

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE



Archer Capital Management, L.P.

570 Lexington Avenue
40th Floor
New York, NY 10022
212-319-2775
www.archercm.com

February 2012

This brochure provides information about the qualifications and business practices of Archer Capital Management, L.P. (“**Adviser**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (“**CCO**”) at 212-319-2775 or compliance@archercm.com. 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 us is also available on the SEC’s website at www.adviserinfo.sec.gov.

We are a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Our registration under the Advisers Act does not imply any level of skill or training.

ITEM 2

MATERIAL CHANGES

This brochure is our initial Form ADV Part 2A. Pursuant to SEC requirements and rules, you will receive a summary of any material changes to this brochure and subsequent brochures within 120 days of the close of our fiscal year. We will also provide ongoing disclosure about material changes as such changes may arise.

Our brochure may be requested, free of charge, by contacting our Chief Compliance Officer at 212-319-2775 or compliance@archercm.com.

ITEM 3
TABLE OF CONTENTS

	<u>Page</u>
ITEM 1	
COVER PAGE.....	1
ITEM 2	
MATERIAL CHANGES	2
ITEM 3	
TABLE OF CONTENTS.....	3
ITEM 4	
ADVISORY BUSINESS	6
A. General Description of Advisory Firm.....	6
B. Description of Advisory Services	6
C. Availability of Customized Services for Individual Clients.....	7
D. Wrap Fee Programs	7
E. Assets Under Management	7
ITEM 5	
FEES AND COMPENSATION	8
A. Advisory Services and Fees.....	8
B. Payment of Fees.....	8
C. Additional Expenses and Fees	8
D. Prepayment of Fees	9
E. Additional Compensation and Conflicts of Interest	9
ITEM 6	
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	10
ITEM 7	
TYPES OF CLIENTS.....	11
ITEM 8	
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	12

A.	Methods of Analysis and Investment Strategies.....	12
B.	Risk of Loss	12
C.	Recommendation of a Particular Type of Security	23
ITEM 9		
	DISCIPLINARY INFORMATION.....	24
ITEM 10		
	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	25
A.	Broker-Dealer Registration.....	25
B.	Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration	25
C.	Material Relationships and Conflicts of Interests with Industry Participants	25
D.	Material Conflicts of Interest Relating to Other Investment Advisers	27
ITEM 11		
	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	28
A.	Code of Ethics	28
B.	Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest; Conflict of Interests	28
ITEM 12		
	BROKERAGE PRACTICES.....	31
A.	Selection of Broker-Dealers and Reasonableness of Compensation.....	31
B.	Aggregating Orders for Various Client Accounts	32
ITEM 13		
	REVIEW OF ACCOUNTS	34
A.	Periodic Review of Client Accounts	34
B.	Additional Review of Client Accounts.....	34
C.	Contents and Frequency of Account Reports to Clients.....	34
ITEM 14		
	CLIENT REFERRALS AND OTHER COMPENSATION	35

A.	Economic Benefits for Providing Services to Clients	35
B.	Compensation to Non-Supervised Persons for Client Referrals	35
ITEM 15		
CUSTODY		36
ITEM 16		
INVESTMENT DISCRETION		37
ITEM 17		
VOTING CLIENT SECURITIES		38
ITEM 18		
FINANCIAL INFORMATION		40
A.	Balance Sheet	40
B.	Contractual Commitments to Our Clients	40
C.	Bankruptcy Petitions.....	40

Brochure Supplements

ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

We are a Delaware limited partnership organized in November 2005 and have been in business for approximately 6 years.

We serve as the investment manager to: Archer Capital Fund, L.P., a Delaware limited partnership (the “**Archer Onshore Fund**”), Archer Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the “**Archer Offshore Fund**”), Archer Capital Offshore Fund II, Ltd., a Cayman Islands exempted company (the “**Archer Offshore Fund II**”), and Archer Capital Master Fund, L.P., a Cayman Island exempted limited partnership (the “**Archer Master Fund**,” and collectively with the Archer Onshore Fund, the Archer Offshore Fund, and the Archer Offshore Fund II, the “**Archer Funds**”). The Archer Onshore Fund, the Archer Offshore Fund, and the Archer Offshore Fund II generally make investments directly, or indirectly through two special purpose entities, into the Archer Master Fund.

We also serve as the investment manager to Archer SIF II, L.P., a Cayman Islands limited partnership (the “**SIF Fund**”) and the Hastings Funds (as hereinafter defined), which are comprised of Hastings Fund, L.P., a Delaware limited partnership, Hastings Offshore Fund, Ltd., a Cayman Islands exempted company, and Hastings Master Fund, L.P., a Cayman Islands exempted limited partnership (collectively, the “**Hastings Funds**”). Hastings Fund, L.P. and Hastings Offshore Fund, Ltd. generally make investments through Hastings Master Fund, L.P. The SIF Fund and the Hastings Funds are pooled investment vehicles which we established for particular investors and their clients.

From time to time, we or our affiliate serve as the investment manager to various other pooled investment vehicles, including special purpose vehicles which are in “wind down” or liquidation mode, and pooled investment vehicles that hold one or more real estate assets or other investments (the “**Other Pooled Investment Vehicles**”). The Other Pooled Investment Vehicles comprise less than ten percent of our assets under management. The terms and conditions pertaining to the provision of investment advisory services are set forth in the applicable Offering Documents (as defined below) for the Other Pooled Investment Vehicles.

Throughout this brochure, we refer to the Archer Funds, the Hastings Funds, and the SIF Fund collectively as our “**Funds**,” and the Funds and the Other Pooled Investment Vehicles collectively as our “**Clients**.”

Our principal owners are Joshua A. Lobel and Eric J. Edidin who own their interests in the Adviser indirectly through one or more entities.

B. Description of Advisory Services

As an investment adviser, we are responsible for sourcing potential investments, conducting research and due diligence on potential investments, analyzing investment opportunities, structuring investments, and monitoring investments on behalf of our Clients. We also provide certain administrative services to our Clients or arrange for such services to be

provided by third parties. We refer to all of these services as “**investment advisory services.**” We generate all of our advisory fees from investment advisory services.

We do not limit the types of investment advisory services we offer and there are no material limitations on the types of securities in which we may invest on behalf of our Clients. We may invest in any type of security and any sector of the market that we consider to be appropriate to carry out the overall objectives of our Clients. The foregoing is subject to the provisions of the relevant investment management agreement or similar agreement (“**IMA**”), offering memorandum, subscription agreement and organizational documents (collectively with the IMA, the “**Offering Documents**”). Pursuant to the IMA, the Adviser is granted discretion to trade the accounts of its Clients without obtaining the Clients’ consent to each particular transaction (subject to the investment policies and restrictions, if any, imposed by the Client in an IMA).

