variety of economic, financial, political, regulatory or judicial events and (vii) the credit worthiness of the underlying credit products comprising the various indices. The publishers of the indices can add, delete or substitute the credit products underlying each of the indices, and can make other methodological changes required by certain events relating to the underlying credit products that could change the value of the indices. Any such changes could adversely affect the value of the underlying credit products.

Investments in Securities Indexed to the Value of Foreign Equity Securities. Investments in securities indexed to the value of foreign equity securities involve risks associated with the securities markets in those countries, including the risk of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. Foreign companies are subject to accounting, auditing and financial reporting standards and requirements different from those applicable to U.S. reporting companies.

Swap Contracts. A credit default swap (“CDS”) is a contract between two parties that transfers the risk of loss if a company defaults in its obligation to pay principal or interest on time or files for bankruptcy. In the event of a default, the swap may be terminated and the purchaser of credit protection will receive from the counterparty, the person who wrote the protection, a payment of the agreed amount. We may purchase for client accounts credit default protection as a hedge, or we may write credit default protection with a view to receiving spread income. We also may purchase for client accounts credit default protection even though our clients do not own the referenced instrument.

A total return swap (“TRS”) is a two-party contract under which each party agrees to exchange with the other specified investment returns from investments or instruments. A TRS enables the client to gain exposure to an underlying credit instrument without actually owning the credit instrument. Generally, a total return (interest, fixed fees and capital gains/losses on an underlying credit instrument) is paid to a counterparty in exchange for the receipt of a floating rate payment. The TRS investor pays only a fraction of the value of the total amount of the credit instrument that is referenced in the swap as collateral posted with the counterparty, so that the TRS is a leveraged investment in the underlying credit instrument.

Transactions in swap contracts, such as CDSs and TRSs, expose our clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem with the counterparty and, as a result, there will be a loss in the investment. The lack of a complete and “foolproof” evaluation of the financial capabilities of swap counterparties and the absence of credit evaluation and regulatory oversight of market participants may increase the potential for such losses.

Repurchase and Reverse Repurchase Agreements. We may invest on behalf of clients in repurchase and reverse repurchase agreements. In a repurchase agreement, we “sell” securities to a broker-dealer or financial institution, and agree to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse

repurchase agreement, we “buy” securities from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid, plus interest at a negotiated rate. There is a risk that the counterparty will not perform its obligations, in the case of a repurchase agreement, to sell the securities and, in the case of a reverse repurchase agreement, to repurchase the securities. In the event of a default in a reverse repurchase agreement, there may be additional costs associated with disposing of the securities.

ITEM 9. DISCIPLINARY INFORMATION

None.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We are not registered, nor do we have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. We are also not registered, nor do we have any application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser or an associated person of any of the foregoing.

Stone Tower Fund Management LLC, a Delaware limited liability company, is an affiliate of Stone Tower and is a registered investment adviser controlled by Michael J. Levitt. Stone Tower Fund Management LLC serves as a manager for private investment funds that are exempt from registration under Section 3(c)(7) of the US Investment Company Act of 1940, as amended and separately managed accounts for large US and non-US institutional investors, including US public and private pension plans, non-US financial institutions and superannuation funds. The general partners of the private investment funds managed by Stone Tower Fund Management LLC are affiliates of Stone Tower and are controlled by Michael J. Levitt.

See discussion of conflicts of interest at Item 11 below.

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

Code of Conduct. Employees are subject to Stone Tower’s Code of Ethics which is based on the fundamental principal that Stone Tower and its employees have a fiduciary duty to the Firm’s clients and investors and must, in this fiduciary capacity, place the interests of clients and investors before their own. The Code of Ethics requires that employees conduct themselves with integrity and dignity and act in a professional and ethical manner in all dealings on our behalf, comply with applicable federal securities laws, act with competence and strive to maintain and improve their competence, use proper care and exercise independent professional judgment in the execution of their duties, and avoid actions or relationships that might conflict or appear to conflict with job responsibilities or the interests of Stone Tower and its clients.

