

ITEM 1: COVER PAGE

TCW SPECIAL SITUATIONS, LLC
(“We” or “Us”)

Form ADV, Part 2A
(the “**Brochure**”)

November 28, 2012

TCW Special Situations, LLC
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This brochure provides information about the qualifications and business practices of TCW Special Situations, LLC. If you have any questions about the contents of this brochure, please contact us at advpartII@tcw.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about TCW Special Situations, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

We may refer to ourselves as a “registered investment adviser” or “**RIA**”. You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

ITEM 2: MATERIAL CHANGES

We are a newly registered investment adviser, and this is our initial Part 2A of Form ADV. There are no material changes to report in this initial Item 2.

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ITEM 4: ADVISORY BUSINESS

WHO WE ARE. We are an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), and have been since 2012. We are a Delaware limited liability company.

We are wholly-owned by The TCW Group, Inc., a Nevada corporation (“**TCW**”). TCW is majority-owned by Société Générale Holding de Participations (“**SG Holding**”), which is controlled by Société Générale, S.A. (“**SG**”), an international banking company. SG Holding is the only 25% or more shareholder of TCW. SG is the only 25% or more shareholder of SG Holding.

On August 9, 2012, TCW management and the Carlyle Group, L.P. (“**Carlyle**”) announced a definitive agreement under which SG will sell its stake in TCW to investment funds controlled by Carlyle (the “**Transaction**”). As a result of the Transaction, TCW employees will increase their ownership in the firm to up to approximately 40% on a fully diluted basis, with the Carlyle investment funds owning the balance. The Transaction is subject to customary conditions to closing and is currently expected to close in the first quarter of 2013.

THE SERVICES WE OFFER. We will offer discretionary investment management services regarding securities and other financial instruments to closed-end private commingled investment funds advised and/or managed by us and/or our affiliates (“**Funds**”).

We invest client assets primarily in privately originated loans to middle market borrowers.

Investors in the Funds include private or government investment funds and institutions, including pension funds, high net worth individuals and family offices and others. Those clients are generally sophisticated investors and often have internal and external consultants and advisers to assist them with determinations of their individual needs, such as allocations among types of investments, and do not seek those determinations from us.

ASSETS UNDER MANAGEMENT. As of November 28, 2012, we do not manage any client assets. Statements in this Brochure as to services provided will apply prospectively to assets to be raised.

IMPORTANT NOTICE.

This Brochure may be provided to a prospective investor in one of our Funds, together with the Fund’s private placement memorandum (“**PPM**”), organizational documents, such as a limited partnership agreement, and other related documents (collectively, “**Offering Materials**”), in connection with the investor’s consideration of an investment in the Fund. While this Brochure may include information about a Fund, it does not represent a complete discussion of the features, risks or conflicts associated with the Fund. More complete information about each of our Funds is included in its Offering Materials.

In no event should this Brochure be considered an offer of interests in a Fund or relied upon in determining to invest in a Fund. It is also not an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this Brochure is designed only to provide information about us to comply with regulatory requirements under the Advisers Act, which may cause information in this Brochure to differ from the information provided in the Offering Materials. If there is any conflict between the information in this Brochure and similar information in a Fund's Offering Materials, an investor should rely on the information in the Offering Materials.

ITEM 5: FEES AND COMPENSATION

We charge our clients an investment management fee, which is charged quarterly in advance. We also charge our clients a performance-based fee that takes the form of an allocation of the Fund's income determined based upon the cumulative performance of the Fund. The specific manner in which fees are charged is established in the organizational documents of each Fund. The fees we charge for our Funds are not negotiable and we have not entered into side letters or other arrangements providing preferential fee terms to any Fund investor. With respect to Funds, we send an invoice to the Fund's administrator, if applicable, or deduct the fee directly from the Fund's assets.

Our advisory agreements with clients specify the circumstances under which any fees paid in advance will be refunded to the extent that the agreement is terminated. Generally, since most fees are charged quarterly in advance, refunds may only be available to the extent that a client is permitted to terminate the advisory agreement on less than 90 days.