The investment objective of the Funds, generally, is to achieve superior risk-adjusted returns over the business cycle through a middle-market distressed and special situations strategy, with an emphasis on both publicly traded distressed and event-driven securities, as well as select privately underwritten opportunities. Our investment advisory services, including our objectives, strategies and policies, may evolve over time based on conditions and trends in the financial and securities markets and the economy in general.

C. Availability of Customized Services for Individual Clients

We tailor our investment advisory services to the individual needs of each of our Clients. The Offering Documents provide detailed descriptions of each Client’s investment objectives and may contain investment guidelines, policies, or restrictions. In addition, the Adviser may enter into agreements with certain Clients (or underlying investors) that may, in each case, provide for terms of investment that are more favorable to the terms provided to other Clients (or underlying investors). Such terms may include the waiver or reduction of management and/or incentive fees, the provision of additional information or reports, more favorable transfer rights, and more favorable liquidity rights.

D. Wrap Fee Programs

We do not participate in any wrap fee programs.

E. Assets Under Management

As of February 1, 2012, we had \$632.0 million Client assets under management on a discretionary basis, and no Client assets under management on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

A. Advisory Services and Fees

We or our affiliate receive management fees and performance-based incentive fees or allocations from our Clients in consideration for the investment advisory services we provide in accordance with the terms set forth in the relevant Offering Documents.

Our standard fee schedule for Clients is comprised of (i) an annual base management fee ranging from one and one half percent (1.5%) to two percent (2.0%) of net asset value; and (ii) a twenty percent (20%) incentive fee or allocation based on net capital appreciation. The performance-based fees or allocations may be subject to a loss carryforward provision or a hurdle rate.

Certain Clients or investors may invest on terms that differ from the terms generally applicable to other Clients or investors. Such differing terms may be more favorable than the terms provided to other Clients (or underlying investors) and may include, but are not limited to: (i) the ability to withdraw or redeem capital, (ii) access to information or reports, (iii) management and incentive fees and allocations, and (iv) special rights to make future investments. Further, we, in our sole discretion, may reduce, waive, assign, participate or otherwise share the management fees or performance-based fees or allocations. Modification of these terms may, in some cases, be based upon, among other things, the amount of an investor's investment, an agreement by an investor to maintain such investment for a specified period of time or other commitments by an investor. Additionally, our officers and employees may invest on terms that are more advantageous than those of our Clients (or underlying investors).

For a more complete discussion of our advisory fees, Clients and investors should refer to the applicable Offering Documents.

B. Payment of Fees

The Offering Documents govern the terms of compensation and the manner in which we are compensated by each Client. We typically deduct our management fees quarterly in advance as of the beginning of each calendar quarter, and book our incentive allocation or fee at the close of each fiscal year.

C. Additional Expenses and Fees

Operating Expenses. The Offering Documents provide that our Clients will generally bear the legal, accounting, regulatory, insurance (including directors and officers liability insurance) and administration expenses associated with the organization and operation of the corresponding investment vehicle(s). In addition, our Clients may incur certain charges imposed by custodians, brokers, and other third parties, including custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our management fees are generally exclusive of such brokerage commissions, custody fees, fund or investment vehicle expenses, transaction fees, and other related costs and expenses. We do not receive any portion of these

commissions, fees, and costs and will not receive a brokerage commission or any other compensation attributable to the sale of securities or other investment products. For a detailed discussion of our brokerage practices, please see Item 12, “Brokerage Practices.”

Termination and Indemnification. The IMAs typically provide that either the Adviser and the Client may terminate the agreement, without penalty, with thirty (30) to sixty-five (65) days prior written notice, depending on the Client. In addition, the IMAs typically provide for the indemnification of the Adviser, its members, directors, employees and officers from and against any expense, loss, liability or damage arising out of any claim asserted or threatened to be asserted in connection with the provision of the investment advisory services. The indemnification typically will not apply to the extent of the Adviser’s breach of fiduciary duty, willful misconduct, bad faith, recklessness, gross negligence, or as otherwise prescribed by applicable law.

Trade Errors. The Adviser will endeavor to minimize losses to Clients in relation to trade errors. As a general matter, trade errors that result in gains are credited to the affected Client(s). In the case of trade errors that involve a loss to a Client, the CCO will consult with our senior management, and outside legal counsel, as appropriate, regarding the nature of the trade error, the facts and circumstances surrounding the trade error, and whether the loss should be attributed to the Client or the Adviser based on the applicable Client’s IMA including the standard for indemnification set forth therein.

For a more complete discussion of our Clients’ expenses, Clients and investors should refer to the applicable Offering Documents.

D. Prepayment of Fees

Should a Client pre-pay a management fee and then terminate the IMA before the end of the applicable billing period, the Client may obtain a refund of the unearned portion of the management fee (prorated for the partial period). Further, Fund investors may generally withdraw or redeem investments quarterly upon ninety (90) days’ written notice without penalty. Fund investors will generally be credited with a refund of the unearned portion of the management fee (prorated for the partial period) as may be specified in the relevant Offering Documents.

E. Additional Compensation and Conflicts of Interest

Neither we nor our supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

While the specific terms vary by Client, we or our affiliate typically receive a base management fee and may receive a performance-based incentive fee or allocation in exchange for our provision of investment advisory services. We do not charge Clients any other type of fee, such as an hourly or flat fee. The terms and conditions of our fee arrangements are subject to individualized negotiations, and are structured in accordance with Section 205(a)(1) of the Advisers Act, which permits performance-based fee arrangements with “qualified clients” as defined in Rule 205-3 of the Advisers Act. For a description of our fees, please see Item 5, “Fees and Compensation.”

Conflicts Relating to Performance Fees

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may otherwise recommend in the absence of such an arrangement. In the allocation of investment opportunities, performance based fee arrangements may also create an incentive for us to (i) favor Client accounts with performance or incentive fee arrangements over Client accounts that are not charged, or from which we will not receive, a performance fee; and (ii) favor Client accounts from which we will receive a greater performance fee over Client accounts from which we will receive a lesser performance fee. We have adopted an order aggregation and trade allocation policy (the “**Aggregation and Allocation Policy**”) designed to ensure that all of our Clients are treated fairly and equally and to prevent this form of conflict from influencing the allocation of investment opportunities among Clients.

Pursuant to the Aggregation and Allocation Policy, to ensure fairness in the allocation of investment opportunities, we will allocate investment opportunities with regard to the suitability of such investments to each Client. In determining the suitability of each investment opportunity for each Client, consideration is given to a number of factors, the most important being the Client’s investment objectives, strategies, and guidelines, existing portfolio composition, and cash levels, as well as legal, tax, and regulatory considerations. Where an investment opportunity is suitable for two or more Clients, we allocate such investment opportunity in a manner to ensure that Clients have equal access to the same quality and quantity of investment opportunities. We also allocate trades in a manner consistent with achieving target position sizes within any individual Client as well as across all of our Clients. The target position sizes may vary based on the strategy or investment objectives of any individual Client. In general, allocations are made on a pro-rata basis, with consideration given to the other factors described above.