Personal Trading in Securities. Employees are subject to Stone Tower’s Code of Ethics, which is designed to ensure that no employee takes any action in respect of a personal investment in securities that is adverse or appears to be adverse to the interests of Stone Tower or any of its clients. The Code of Ethics includes provisions such as:

- A requirement that employees not trade in securities of issuers identified on a restricted list.
- Periodic reporting of all activity in personal securities accounts.
- Restrictions on the use of material nonpublic information.
- Annual certifications of compliance.

Our Code of Ethics also requires that employees obtain our approval before investing in any initial public offering of securities or in any private placement of securities.

A copy of the Code of Ethics will be made available to any client and prospective client upon request.

Principal and Cross Transactions. Stone Tower and its personnel generally do not purchase or sell any securities for their own accounts to or from its client accounts. In the rare event of a principal transaction, it would be executed in compliance with the requirements of applicable law, including Section 206(3) of the Investment Advisers Act of 1940. As neither Stone Tower nor any of its affiliates is registered as a broker-dealer, it does not engage in agency cross transactions. From time to time, subject to investment guidelines and restrictions, Stone Tower may direct one fund to sell securities to another fund through an internal cross transaction in which neither Stone Tower nor a related person will receive compensation. Any such transaction will be effected at the price and on terms determined by Stone Tower to be fair to both parties to the cross transaction. In determining price, Stone Tower utilizes valuation procedures which are designed to take into account to the maximum extent possible third party bid and ask prices at the time of the valuation.

Conflicts of Interest. Stone Tower and its affiliates manage accounts with similar investment strategies. However, certain conflicts may arise from the fact that Stone Tower may give advice or take action with respect to the investments of one or more clients that may not be given or taken with respect to other clients with similar investment programs, objectives, and strategies. Accordingly, clients with similar strategies may not hold the same securities or instruments or achieve the same performance. Stone Tower also may advise clients with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of securities or instruments held by or potentially considered for one or more clients.

Certain inherent conflicts of interest also may arise from the fact that Stone Tower and its affiliates will provide investment management services to CLOs, CDOs, separately managed accounts and private investment funds, and may in the future carry on investment activities for other clients, including, CLOs, CDOs, other structured products, private investment funds, client accounts and proprietary and sponsored accounts. Employees may invest in the private investment funds and other products managed by Stone Tower and its affiliates.

Clients managed by Stone Tower may invest in the senior and/or subordinated securities of CLOs, CDOs and similar structured investment vehicles sponsored by us or an affiliate, and in loans held by another client. In addition, certain private investment funds managed by our affiliate may originate loans or participate in other direct lending opportunities which may then

be sold to other private investment funds managed by our affiliate. In such circumstances, Stone Tower and its affiliates will be subject to certain conflicts of interest.

Stone Tower and its personnel may have conflicts in allocating their time and services among its clients and those of its affiliates. Future activities of Stone Tower, including the establishment of other investment funds, may give rise to additional conflicts of interest.

Allocation of Investment Opportunities. Stone Tower and its affiliates seek to ensure the equitable allocation of scarce opportunities where Stone Tower and its affiliates are unable to obtain the full amount of the instruments that they wish to purchase for their relevant client accounts. In these situations, it is the policy of Stone Tower and its affiliates to first determine the amount of the instrument they wish to acquire based on availability, the size and objectives of the accounts and other relevant factors, without regard to allocations to any particular accounts. The executed order will be allocated in a manner that we believe treats each client account fairly over time. Because of the nature of the instruments we deal in, generally, we would be unable to allocate to all eligible accounts on a pro rata basis. Rather, Stone Tower and its affiliates consider a wide range of factors including each account's available cash and investment capacity, investment level, diversification, limitations in the governing documents for each account, and other account guidelines and relevant factors. We may also give special consideration to certain accounts such as new accounts (including those in which it or its affiliates may have an interest) with a substantial amount of available cash.