The terms of each Fund are described in its Offering Materials, which are delivered to potential investors prior to the time they invest. Withdrawals by investors in a Fund are governed by the terms set forth in the Offering Materials of the Fund.

OTHER EXPENSE IN CONNECTION WITH FUNDS.

Each Fund will typically be responsible for its organizational and ongoing expenses, including, without limitation: legal, accounting, auditing, tax preparation, and related charges, and filing and other regulatory fees; fees for maintenance of books and records; custody fees; insurance expense; administrators' fees and expenses; expenses associated with the offering of interests and shares; operational expenses of the Fund, including but not limited to, photocopying, postage, telephone and facsimile expenses; and extraordinary (including indemnification) expenses, if any, involving the Fund. In addition, each Fund is responsible for all of transaction costs and investment related expenses (e.g., research) incurred, directly or indirectly, in connection with its trading activities, including, without limitation: execution and clearing charges; custodial charges; dealer markups; consulting fees; and legal charges directly related to investment activities. See Item 12 of this Brochure, describing our *Brokerage Practices*, for more information regarding the factors that we consider in selecting broker-dealers for transactions on behalf of the Funds and determining the reasonableness of their compensation. If a Fund engages in borrowing or other leverage, there may be interest expense and fees.

Each Fund's Offering Materials describe these fees and expenses in greater detail.

COMPENSATION OF OUR EMPLOYEE MARKETING REPRESENTATIVES.

Our employees who act as our marketing representatives are not normally paid a sales commission by our Funds for marketing those Funds to our clients. If they were to be paid a sales commission by any of our Funds, we would fully disclose that in the Fund's Offering Materials provided to potential investors prior to investment.

We may, however, compensate our marketing representatives from the management fees we earn from their clients who invest in our Funds. This practice presents a conflict of interest and gives our marketing representatives an incentive to recommend our Funds based on the compensation received, rather than on an investor's needs.

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

We charge our clients a performance based fee (or allocation), which may vary among clients based upon each client's fee schedule and unique performance objectives. Each Fund's Offering Materials describe the performance-based compensation in greater detail.

Performance-based compensation creates a risk that:

- we may have an incentive to allocate more attractive investment opportunities to Funds with higher performance-based compensation, and
- we may cause a Fund to make investments that are more speculative than we would for a Fund that had similar investment guidelines but did not have performance-based compensation. However, we may receive no performance-based compensation or reduced performance-based compensation if a Fund has losses, which can align our interest with the client and temper this risk.

To mitigate these risks, we have procedures designed and implemented to ensure that all Funds are treated equitably in the allocation of investment opportunities and trades. See Items 10, 11 and 12 of this Brochure for more information.

ITEM 7: TYPES OF CLIENTS

We provide investment management services to Funds established in the U.S. Each Fund has a minimum investment requirement for investors as set forth in the Fund's PPM, which is we may waive in our discretion. Investors also are required to meet certain eligibility standards as set forth in each Fund's PPM.

We generally offer Funds only to institutional and individual investors that qualify as both (i) "qualified purchasers," as defined for purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended, and (ii) "accredited investors," as defined in Regulation D under the Securities Act of 1933, as amended.

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

The investment strategies implemented on behalf of our Funds primarily involve the origination of loans to middle market companies operating in a broad range of industries, primarily in North America. While the Funds' investment strategy will focus on adjustable rate, senior secured loans, it may also involve originating unsecured senior loans or subordinated loans, as well as the acquisition of convertible securities, equity securities, and equity-linked securities such as options and warrants.