ITEM 7

TYPES OF CLIENTS

We currently provide investment advisory services to private investment vehicles that are offered to high net worth, financially sophisticated individual investors and institutional investors. Our investment advisory services are generally intended for endowments, pension funds, family offices, trusts and estates, financially sophisticated individual investors and institutional investors, and pooled investment vehicles.

The minimum account size necessary to open and maintain an account with us varies by Client and type of client. For instance, we have set a minimum investment of at least \$2,000,000 for the Archer Funds, but we may require a different amount, or waive the minimum investment, depending on a variety of factors, including the investor's size, investment strategy, and level of required portfolio servicing.

Investors in the Funds and the Other Pooled Investment Vehicles must generally be "accredited investors" as defined in Rule 501(a) of Regulation D of the Securities Act of 1933, as amended; and may also need to be "qualified purchasers" within the meaning of the Investment Company Act of 1940.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

We generally pursue a middle-market distressed and special situation investment strategy by investing on behalf of our Clients in a wide range of financial instruments and securities, including syndicated bank debt, high yield bonds, non-performing distressed fixed income securities, equities and convertible securities. In addition, we may invest in mortgage notes, trade claims, leases, privately-sourced bank debt, non-performing loan portfolios, and other equity and credit instruments. At appropriate times in the cycle, we target investments in distressed securities where ownership positions in enterprises can be created at significant discounts to long-term intrinsic value and active involvement in restructuring may be used as a catalyst to value realization.

B. Risk of Loss

Investing in securities involves risk of loss that Clients and investors should be prepared to bear. There can be no assurance that our investment program will be successful or that investments purchased by Clients will increase in value. Investors should carefully review this brochure and the applicable Offering Documents before deciding to invest with us.

Risk Factors

Competition. There will be competition for investment opportunities from investment vehicles and others with investment objectives and strategies similar to those of our Clients. There can be no assurance that we will be able to locate and complete investments which satisfy our Clients' investment objectives or that our Clients will be able to invest fully their available capital.

Distressed Securities. We may invest our Clients' assets, directly or indirectly, in securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization or liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, such securities may have to be held for an extended period of time. A wide variety of considerations exist, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access of the Adviser to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that the Adviser will correctly evaluate the nature and

magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which Clients invest, Clients may lose their entire investment or may be required to accept cash or securities with a value less than the Clients' original investment.

Lending Risks. We may invest our Clients' assets in loans. Lending activities entail the following risks:

General Credit Risks. Clients may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and the priority of the lien are each of great importance (although we may invest our Clients' assets in subordinate or second priority liens). There is no assurance that we will correctly evaluate the value of any assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which our Clients have invested, Clients may lose all or part of the amounts advanced to the borrower. We cannot guarantee the adequacy of the protection of our Clients' interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, we cannot assure that claims may not be asserted that might interfere with enforcement of our Clients' rights. In the event of a foreclosure, we or an affiliate of ours may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to our Clients. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property may further reduce the proceeds and thus increase the loss.

Lower Credit Quality Loans. There are no restrictions on the credit quality of the loans in which our Clients invest. Loans invested in by Clients may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans in which our Clients may invest have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of these loans also tend to be more sensitive to changes in economic conditions than better quality loans. Further, in certain instances, loans may lack liquid markets.

Lender Liability Considerations. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of our Clients' investments, Clients could be subject to allegations of lender liability.

Equitable Subordination. Lenders to companies operating in workout modes or under Chapter 11 of the U.S. Bankruptcy Code are, in certain circumstances, subject to certain potential liabilities. Under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the under-capitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of our Clients’ investments, Clients could be subject to claims from creditors or shareholders of an obligor that investments issued by such obligor that are held by such Client should be equitably subordinated. A significant number of our Clients’ investments may involve investments in which the Client would not be the lead creditor. Accordingly it is possible that equitable subordination claims affecting our Clients’ investments could arise without the direct involvement of such Client.

Fraud. Of paramount concern in purchasing loans is the possibility of material misrepresentation or omission on the part of borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of our Clients to perfect or effectuate a lien on the collateral securing the loan. We will rely upon the accuracy and completeness of representations made by borrowers to the originator of such loans to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to our Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Counterparty Risk. Counterparty risk arises from each party with whom our Clients contract for the purpose of making derivative investments (the “**Counterparty**”). In the event of a default by a Counterparty, our Client will typically only rank as an unsecured creditor and risk the loss of all or a portion of the amounts it is contractually entitled to receive.

Bank Loans and Participations. There are special risks associated with investments in bank loans and participations in bank loans, which include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws, (ii) so-called lender liability claims, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) limitations on the ability of Clients to directly enforce their rights with respect to participations. Successful claims by third parties arising from these and other risks, absent gross negligence or willful misconduct, will be borne by Clients.

High Yield, Low, or Unrated Securities. We may invest our Clients’ assets in “high yield” bonds and preferred stock or unrated debt securities which are unrated or rated in the lower categories by the various credit rating agencies. Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay

interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Defaulted Securities. We may invest our Clients' assets in the securities of companies involved in bankruptcy proceedings, reorganizations, and financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject our Clients to litigation risks or prevent such Clients from disposing of securities. In a bankruptcy or other proceeding, our Clients as creditors may be unable to enforce their rights in any collateral or may have their security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While we will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that our Clients will be able to successfully defend against them.

Post-Reorganization Securities. We may invest our Clients' assets in post-reorganization securities. Post-reorganization securities typically entail a higher degree of risk than investments in securities of companies which have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If our evaluation of the anticipated outcome of an investment situation should prove incorrect, our Clients could experience losses.

Convertible Instruments. Our Clients may invest in convertible instruments. A convertible instrument is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. Our Clients may invest in convertible instruments that have varying conversion values. If a convertible instrument held by a Client is called for redemption, the Client will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and will hold the stock to the extent that we determine that such equity investment is consistent with the Client's investment objective.

Commercial Mortgage-Backed Securities. We may invest our Clients' assets in commercial mortgage-backed securities. Commercial mortgage-backed securities are interests in packages of mortgage loans that are backed by commercial property, such as apartments and retail shops. Typically, mortgage loans on commercial properties are structured so that a substantial portion of the loan principal is payable at maturity (rather than during the course of the loan term). Thus, repayment of the loan principal often depends on the future availability of real estate financing and/or the future value and salability of the real estate. If real estate

financing is unavailable at that time or borrowers are unwilling to refinance or dispose of encumbered property to pay off the loans, the loans may default.

Most commercial mortgage loans underlying mortgage-backed securities are non-recourse obligations, which means that there is no recourse against the borrower's assets other than confiscating and selling the property (foreclosure). Foreclosure can be costly and delayed by litigation or bankruptcy. When considering factors such as the location of the property, the legal status of title to the property, the physical condition and financial performance of the property, environmental risks and governmental disclosure requirements with respect to the condition of the property, a third party may be unwilling to purchase the property at a foreclosure sale or pay a price sufficient to satisfy all of the borrower's obligations. In addition, the borrower may retain revenues from the underlying property or use the revenues to pay others. Diverted revenue generally cannot be recovered without a court-appointed receiver to control cash flow related to the property.