ITEM 12. BROKERAGE PRACTICES

We generally invest on behalf of clients in senior loans, debt securities, derivatives, hedges, and other instruments, which typically do not involve brokers or brokerage commissions, although an assignment fee is often charged by the administrative agent for a particular loan, and fees may be payable when buying and selling bank loans. We may buy or sell securities directly from or to a dealer acting as principal at prices that include markups or markdowns. Our objective in selecting broker-dealers is to obtain "best execution."

In selecting brokers and dealers to effect portfolio transactions for clients, we consider such factors as the ability of the broker or dealer to effect the size and scope of the transaction, its facilities, reliability and financial responsibility, and the provision or payment (or the rebate to Stone Tower clients for payment) of the costs of brokerage or research products or services which we consider to be of benefit to our clients. Accordingly, the commissions and other transaction costs (which may include dealer markups or markdowns) charged to clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such products or services.

Research products and services provided to Stone Tower may include research reports on particular industries and companies, economic surveys and analyses, advice from legal, strategic, financial and industry consultants and advisors, recommendations as to specific securities, and other products and services (*e.g.*, quotation equipment and computer-related costs and expenses, including investment- and trading-related computer hardware and software) providing lawful and appropriate assistance to us and our affiliated registered investment adviser, Stone Tower Fund

Management LLC, in the performance of their respective investment decision-making responsibilities.

While we have not entered into any soft dollar arrangements, any use of commissions or “soft dollars” generated by clients to pay for research and research-related products or services is expected to fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Under Section 28(e), research products or services obtained with soft dollars generated by one or more of our clients may be used by us to service the accounts of other clients.

ITEM 13. REVIEW OF ACCOUNTS

Our investment professionals generally attend a daily meeting to discuss and review client holdings. The number of credits followed by an investment professional varies. Key portfolio information and account metrics are reviewed by investment professionals and senior management on a current basis. Special reviews of accounts may be undertaken in response to changes in market conditions, strategic outlook or investment objectives.

Investors in CLOs and CDOs generally receive periodic trustee reports which contain holdings, cash balances, compliance test results, and payment date distribution details. In addition to information received directly from the custodian, each separately managed account receives the reports specified in its investment management agreement. Upon request, Stone Tower also makes available certain additional information.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

We do not generally engage solicitors to obtain clients. Cash payments, if any, to solicitors of clients will be made only in accordance with Rule 206(4)-3 under the Advisers Act.

ITEM 15. CUSTODY

We do not maintain custody of client funds and securities. All funds and securities of clients are maintained with independent custodians. Separately managed account clients must establish their own custodial arrangements if they do not wish to use the custodian recommended by us. Separately managed account clients must provide to their custodian a letter granting us the authority to manage their assets. In each case, the custodian opens and maintains a separate account in the name and on behalf of the client and holds all funds and all security certificates on behalf of that client.

ITEM 16. INVESTMENT DISCRETION

Stone Tower generally has discretion to determine investments to be purchased and sold and the terms of those transactions. Limitations on our investment discretion are set forth in the respective investment management agreement and in any investment guidelines or limitations provided by the client.

ITEM 17. VOTING CLIENT SECURITIES

We do not generally anticipate that a majority of client investments will result in our receiving proxies. Nevertheless, Stone Tower has developed securities voting policies. A log is maintained of each upcoming event, if any, that would require a securities voting decision on behalf of a client. In each such instance, we make sure we have relevant disclosure materials, proxies and/or consents and other documentation and information necessary to cast votes in a timely manner. We determine whether there exists a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interests of any client. If there is no material conflict of interest, then the portfolio manager in consultation with the investment professional will make the voting determination. If the portfolio manager responsible for the voting decision is subject to a material conflict, then the voting decision will be reviewed by two members of senior management without material conflicts and the Chief Compliance Officer.

Our policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, if any, in a manner that serves the best interests of our clients taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. We may refrain from voting proxies if we believe that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to our clients.

ITEM 18. FINANCIAL INFORMATION

Not applicable

ITEM 19. REQUIREMENT FOR STATE-REGISTERED ADVISERS

Not applicable