The primary risks associated with the investment strategies utilized by our investment team and the asset types in which the Funds invest are as follows:

- **Liquidity Risk** – There is no secondary market for the heavily negotiated loans in which the Funds primarily invest, and none is expected to develop. As a result, to the extent that we must dispose of a Fund investment, we may not be able to do so in a timely manner, or it may not receive full value in such a transaction.
- **Lack of Diversification** – Although the Funds' governing documents contain restrictions on the amount which may be invested in a particular transaction, the Fund investment portfolios may not be diversified, and their portfolios may contain a relatively small number of large positions. If these portfolios are concentrated in a small number of issuers or industries, any adverse change in one or more of such issuers or industries could have a material adverse effect on the performance of the Funds.
- **Credit Risk** - Investing in loans exposes the Funds to credit risk, which is the risk that a borrower may not be able to repay its debt obligations. Such risk is magnified to the extent that loans are made to highly leveraged companies. There can be no assurance that any collateral securing a loan will be sufficient to protect the Funds in the event of a default.
- **Interest Rate Risk** – Increases in interest rates generally have an adverse effect on the value of fixed income obligations. While loans held by the Funds will generally include adjustable interest rates, which mitigate such risks, there can be no guarantee that increases in a loan's interest rate will fully correlate with increases in the market rate of interest. Furthermore, as loan interest rates adjust at stated intervals, the interest rate of a loan at any given time may not correspond to the market rate of interest.
- **Bank Loans** –Fund loans will generally be privately originated. Unlike fixed income securities, such loans will not be subject to direct, regulatory oversight by the SEC, which may pose additional risks.

There may be other, unforeseen risks associated with the investments we make for the Funds. In addition, investors in a Fund may be exposed to other risks, including certain risks associated with the fund vehicle itself, which are disclosed in the vehicle's governing documents.

All investing involves a risk of loss that clients should be prepared to bear.

ITEM 9: DISCIPLINARY INFORMATION

We do not have any disciplinary or legal events to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer. TCW Funds Distributors (“TFD”) is a registered broker-dealer that is affiliated with us. Some of TFD’s registered representatives and principals may receive compensation from us or one of our affiliates for selling interests in the Funds. They do not receive sales commissions from the Funds, unless specifically disclosed.

Commodities Registrations. TCW Asset Management Company (“TAMCO”) and Metropolitan West Asset Management, LLC (“MetWest”) are registered investment advisers that are affiliated with us. Trust Company of the West (“TrustCo”), a related party that is a California trust company, and TAMCO are registered as commodity pool operators (“CPOs”). Both TAMCO and MetWest are registered as commodity trading advisers (“CTAs”). Some of our officers may be registered as associated persons of those affiliates. These associated persons may receive compensation from those affiliates for selling interests in funds or for accounts those affiliates manage. They do not receive sales commissions or other compensation from those funds or accounts, unless specifically disclosed.

Investment Advisers. We are affiliated with various registered investment advisers. See Part 1 and 2 of the Form ADV of each registered investment adviser described below for additional information regarding their investment management services.

- Buchanan Street Partners, L.P. (SEC Number: 801-606034; CRD Number: 113634)
- Metropolitan West Asset Management, LLC (SEC Number: 801-53332; CRD Number: 104571)
- TCW Asset Management Company (SEC Number: 801-6642; CRD Number: 105742)
- TCW Investment Management Company (SEC Number: 801-29075; CRD Number: 106546)
- TCW-WLA JV Venture LLC (SEC Number: 801-71746 ; CRD Number: 154760)
- West Gate Advisors, LLC (Sec Number: 801- 63237; CRD No. 131967)
- Stable Phoenix LLC (SEC Number: 801-77101; CRD No. 164946)

Banks and Trust Companies. TrustCo is a California trust company licensed by the California Department of Financial Institutions. We are indirectly controlled by SG, an international banking institution. See Item 11, *Participation or Interest in Client Transactions*, for further information about transactions we may enter into with SG and its affiliates.

Board of Director Memberships. Our officers or employees may from time to time be members of the boards of directors of publicly or privately held companies which may be permitted investments of various investment strategies we offer. In these cases, we take appropriate steps, such as establishing “Informational Wall” procedures, which are intended to prevent the sharing of material, non-public information.