Distressed Mortgage-Backed Securities. We may invest our Clients' assets in securities backed by mortgage loans on which the borrowers are or were having trouble making payments. These mortgage-backed securities may include loans in default or loans that may have a greater than normal risk of future defaults, delinquencies, bankruptcies or losses due to fraud. Returns on investments in mortgage-backed securities depend on the borrowers' ability to make required payments and, if a borrower defaults, the ability of the loan's servicer to foreclose and liquidate the underlying mortgage loans.

Asset-Backed Securities. We may invest our Clients' assets in securities backed by assets other than mortgages or other mortgage-related assets known as asset-backed securities. Credit card receivables, automobile and recreational vehicle loans, student loans, equipment leases, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, royalty streams and various types of accounts receivable commonly support asset-backed securities. Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, asset-backed securities do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and credit card debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give debtors the right to set off certain amounts owed on the credit cards, reducing their balance due. The risk of investing in asset-backed securities is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting asset-backed securities is usually of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. The value of an asset-backed security is affected by changes in the market's perception of the assets backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Fixed Income Securities. We may invest our Clients' assets in fixed-income securities. Fixed-income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income

securities are subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

Credit Default Swaps. We may invest our Clients' assets in credit default swaps. A credit default swap ("CDS") is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if the underlying credit instrument (typically a bond or loan) experiences a negative credit event, for example, a default, restructuring, or bankruptcy. Generally an investor would buy a CDS if it expects the underlying credit to deteriorate and would sell a CDS if it expects the underlying credit to improve.

CDS contracts have been compared with insurance, because the buyer pays a premium and, in return, receives a sum of money if one of the events specified in the contract occurs. However, there are a number of differences between CDS and insurance, for example:

- the buyer of a CDS does not need to own the underlying security or other form of credit exposure; in fact the buyer does not even have to suffer a loss from the negative credit event. In contrast, a buyer of traditional insurance, must have an insurable interest such as owning a debt obligation;
- the seller of a CDS need not be a regulated entity;
- the seller of a CDS is not required to maintain any reserves to pay off buyers, although major CDS dealers are subject to bank capital requirements; and
- in the United States, CDS contracts are generally subject to mark to market accounting and to collateral calls.

Convertible Bonds. We may invest our Clients' assets in convertible bonds. Convertible bonds are bonds that can be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. The holder of a convertible bond typically receives interest or a dividend until the security matures or is converted or exchanged. Convertible bonds are unique in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying security due to their fixed-income characteristics; and (iii) provide potential for capital appreciation if the market price of the underlying security increases.

The value of a convertible security is a function of its "investment value" and its "conversion value." A convertible security's investment value is determined by its yield in comparison to yields of other securities of comparable maturity and quality that do not have a conversion privilege. Changes in interest rates influence a convertible security's investment value. Investment values decline as interest rates increase and vice versa. The issuer's credit standing and other factors may also affect the convertible security's investment value. A convertible security's conversion value is determined by the market price of the underlying security. If the conversion value is low relative to the investment value, then the investment value principally governs the price of the convertible security. As the market price of the

underlying security approaches or exceeds the conversion price, the conversion value will increasingly influence the price of the convertible security.

Convertible securities may be convertible only upon the occurrence of certain contingencies. If these contingencies fail to occur, this could also adversely affect the Fund's ability to achieve its investment objective.

Convertible bonds may be subject to redemption at the issuer's option. If a Client holds a convertible bond that its issuer redeems, this could adversely affect the Client's ability to achieve its investment objective. Convertible securities may be convertible only upon the occurrence of certain contingencies. If these contingencies fail to occur, this could also adversely affect the Client's ability to achieve its investment objective.

Investments in Undervalued Assets. We may invest our Clients' assets in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from our Clients' investments may not adequately compensate investors for the business and financial risks assumed. An investor should be aware that it may lose all or part of its investment.

Our Clients may be forced to sell, at a substantial loss, assets that are not, in fact, undervalued. In addition, Clients may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of our Clients' investments would be committed to the assets purchased, possibly preventing investment in other opportunities. In addition, Clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Board Participation and Creditors' Committees. We anticipate that our Clients' investment programs may from time to time enable us to place representatives on creditors committees and/or boards of certain companies in which Clients have invested. While such representation may enable us to enhance the value of their investments, it may also prevent Clients from freely disposing of their investments and may subject them to additional liability. Clients will indemnify us or any other person designated by us for claims arising from such board or committee representation. We will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise our Clients' rights with respect to such companies, but the exercise of such rights could produce adverse consequences in particular situations.

Other Investments. From time to time we may invest our Clients' assets in other kinds of investments, including, without limitation, special situation equities, securities of non-U.S. issuers, emerging market debt securities, private debt or equity securities, convertible securities, warrants, futures, options, real estate securities and risk arbitrage and trade claims, which involve special risks. Special situation equities are event-driven, and may be subject to greater volatility than other equity securities. Investments in foreign securities may be less liquid and subject to greater price volatility than investments in securities of U.S. issuers. Dividends and interest paid

by foreign issuers may be subject to withholding and other foreign taxes. In addition, there may be higher brokerage, custody and other transactional costs and less governmental regulation of the securities markets (including less publicly available information about foreign issuers and a lack of uniform accounting standards), as well as risks associated with economic and political developments, different legal systems and currency conversions. Emerging market debt securities are not required to meet any rating standards and may not be rated for creditworthiness by any internationally recognized credit rating organization. Emerging market debt securities rated in the lower and lowest rating categories of internationally recognized credit rating organizations and unrated securities of comparable quality are predominantly speculative with respect to the capacity to pay interest and repay principal in accordance with their terms and generally involve a greater risk of default and volatility in price than securities in higher rating categories. Futures and options involve risks of pricing differences between the market value of the underlying securities and the futures and options and a possible lack of a liquid secondary market for a futures or options contract and the resulting inability to close a futures or options position, which could adversely affect Clients. Real estate securities may be subject to the risks associated with direct ownership of real estate, including market, credit and regulatory risks. Risk arbitrage is subject to high risk because of the uncertainty of the outcome of an arbitrage situation, which may depend on the outcome of litigation, changes in the terms of a transaction or regulatory developments or actions. If our evaluation of an anticipated outcome of an arbitrage situation should prove incorrect, Clients could experience substantial losses as a result of a decline in the market value of securities in which Clients hold a long position or an increase in the value of securities in which Clients hold a short position or both.