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

SUMMARY OF OUR CODE OF ETHICS

Our officers, directors and employees are generally subject to our Code of Ethics (the “**Code**”). We will provide a copy of our Code of Ethics to any client or prospective client upon request. Our contact information appears on the first page of this Brochure.

The Code includes:

- **Conduct Principles.** General principles of conduct for all employees;
- **Restrictions on Personal Investment.** Restrictions on investment transactions in which our officers, directors and certain other persons have a beneficial interest to avoid any actual or potential conflict or abuse of their fiduciary position. The Code permits personnel subject to the Code to invest in securities, but contains several restrictions and procedures designed to eliminate conflicts of interest including: (a) pre-clearance of non-exempt personal investment transactions; (b) quarterly reporting of personal securities transactions and initial and annual reporting of securities holdings; (c) a prohibition against personally acquiring securities in an initial public offering, entering into uncovered short sales and writing uncovered options; (d) a ten day “black out period” prior or subsequent to a client transaction during which portfolio managers are prohibited from making certain transactions in securities which are being purchased or sold by a client of such manager; (e) a prohibition, with respect to certain investment personnel, from profiting in the purchase and sale, or sale and purchase, of the same (or equivalent) securities, within 60 calendar days; (f) a prohibition against buying or selling any security which is subject to firm wide or, if applicable, a department restriction; (g) a prohibition of the purchase of securities offered in a hedge fund, other private placement or limited offering (other than certain offerings we sponsor) except with prior approval of designated officers; (h) a prohibition of a purchase, without prior disclosure to a designated officer, on behalf of a client through a private placement of a security of an issuer or its affiliate, if a member of the department purchasing the security has a beneficial interest in the issuer or affiliate; and (i) a prohibition of acquiring any shares of a third party mutual fund we advise or sub-advise.
- **Insider Trading Rules.** A policy statement on insider trading that provides generally that none of our officers, directors or employees (a) may buy or sell a security either for themselves or others while in possession of material non-public information about the company, or (b) communicate material, non-public information to others who have no official need to know. The policy statement

provides guidance about what is material non-public information, lists common examples of situations in which our personnel could obtain that information, and describes our procedures regarding securities maintained on its "Restricted Securities List" and for establishing Information Walls. It also identifies parties to contact for questions in connection with the requirements of the policy statement.

- **Restrictions on Gifts and Preferential Treatment.** A policy governing gifts, payments and preferential treatment that includes an approval process for specific categories of gifts and entertainment provided to our employees or given by our employees.
- **Restrictions on Employee Outside Activities.** A policy governing an employee's activities outside of their employment with us, including outside employment, service as a director or in a similar capacity, fiduciary appointments, participation in public affairs and service as treasurer of clubs, houses of worship and lodges.
- **Restrictions on Political Contributions and Activities.** A policy on political activities and contributions, containing general rules governing contributions and solicitation, responsibility of individuals for personal contribution limits, quarterly reporting of political activities by certain employees and rules for political activities on our premises and for using our resources. The policy further requires employees and certain of their related parties to obtain pre-clearance of political contributions, solicitations and volunteer activity.
- **Confidentiality Requirements.** Policies governing the confidentiality of our client and business information.
- **Whistleblower Provisions.** A policy stating it is our practice that employees report illegal activity or activities not in compliance with our formal written policies and procedures, including the Code.

The Code provides that exemptive relief may be given from certain of its requirements, upon application.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Transactions with Société Générale and Related Parties. Société Générale Holding de Participations, a company controlled by Société Générale, S.A. ("SG") owns a majority of the stock of The TCW Group, Inc., our parent company. As a result, SG and its subsidiaries and affiliates (which include broker-dealers, banks and other financial intermediaries and institutions) are now our related persons.

- We will enter into transactions or services involving related persons only in accordance with applicable laws and where we determine that the transactions or services are being done on an arm's length basis at fees or rates comparable to: (i) those generally available to the related person's other clients and (ii) those available to us in the marketplace from unrelated parties.

- Where required under Section 206(3) of the Advisers Act, and related rules, or Rule 17e-1 under the Investment Company Act, we will obtain client consent prior to effecting transactions with related parties, either on a case-by-case basis or on a blanket basis, as required or permitted by law. Certain funds we manage specifically authorize transactions with related parties and us, or an affiliate, may consent to those on behalf of those funds.
- From time to time, we may take the following actions on behalf of our clients, or recommend to our clients that they take such actions:
 - buy or sell securities in which persons related to us have a financial interest;
 - effect transactions through related persons, including broker-dealers acting as principal or as agent for non-clients;
 - buy or sell securities to or from related persons who are broker-dealers;
 - buy or sell securities in which we, parties related to us or our other client's accounts are at the same time effecting a sale or purchase; and
 - effect transactions with brokers that have clearing relationships with related persons who are broker-dealers.

In any transaction with a related party, the related party may receive compensation. Furthermore, we may act as investment adviser for related persons and may act as investment adviser for pension vehicles of related persons. We may be restricted under certain circumstances from entering into principal and agency and other transactions with affiliates of SG. We have adopted procedures to identify brokers affiliated with SG, and that are designed generally to prevent the purchase for certain clients of securities issued by SG and certain of its affiliates. We have also adopted policies and procedures with respect to permitted transactions with our affiliates designed to assure that client interests are not adversely affected.

Investment Products. We may, from time to time, recommend to or purchase or sell on behalf of clients, securities or other investment products ("**Investment Products**") in which we, our affiliates or other related persons have a financial interest as the investment manager, general partner or trustee or as a co-investor in such Investment Products.

Consulting and Structuring Fees. We and our affiliates may receive fees from third parties for performing consulting, merger and acquisition structuring or other financial advisory services or acting as directors, officers or creditors' committee members. These fees can relate to actual, contemplated or potential investments of our clients. Such fees may be retained entirely affiliates or us.

Certain Funds pay us or an affiliate up-front structuring fees. In each case the fees are specifically authorized by the fund documents and disclosed in fund or account disclosure

documents, if any. All or a portion of any structuring fees may be credited against investment advisory fees that we earn from the fund.

Transactions by Different Accounts, Funds and Strategies. We may recommend or enter into for clients of any investment strategy:

- sales of or short positions (if allowed) in securities of an issuer, at the same time other of our or our related investment strategies purchase securities of the same issuer for their clients; or
- investments in securities in the same and/or different parts of the capital structure of an issuer than other of our, or our related, strategies.

Securities We Purchase, Hold or Sell. We may recommend, buy or sell securities of issuers in which we or related persons may also purchase, hold or sell securities. These securities may be either publicly traded or private placements. Our Code of Ethics described above establishes various procedures with respect to investment transactions in which our related persons have a beneficial interest that are designed to reduce the potential for conflicts of interest.

Board of Director Memberships. Our officers or employees may from time to time be members of the boards of directors of publicly or privately held companies which may be permitted investments of various investment strategies we offer. In these cases, we take steps, such as establishing appropriate “Information Wall” procedures or placing the security in question on a Restricted List, which may limit or preclude us from purchasing or selling such securities for our clients.

ITEM 12: BROKERAGE PRACTICES

We exercise discretion in the selection of broker-dealers for client transactions. We have implemented a best execution policy that outlines the factors we generally consider in selecting broker-dealers for client transactions and in seeking to obtain best execution on behalf of our clients. In considering a particular transaction with a broker-dealer, we consider both quantitative factors (such as price, and, where applicable, commission rate) as well as qualitative factors, including but not limited to, in no particular order of priority, the broker-dealer’s:

- Ability to maintain the confidentiality of our trading intentions;
- Timeliness and certainty of execution;
- Willingness to commit capital;
- Ability to place trades in difficult market environments;
- Ability to access a variety of market venues;
- Expertise as it relates to specific securities;

- Financial condition and credit quality (i.e. counterparty risk); and
- Business reputation.