Potential Involvement in Litigation. As a result of Client activities generally, including possible investments in distressed investments and the possibility that we may participate in restructuring activities, it is possible that our Clients may become involved in litigation, including litigation involving creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against our Clients including the Adviser and ultimately judgments may be rendered against them for which they will not be insured. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of our Clients. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Lack of Liquidity of Investments; Distributions in Kind of Illiquid Securities. The investments made by our Clients may be very illiquid, and consequently Clients may not be able to sell such investments at prices that reflect our assessment of their value or the amount paid for such investments. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Client and other factors. Furthermore, the nature of our Clients' investments, especially those in financially distressed companies, may require a long holding period prior to profitability. If a Client experiences higher than expected withdrawals, the Client may have difficulty realizing on its investments and may be forced to sell its higher rated or more liquid securities, resulting in a decline in the overall credit quality of the portfolio and increasing the exposure of the Client to the risks of illiquid securities. Furthermore, Clients may be authorized to make distributions in

kind of securities (which may include, without limitation, interests in one or more special purpose vehicles holding assets of the Client or participations therein) in lieu of or in addition to cash to satisfy redemptions. In the event a Client makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer. For the purpose of determining the value to be ascribed to any assets of a Client used for an in-kind redemption, the value ascribed to such assets shall be the value of such assets on the relevant Redemption Date. The risk of a decline in the value of such assets in the period from the relevant Redemption Date to the date upon which such assets are distributed to the redeeming shareholder, and the risk of any loss or delay in liquidating such securities, will be borne by the redeeming investor.

Leverage. We may leverage our Clients' portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to investors if Clients earn a greater return on the incremental investments purchased with borrowed funds than they pay for such funds, the use of leverage decreases returns to investors if Clients fail to earn as much on such incremental investments as they pay for such funds. Consequently, in the event we leverage our Clients' portfolios, fluctuations in the market value of the portfolios will have a significant effect in relation to the Clients' capital and the risk of loss and the possibility of gain will each be increased. Accordingly, the amount of borrowing which Clients may have outstanding at any time, if any, may be large in relation to their capital. In addition, in the event a Client utilizes leverage, the level of interest rates generally, and the rates at which the Client can borrow in particular, will be an expense and therefore affect the Client's operating results.

We may have our Clients use short-term margin borrowing in funding investments. Such borrowing, if made, may result in certain additional risks to our Clients. For example, should the securities pledged to brokers to secure a Client's margin accounts decline in value, the Client could be subject to a "margin call," pursuant to which the Client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities and/or other investments to compensate for the decline in value. In the event of a sudden, precipitous drop in value of a Client's assets, the Client might not be able to liquidate assets quickly enough to pay off margin debt.

Interest Rate Fluctuations. The prices of portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to Clients of borrowed securities and leveraged investments.

Short Sales. We may have our Clients engage in short selling. Short sales create opportunities to increase Client returns but, at the same time, involve special risk considerations and may be considered a speculative technique. Since Clients, in effect, profit from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, the value of a Client's investments will tend to increase more when the securities it has sold short decreases in value, and to decrease more when the securities it has sold short increase in value, than otherwise would be the case if the Client had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the

market price of securities sold short may increase continuously, although Clients may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, Clients might have difficulty purchasing securities to meet their short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet their short sale obligations at a time when fundamental investment considerations would not favor such sales.

Foreign Currencies and Investments. Investing in foreign issuers involves certain considerations comprising both risks and opportunities not typically associated with investing in United States issuers. These considerations include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although we intend that most of our Clients' investments will be U.S. dollar denominated, Client investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We intend, but are under no obligation, to employ hedging techniques to minimize these risks, but there can be no assurance that such strategies will be effective.

Derivative Instruments. We may invest our Clients' assets in various derivative instruments, including options, forward contracts, swaps and other derivatives that may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following:

Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent us from achieving the intended hedging effect or expose Clients to the risk of loss.

Liquidity. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets we may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative positions limits on exchanges on which we may conduct transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting Clients to the potential for greater losses.

Leverage. Trading in derivative instruments can result in large amounts of synthetic leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by Clients and could cause Clients' net asset value to be

subject to wider fluctuations than would be the case if we did not use derivative instruments that provide leverage.

Over-the-Counter Trading. Derivative instruments that may be purchased or sold by us include instruments not traded on an exchange. Over-the-counter options, unlike exchange-traded options, are bilateral contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which we can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Options. We may invest our Clients’ assets in options. In addition, when they purchase an option, Clients run the risk that they will lose their entire investment in the option in a relatively short period of time, unless Clients exercise the option or enter into a closing transaction with respect to the option during the life of the option. If the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, Clients will lose part or all of their investment in the option. There is no assurance that our Clients will be able to affect closing transactions at any particular time or at any acceptable price. In the event of the bankruptcy of a broker through which Clients engage in transactions in options, our Clients could experience delays and/or losses in liquidating open positions purchased or sold through the broker.

Financial Fraud. Instances of fraud and other deceptive practices committed by senior management of certain companies in which we invest may undermine our due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of our Clients’ investments. In addition, when discovered, financial fraud may contribute to overall market volatility, which can negatively impact our Clients’ investment programs.

Uncertain Exit Strategies. Due to the illiquid nature of many of the investments which we expect to have our Clients make, we are unable to predict with confidence what, if any, exit strategy will ultimately be available for any given core position. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

Contingent Liabilities. In connection with the disposition of an investment in a portfolio company, Clients may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of any business. Clients also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements or other circumstances may result in contingent liabilities.

For a more complete discussion of the particular risks associated with an investment, Clients and investors should refer to the applicable Offering Documents.

C. Recommendation of a Particular Type of Security

Although we have broad discretion in making investments, our Clients' investments will typically include corporate loans, bonds and equity securities, sovereign debt, commodities and derivatives referencing such instruments. For additional information including a description of our investment strategy, please see Item 4.B, "Description of Advisory Services."

ITEM 9
DISCIPLINARY INFORMATION

To the best of our knowledge, there are no legal or disciplinary events that are material to our Clients' evaluation of our advisory business or the integrity of our management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration

Neither we nor our management personnel (i) are registered as broker-dealers, or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration

Neither we nor our management personnel (i) are registered as futures commission merchants, commodity pool operators, or commodity trading advisors with the Commodity Futures Trading Commission, or (ii) have any application pending to register with respect to any of the foregoing.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our affiliates and principals are material to our advisory business and may raise conflicts of interest. Our affiliates and principals currently, and may in the future, manage investment funds, accounts, or other investment vehicles with investment objectives similar to those of our Clients, or serve or may serve as officers, directors, or principals of entities that operate in the same, or a related, line of business. Additionally, we have entered into agreements with Clients in which our principals and other employees have or may have ownership and financial interests. These Clients may have similar or overlapping investment objectives. To address conflicts of interest (actual and apparent) and to fulfill our fiduciary duties to each of our Clients, we allocate investment opportunities in a manner that is fair and equitable over time and is consistent with our Aggregation and Allocation Policy so that no Client is disadvantaged in relation to any other Client.