We do not participate in any soft dollar arrangements whereby we receive research or other products or services in exchange for placing client transactions with a particular broker/dealer. We may, however, receive research reports from broker-dealers that we conduct business with. In selecting broker-dealers for client transactions, we also do not consider whether or not we receive client referrals from a broker-dealer or third party. We also do not recommend, request, or require that clients direct it to execute transactions through a particular broker-dealer.

In an attempt to obtain best execution for all of our clients, and where we have the ability to do so (for example, a client may place a restriction on our use of a particular broker-dealer), we typically aggregates transactions with a broker-dealer across multiple client accounts.

ITEM 13: REVIEW OF ACCOUNTS

The investments contained in the SSF Funds are reviewed regularly by members of investment team. Among the review sessions that take place is a regularly scheduled weekly meeting where team members review all outstanding investments. Review sessions may occur more frequently.

On a quarterly basis, each investor in the Funds receives an account statement and a set of unaudited Fund financial statements, as well as a letter for each SSF Fund describing its performance. Audited financial statements for the Funds are provided to investors on an annual basis.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We do not receive any economic benefits from non-clients in connection with the provision of investment advice to clients. We do not compensate any person for making client referrals.

ITEM 15: CUSTODY

We currently do not have assets under management and, accordingly do not have custody of client assets. After we begin to manage Fund assets, we will not have physical custody of any such assets. However, to the extent we or an affiliate serves as general partner or managing member of certain Funds, we will be deemed to have “custody” of such Funds within the meaning of Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”). We will maintain the assets of all Funds with qualified custodians, within the meaning of the Custody Rule. For each Fund for which we are deemed to have custody, we will provide each investor in the Fund with audited financial statements that comply with U.S. generally accepted accounting practices within the time period required under the Custody Rule.

ITEM 16: INVESTMENT DISCRETION

We have investment discretion over all of the Funds we manage, which are established with a defined set of investment objectives, rules and limitations set forth in each vehicle's governing documents. Fund investors cannot unilaterally impose any additional limitations beyond those contained in the Fund's governing documents.

ITEM 17: VOTING CLIENT SECURITIES

We normally have authority to vote proxies for the Funds we provide investment management services to. We follow our Proxy Voting Policy, which is summarized below.

SUMMARY OF PROXY VOTING POLICY

The following is a summary of our Proxy Voting Policy. We will provide a copy of our Proxy Voting Policy to any client or prospective client upon request. Our contact information appears on the first page of this Brochure.

If we have responsibility for voting proxies in connection with our investment advisory duties, or have the responsibility to specify to an agent how to vote the client's proxies, we exercise such voting responsibilities through the corporate proxy voting process. We believe that the right to vote proxies is a significant asset of our clients' holdings. In order to provide a basis for making decisions in the voting of proxies for our clients, we have established a proxy voting committee (the "**Proxy Committee**") and adopted proxy voting guidelines (the "**Guidelines**") and procedures. The Proxy Committee generally meets quarterly (or at such other frequency as determined by the Proxy Committee), and its duties include establishing proxy voting guidelines and procedures, overseeing the internal proxy voting process, and reviewing proxy voting issues. The members of the Proxy Committee include our personnel from the investment, compliance, legal and marketing departments. We also use an outside proxy voting service (an "**Outside Service**") to help manage the proxy voting process. The Outside Service facilitates our voting according to the Guidelines (or according to guidelines submitted by our clients) and helps maintain our proxy voting records. Our proxy voting and record keeping is dependent on the timely provision of proxy ballots by custodians, clients and other third parties. Under circumstances described below involving potential conflicts of interest, we may also request the Outside Service to help decide certain proxy votes. In certain limited circumstances, particularly in the area of structured finance, we may enter into voting agreements or other contractual obligations that govern the voting of shares. In the event of a conflict between any contractual requirements and the Guidelines, we will vote in accordance with our contractual obligations.