In certain cases, an investment opportunity that is suitable for multiple Clients may not be capable of being shared among some or all of such Clients due to the limited availability of the opportunity or other factors. In situations where co-investment among multiple Clients is not permitted or appropriate, we will need to decide which Client(s) will proceed with the investment. We will make these determinations based on our Aggregation and Allocation Policy, which will generally require that such opportunities be offered to eligible Clients on a basis that will be fair and equitable over time. For a detailed discussion of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

From time to time, we or our affiliates may form and manage Other Pooled Investment Vehicles which typically hold a single investment or single type of investment such as real estate assets, which are not offered to other Clients. Interests in Other Pooled Investment Vehicles may be offered to, among other persons, some, but not all of the underlying investors in our Clients. Before creating Other Pooled Investment Vehicles, we will determine (i) whether a particular investment opportunity is appropriate for our Clients, and (ii) to whom interests in the Other Pooled Investment Vehicles may be offered.

Conflicts Relating to Time and Resources of Investment Professionals

While our principals and employees will devote as much of their time to our respective Clients as is reasonably required to perform their duties, we may have conflicts of interest in the allocation of time and resources of our personnel between and among Client accounts. We have adopted Conflicts Procedures (as defined below) to address these types of conflicts.

Conflicts Relating to Our Financial Interests in Our Clients

We or our personnel may have investments in our Client accounts, the size of which may differ by Client. Further, as noted above, the type and amount of fees paid to us also differs among Clients. These differences in the financial interests in such Clients may raise conflicts of interest in the allocation of investment opportunities. We have adopted our Aggregation and Allocation Policy to address such conflicts. For a detailed discussion of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

Conflicts Relating to Material Nonpublic Information

Our personnel may serve as directors of, or in a similar capacity with, companies in which we invest on behalf of our Clients or in which we are considering such an investment. Additionally, from time to time, we enter into confidentiality agreements with companies or their representatives in connection with the conduct of due diligence of prospective investments. Through these and other relationships, we may obtain material nonpublic information that might restrict our ability to buy or sell the securities of such company on behalf of our Clients. In order to mitigate and limit the instances in which we will be subject to these restrictions, we have adopted a Confidentiality Policy that establishes controls with respect to the acceptance, use, and handling of confidential information.

Conflicts Relating to Investments in Different Parts of the Capital Structure

We may invest in different classes of securities of companies on behalf of our Clients based upon the particular investment objectives and strategies of such Clients. If Clients hold different classes of securities of a company and that company encounters financial problems, decisions over the terms of any workout or reorganization may raise conflicts of interest. For example, a senior debt holder may be better served by a liquidation of the company in which it will be paid in full, whereas a junior debt holder might prefer a reorganization that could create value for the junior debt holder. We have adopted Conflicts Procedures to address these types of conflicts.

Conflicts Relating to Service by Our Personnel to Portfolio Companies

Pursuant to the Code of Ethics, with the permission of our CCO, our personnel may serve as directors of portfolio companies, which may give rise to potential conflicts. We have adopted Conflicts Procedures to address these types of conflicts.

Conflicts Procedures

We have adopted our Code of Ethics (as hereinafter defined) and other policies and procedures to address potential conflicts among our various Clients (collectively, the “**Conflicts Procedures**”). These Conflict Procedures, which may be modified from time to time at our sole discretion, may require prior review or approval of certain transactions by the CCO and/or members of senior management. Additional procedures for addressing conflicts may be contained in the Offering Documents. With respect to certain conflicts of interest including affiliate transactions, the Offering Documents may provide for consultation regarding or approval of such transactions by a person or body such as a trustee, a board of directors, or an advisory committee comprised of representatives of certain of the underlying investors in a pooled investment vehicle. Our Conflicts Procedures, together with the provisions of relevant Offering Documents, may limit our ability to buy or sell a security or otherwise participate in an investment opportunity, or to take other actions that we might consider to be in the best interests of a Client and its underlying investors.

D. Material Conflicts of Interest Relating to Other Investment Advisers

We do not recommend or select other investment advisers for our Clients from whom we receive compensation, directly or indirectly, or have other business relationships with any such advisers that create a material conflict of interest.

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

A. Code of Ethics

As a fundamental mandate, we demand the highest standards of ethical conduct and care from all of our employees, officers, and directors. Our officers, directors and employees, whom we collectively refer to as our “personnel,” must abide by this basic business standard and must not take inappropriate advantage of their position with the Adviser. Our personnel are under a duty to exercise their authority and responsibility for our benefit and for the benefit of our Clients, and may not have outside interests that inappropriately conflict with our interests or those of our Clients. Our personnel must avoid circumstances or conduct that adversely affect, or that appear to adversely affect, us or our Clients.

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics to establish applicable policies, procedures and guidelines that promote ethical practices and conduct by all of our personnel and to prevent violations of the Advisers Act. Our Code of Ethics is predicated on the principle that we owe a fiduciary duty to our Clients. It consists of several policies primarily designed to address potential conflicts of interest, including a Personal Investment Policy, an Inside Information Policy, and a Gifts, Entertainment, Political Contributions and Outside Activities Policy.

Our personnel must observe the applicable standards of care set forth in our Code of Ethics and may not seek to evade the policies and procedures set forth therein in any way, including through indirect acts by family members or other associates. The obligations set forth in our Code of Ethics are in addition to, and not in lieu of, the policies and procedures set forth in our Employee Handbook and any other policies and procedures we adopt in respect of the conduct of our business. Our personnel must certify at least annually that they have read, understand, are subject to, and have complied with our Code of Ethics and our Regulatory Compliance Manual. Our personnel must comply with applicable federal securities laws and must report violations of our Code Ethics to the CCO.

We will provide a copy of our Code of Ethics, free of charge, to any Client or investor or any prospective client or prospective investor upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer at 212-319-2775 or compliance@archercm.com.

B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest; Conflict of Interests

Conflicts of interest may occur when we, our affiliates, or our personnel, invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that we recommend to our Clients. For example, we or our personnel may invest in the Funds, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Funds. In addition, in limited instances, our personnel may own securities in their personal accounts that we also have recommended to or

are owned by our Clients. Our Code of Ethics and the policies and procedures set forth therein have been designed to limit these conflicts of interest.

Cross Trades

Cross-trades are transactions between two clients of the same investment adviser, regardless of whether a broker-dealer is engaged to effect the transaction. Consistent with the Offering Documents and applicable law, we may utilize cross-trades to address account funding issues, save brokerage commissions or mark-ups/mark-downs, or for other bona fide portfolio management reasons. For instance, in exceptional cases, we may effect a cross transaction when seasoned loans are distributed from a domestic feeder fund entity to an offshore feeder fund entity. Under our policies and procedures, any proposed cross-trade must be advantageous to each of the Clients involved in the transaction and the proposed transaction must be pre-approved by the CCO and the board(s) of directors and/or the advisory committee of the participating Fund(s) or Client account(s), if and as applicable, in order to address potential conflicts of interest and ensure compliance with the Advisers Act.

Principal Transactions

In a principal transaction, an adviser, acting for its own account, buys a security from, or sells a security to, a client. It is our policy generally not to engage in principal transactions. If we are to engage in a principal transaction, we will do so in accordance with the requirements of Section 206(3) of the Advisers Act which requires, among other things, that an investment adviser provide written disclosure to a client and obtain the client's consent prior to settlement of any principal transaction.

Personal Trading Policy

As discussed above, our personnel must abide by our Code of Ethics. As a general matter, our personnel owe an undivided duty of loyalty to our Clients. Our personnel may not use their knowledge concerning a trade, pending trade, or contemplated securities transaction involving any Client, to profit personally as a result of such transaction, including by purchasing or selling such securities.

As required by Rule 204A-1 of the Advisers Act, our Code of Ethics mandates that our personnel disclose their personal securities holdings and transactions made in a "Reportable Security," as defined in our Code of Ethics. Pursuant to the Code of Ethics, our personnel provide our Chief Compliance Officer with (i) their personal securities holdings at the commencement of employment and annually thereafter, (ii) monthly or quarterly personal brokerage statements, and (iii) quarterly reports of any personal securities transactions involving Reportable Securities.

Our personnel are generally prohibited from purchasing or selling, for any personal accounts, any securities without pre-approval from our CCO and members of our senior management. Certain securities are exempt from such pre-approval including: open-end mutual funds; U.S. Government securities; certificates of deposit; money market funds; currently performing bonds issued by a municipality, state, or local government; and certain Exchange

Traded Funds (ETFs). In addition, our personnel are generally prohibited from trading in any issuer or securities held by our Clients.

Our Code of Ethics also contains policies and procedures to prevent the misuse of material nonpublic information by our personnel. Our Code of Ethics describes what constitutes “material” and “nonpublic” information, and outlines the penalties that our personnel are subject to if they trade on such information.

ITEM 12

BROKERAGE PRACTICES

A. Selection of Broker-Dealers and Reasonableness of Compensation

We have adopted a best execution policy and procedures in respect of our duty to obtain “best execution” for our Clients’ securities transactions. The duty of best execution is not defined in the federal securities laws; rather it is based largely on common law fiduciary duty principles, court decisions, and SEC no-action letters. To fulfill this duty, when applicable, an adviser generally must execute securities transactions in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC has stated that in deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. In seeking best execution, we consider the full range of the broker’s services, including the value of research provided and execution capability, commission rate, financial responsibility and responsiveness. The SEC has, however, indicated that an investment manager need not solicit competitive bids on each transaction.

Thus, as a starting point, we consider the trade price and imputed mark-up/mark-down. These things being equal or fairly equal among broker-dealers, the following qualitative factors, among others, may be considered: (i) liquidity of the securities traded and current market conditions; (ii) ability to maintain the confidentiality of trading intentions; (iii) ability to place trades in difficult market environments; (iv) quality and value of the research services provided; (v) execution facilitation services provided; (vi) timeliness of execution and trade confirmations; (vii) allocation of limited investment opportunities; (viii) frequency and correction of trading errors and fairness in resolving disputes; (ix) ability to access a variety of market venues; (x) expertise as it relates to specific securities; (xi) intermediary compensation (dealer spreads); (xii) financial condition and business reputation; and (xiii) gross compensation paid to each broker-dealer.

In the case of transactions involving illiquid debt or other instruments, the underwriter or agent bank of a particular debt issue may be the only market participant actually involved with the particular security and who would be willing or able to transact with us. In these cases, the Adviser’s ability to establish and quantitatively test the quality of its trade execution is necessarily limited.

1. Research and Other Soft Dollar Arrangements

We do not currently have any arrangements or commitments, formal or informal, to obtain or utilize research and related products or services obtained from broker-dealers, or third parties, on a traditional soft dollar commission basis. Nonetheless, we may in the future decide to select a broker-dealer based upon research and related products or services provided to us or our Clients. In such cases, such research and related products or services furnished by brokers will be limited to services that constitute “research” within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Accordingly, research and related products or services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; and statistical and pricing services. The research and related products or services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. Research services obtained through the use of commissions arising from a Client's portfolio transactions may not only benefit such Client's trading, but may also be used by us in our other investment activities

When we use client brokerage commissions to obtain research and related products or services, we may receive a benefit because we do not have to produce or pay for such research products or services. The receipt of research and other "soft-dollar" benefits from broker-dealers may provide an incentive for us to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our Clients' interest in receiving the most favorable execution. Using a broker who provides us with research or other "soft-dollar" benefits may cause Clients to pay commissions higher than the commissions charged by broker-dealers who do not provide such benefits.

In the last fiscal year, we acquired the following types of research and related products or services from brokers with whom we did business: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; and statistical and pricing services.

2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we, or any of our Affiliates, receive client or investor referrals from a broker-dealer or other third party

3. Directed Brokerage

"Directed brokerage" refers to instances in which a client retains the discretion to choose brokers and instructs the Adviser to direct portfolio transactions to a particular broker-dealer. Our policy and practice is to not permit directed brokerage arrangements at this time. In addition, while investors in the Funds are not considered Clients, it is our policy not to accept brokerage direction from any investor or potential investor in a Fund. If we change our policy on directed brokerage, we will adopt appropriate policies and procedures. Directed Brokerage restricts the Adviser's discretion to select brokers and negotiate commission rates and may adversely affect the Adviser's ability to obtain best price and execution. Accordingly, if a Client were to direct brokerage to a specific broker, the Adviser would require (i) the Client to provide such direction in writing to the Adviser and (ii) the Adviser would provide the Client with appropriate written disclosure, which will be acknowledged by the Client.

B. Aggregating Orders for Various Client Accounts

We have adopted an Aggregation and Allocation Policy to ensure that our Clients are afforded fair and equitable treatment when aggregating and allocating Client trade orders. For a

more detailed discussion of the allocation portions of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

As a general principle, we will only aggregate transactions when we believe that such an aggregation is lawful and consistent with our duty to seek best execution for our Clients, and is consistent with the pertinent Clients’ Offering Documents or any other obligation we may have undertaken with respect to each Client for which trades are being aggregated. In such cases, individual investment advice and treatment will be accorded to each Client, and we will not receive any additional compensation or remuneration of any kind as a result of the proposed aggregation.

ITEM 13

REVIEW OF ACCOUNTS

A. Periodic Review of Client Accounts

In connection with the review of our Clients' accounts, we have adopted a Portfolio Management Review Policy and a Suitability Policy. Under these policies, all securities transactions effected by the Adviser on behalf of our Clients are reviewed and monitored daily by members of our senior management to ensure investment suitability and compliance with the Offering Documents and applicable investment guidelines. In addition, our CCO, in consultation with our portfolio managers, will periodically review our Clients' portfolios and performance in order to identify any irregularities and/or inappropriate positions. Furthermore, the CCO, in consultation with our senior management, outside legal counsel and/or professional advisers, as appropriate, will conduct reviews at least annually, in order to verify compliance with these policies.