Philosophy. The Guidelines provide a basis for our decisions in the voting of proxies for clients. When voting proxies, our utmost concern is that all decisions be made solely in the interests of the client and with the goal of maximizing the value of the client's investments. With this goal in mind, the Guidelines cover various categories of voting decisions and generally specify whether we will vote for or against a particular type of proposal. Our underlying philosophy, however, is that our portfolio managers, who are

primarily responsible for evaluating the individual holdings of our clients, are best able to determine how best to further client interests and goals. The portfolio managers may, in their discretion, take into account the recommendations of our management, the Proxy Committee, and the Outside Service.

Overrides and Conflict Resolution. Individual portfolio managers, in the exercise of their best judgment and discretion, may from time to time override the Guidelines and vote proxies in a manner that they believe will enhance the economic value of clients' assets, keeping in mind the best interests of the beneficial owners. The Guidelines provide procedures for documenting and, as required, approving such overrides. It is unlikely that serious conflicts of interest will arise in the context of our proxy voting, because we do not engage in investment banking or the managing or advising of public companies. In the event a potential conflict does arise, the primary means by which we will avoid a conflict of interest is by casting votes solely in the interests of our clients and in the interests of maximizing the value of their portfolio holdings. In this regard, if a potential conflict of interest arises, but the proxy vote to be decided is predetermined under the Guidelines to be cast either in favor or against, then we will follow the Guidelines and vote accordingly. On the other hand, if a potential conflict of interest arises and there is no predetermined vote, or the Guidelines themselves refer such vote to the portfolio manager for decision, or the portfolio manager would like to override a predetermined vote, then the Guidelines provide procedures for determining whether a material conflict of interest exists and, if so, resolving such conflict.

Proxy Voting Information and Recordkeeping. Upon request, we provide proxy voting records to our clients. These records state how votes were cast on behalf of client accounts, whether a particular matter was proposed by the company or a shareholder, and whether or not we voted in line with management recommendations. We are prepared to explain to clients the rationale for votes cast on behalf of client accounts. To obtain proxy voting records, a client should contact our Sr. Proxy Specialist.

We or an Outside Service will keep records of the following items: (i) the Guidelines and any other proxy voting procedures; (ii) proxy statements received regarding client securities (unless such statements are available on the SEC's EDGAR system); (iii) records of votes cast on behalf of clients (if maintained by an Outside Service, that Outside Service will provide copies of those records promptly upon request); (iv) records of written requests for proxy voting information and our response (whether a client's request was oral or in writing); and (v) any documents we prepared that were material to making a decision how to vote, or that memorialized the basis for the decision. Additionally, we or an Outside Service will maintain any documentation related to an identified material conflict of interest.

We or an Outside Service will maintain these records in an easily accessible place for at least five years from the end of the fiscal year during which the last entry was made on such record. For the first two years, we or an Outside Service will store such records at our principal office.

International Proxy Voting. While we utilize the Guidelines for both international and domestic portfolios and clients, there are some significant differences between voting U.S. company proxies and voting non-U.S. company proxies. For U.S. companies, it is relatively easy to vote proxies, as the proxies are automatically received and may be voted by mail or electronically. In most cases, the officers of a U.S. company soliciting a proxy act as proxies for the company's shareholders.

For proxies of non-U.S. companies, however, it is typically both difficult and costly to vote proxies. The major difficulties and costs may include: (i) appointing a proxy; (ii) knowing when a meeting is taking place; (iii) obtaining relevant information about proxies, voting procedures for foreign shareholders, and restrictions on trading securities that are subject to proxy votes; (iv) arranging for a proxy to vote; and (v) evaluating the cost of voting.

Furthermore, the operational hurdles to voting proxies vary by country. As a result, we consider whether or not to vote an international proxy based on the particular facts and circumstances. However, when we believe that an issue to be voted is likely to affect the economic value of the portfolio securities, that our vote may influence the ultimate outcome of the contest, and that the benefits of voting the proxy exceed the expected costs, we will make every reasonable effort to vote such proxies.

ITEM 18: FINANCIAL INFORMATION

Not Applicable.