B. Additional Review of Client Accounts

The portfolio managers and investment staff assist in risk assessment and review of Client accounts by monitoring risks arising from various factors including: (i) concentration of positions; (ii) regional exposure; (iii) sector exposure; (iv) liquidity; (v) Client or investor-imposed investment restrictions; (vi) leverage; and (vii) counterparty risk.

C. Contents and Frequency of Account Reports to Clients

Clients and underlying investors typically receive (i) audited financial statements and tax information necessary for completion of their tax returns; and (ii) monthly updates, quarterly reports and net asset value statements describing investment performance and/or net asset value for the relevant reporting period. We may also furnish additional information as Clients and underlying investors may reasonably request.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

We do not receive economic benefits from third parties for providing investment advice or other advisory services to our Clients.

B. Compensation to Non-Supervised Persons for Client Referrals

We have entered into solicitation agreements with third parties, including placement agents, pursuant to which we compensate persons who are not our supervised persons for Client referrals, or for introductions to persons who become investors in the Funds. We make cash payments or share a portion of our management or incentive fees with one or more of these solicitors. Our CCO, in consultation with outside legal counsel, as appropriate, reviews these arrangements to confirm compliance with applicable laws, rules and regulations. Placement agents that solicit or refer potential Clients or investors to us are subject to a conflict of interest because they will be compensated in connection with their solicitation activities.

ITEM 15 CUSTODY

Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Investment advisers are required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which they have custody with a “qualified custodian.” Qualified custodians include banks, broker-dealers, futures commission merchants, and certain foreign financial institutions.

Rule 206(4)-2 generally requires that, upon opening an account with a qualified custodian on a client’s behalf, advisers promptly notify the client in writing of the name and address of the qualified custodian and the manner in which the funds or securities are maintained. Generally, advisers also must verify that the custodian sends quarterly account statements to the client. By rule, account statements must be sent directly to investors in a pooled investment vehicle if the adviser to the pool also acts as its general partner, managing member or in a similar capacity (or, in some cases, if an affiliate of the adviser acts as general partner, managing member or in a similar capacity). These account statements may be sent to the investors’ independent representative. Under certain circumstances, at least once each calendar year, an independent public accountant must verify the funds and securities of a client by surprise examination.

As noted above, Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, advisers need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or in certain circumstances, to all limited partners, members, or other beneficial owners, within 120 days (or 180 days in the case of a fund of funds adviser) of its fiscal year end.

We are deemed to have custody of the funds and securities of the Funds and the Other Pooled Investment Vehicles and must, therefore, comply with the requirements of the Custody Rule. We intend to distribute the audited financial statements of the Funds and the Other Pooled Investment Vehicles within the 120-day time period and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

ITEM 16

INVESTMENT DISCRETION

At the outset of an advisory relationship, we receive discretionary authority from Clients to select the identity and amount of securities to be purchased and sold by the Client. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives of the particular Client.

When selecting and determining the amounts of an investment, we observe the investment policies, limitations, and restrictions of the Clients we advise, as stated in the applicable investment advisory agreement or other applicable agreements. Our Clients may place limitations on our investment authority, including, without limitation, designating types of permitted investments or the percentage of permitted investments, or prohibiting certain types of investment activity. Such limitations, investment guidelines and restrictions must be provided in writing. Additionally, we may require that our Clients exercise a power of attorney in our favor.

For a complete discussion of our advisory business and the services we provide to our Clients, please see Item 4, “Advisory Business,” above.

ITEM 17

VOTING CLIENT SECURITIES

We have accepted, and in the future will continue to accept, the discretionary authority to vote our Client's securities. As such, we have adopted a Proxy Voting Policy (the "**Proxy Voting Policy**") and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations. The Proxy Voting Policy applies to voting securities held by our Clients and has been designed to ensure that we vote proxies in the best interest of our Clients. Additionally, because our Clients also invest in debt or lending instruments, the Proxy Voting Policy applies to proposed waivers and amendments to various lending transaction documents. For purposes of the Proxy Voting Policy, requests for waivers or amendments are treated as proxies.

When voting proxies and requests for waivers and amendments, our primary objective is to make decisions in the best interest of our Clients. In fulfilling our obligations to our Clients, we will act in a manner deemed to be prudent and diligent to enhance the economic value of the underlying securities held by each of our Clients. In acting upon these matters on behalf of our Clients, we will seek to avoid material conflicts of interest between our interests and the interests of our Clients.

Our portfolio managers will be responsible for making voting decisions with regard to all of our Clients' proxies. When voting proxies, some, but not all, of our considerations include:

- the view and opinion of management of the portfolio companies in which our Client holds a position and the effect of management's position on the value of our Client's investment;
- with regard to corporate governance matters, the purpose underlying the Client's investment position, including the investment horizon and the current or planned ownership position and degree of our involvement, on behalf of our Client, in management;
- with regard to proposals related to stock option plans and other management compensation issues, the portfolio company's need to recruit and retain highly qualified individuals in competitive labor markets and the relevant industry standards and practices;
- the purpose of proposed changes to the capital structure of a portfolio company and the likely effect of the change on the Client's investment; and
- with regard to proposals related to social and corporate responsibility, we will generally defer to company management, but will not support any proposals that may conflict with the portfolio company's ability to maximize long-term profits or may have an adverse effect on our Client's investment.

In general, our Clients cannot direct how we vote on a particular solicitation.

When deciding how to vote proxies, certain conflicts of interest may arise. For example, portfolio companies in which different Clients are invested may be competing for or involved in similar transactions, investments, lines of business, or types of research. Voting a proxy with regard to one Client's portfolio company may adversely affect the prospects or business of another Client's portfolio company. In acting upon these matters on behalf of our Clients, we will seek to avoid material conflicts between our interests on the one hand and the interests of our Clients on the other. We have adopted Conflict Procedures for addressing such conflicts of interest. For a detailed discussion of these Conflicts Procedures, please see Item 10, "Other Financial Industry Activities and Affiliations." In addition, the Offering Documents may include provisions for the identification and mitigation of conflicts of interest.

We will maintain proper records in connection with our Proxy Voting Policy and as required under the Advisers Act. Our Clients can obtain a copy of our Proxy Voting Policy and voting procedures and information on how we have voted proxies or made determinations with respect to requests for waivers or amendments by contacting our Chief Compliance Officer at 212-319-2775 or compliance@archercm.com.

ITEM 18
FINANCIAL INFORMATION

A. Balance Sheet

We are not required to attach a balance sheet because we do not require or solicit the payment of fees six months or more in advance.

B. Contractual Commitments to Our Clients

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients.

C. Bankruptcy Petitions

We have never been the subject of a bankruptcy petition.