

One William Street Capital Management, L.P. Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of One William Street Capital Management, L.P. (“OWS” or the “Registrant”). If you have any questions about the contents of this brochure, please contact us at 212-957-2500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the Registrant is also available on the SEC’s website at:
www.adviserinfo.sec.gov.

Material Changes

This brochure contains information about the Registrant and there have been no material changes to the brochure since its adoption.

Table of Contents

Material Changes	2
Table of Contents	2
Advisory Business	2
Fees and Compensation	3
Performance Based Fees and Side-by-Side Management	3
Types of Clients	4
Methods of Analysis, Investment Strategies and Risk of Loss	4
Disciplinary Information	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	6
Brokerage Practices	7
Review of Accounts	9
Client Referrals and Other Compensation	9
Custody	9
Investment Discretion	10
Voting Client Securities	10
Financial Information	10

Advisory Business

OWS, a Delaware limited partnership, was founded in 2007 and registered with the SEC as an investment adviser in June 2009. The Registrant is primarily owned by Mr. David Sherr. As of December 31, 2011 the Company managed approximately \$3.2 billion on a discretionary basis on behalf of 26 clients.

The Registrant provides investment management services on a discretionary basis to institutional managed account clients (“Managed Accounts”) and private investment funds (each a “Fund,” collectively, the “Funds”, and together with the Managed Accounts, the “Clients”) which are available only to investors who meet the definition of a “qualified purchaser” as the term is defined in the Investment Company Act of 1940 (“IC Act”). The Registrant currently provides advisory services to six fund structures, all of which are organized as master-feeders.

OWS specializes in providing its Clients with advice on asset-based credit investments. More specifically, OWS Clients primarily invest in residential mortgage-backed securities, non-performing/performing residential whole loans, consumer/commercial asset-backed securities, commercial mortgage-backed securities, corporate securities, commercial mortgage loans, and commercial loans.

OWS manages its Managed Accounts’ assets based on the individual objectives of each Managed Account. At the onset of a Managed Account relationship, OWS identifies specific investment objectives and/or restrictions. Managed Accounts may impose restrictions on their account based on specific securities,

security type, or industry type, among others. All objectives and restrictions shall be contemplated in the Managed Account's agreement with the Registrant. Investment advice is provided directly to each Fund and not individually to the limited partners of the Funds. Additionally, investment objectives and restrictions for the Funds are contemplated in the relevant governing documents.

Fees and Compensation

OWS's Managed Accounts and investors in the Funds are Qualified Purchasers as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940. Fees charged by OWS are disclosed within the Clients' respective governing documents.

The Registrant, in its sole discretion, may waive or rebate all or a portion of the management fee and/or incentive fee due from certain investors in the Funds. Certain investors that are members, partners, affiliates, and employees of the Registrant or an affiliate, members of the immediate families of such persons, and trusts or other entities for their benefit may pay reduced management and incentive allocations. Managed Account fees are negotiable.

In addition to OWS's and/or the relevant affiliate's fees and allocations, the Funds bear indirectly certain fees and expenses. Such fees vary, but typically include (but are not limited to) the following: legal and compliance fees and expenses; audit, tax and accounting fees; insurance costs and expenses; administrative, custodial and transaction fees; costs and commissions paid to custodians, broker-dealers and other third parties; and investment and research-related expenses. Managed Accounts bear directly and indirectly certain fees and expenses. Such fees vary, but typically include (but are not limited to) the following: custodial and transaction fees; costs and commissions paid to custodians, broker-dealers and other third parties; and investment and research-related expenses. Please refer to the Brokerage Practices section for additional disclosure regarding trading costs.

The Registrant may invest the Clients' assets in various money market mutual funds. In these cases, Clients will incur the management fee charged by each respective mutual fund manager as well as the management fees charged by the Registrant.

OWS (or its affiliate) deducts fees directly from the Funds. Any redemption from the Funds must be completed on a quarterly basis and therefore redeeming investors are generally not eligible to receive a portion of prepaid management fees, as applicable. The majority of the Managed Accounts are billed quarterly in advance for management fees, while certain other Managed Accounts are billed quarterly or monthly in arrears for management fees. The management fees charged in advance are prorated if the initial investment is made at times other than the start of a calendar quarter. If for any reason a Managed Account wishes to terminate an investment advisory contract, the Managed Account must provide prior written notice in accordance with the terms of their contract and any fees paid in advance will be returned.

Performance Based Fees and Side-by-Side Management

OWS (or an affiliate) charges performance based fees which are fees based on a share of appreciation of the client's assets.

The fact that the Registrant is compensated based on the trading profits may create an incentive for the Registrant to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, in certain cases the performance based fee received

by the Registrant is based on unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that clients may never realize.

Types of Clients

As discussed in the Advisory Business section, the Registrant provides investment management services to institutional managed account clients and private investment funds which are available only to investors who meet both (i) the definition of a “qualified purchaser” as the term is defined in the IC Act and (ii) the definition of “accredited investor” as the term is defined in the Securities Act of 1930, as amended (the “Securities Act”).

Minimum initial investment amounts in the Funds vary by Fund but are detailed in the relevant governing documents and generally require a \$5,000,000 initial minimum investment. Minimum initial investments range from \$10,000,000 to \$250,000 (for share or interest classes available to certain high net worth individuals). The minimum initial investment amount for a Managed Account is negotiable.

Methods of Analysis, Investment Strategies and Risk of Loss

The following is a summary of the investment strategies, methods of analysis, and material risks applicable to Clients of the Registrant. The investment strategies, methods of analysis, and risks applicable to each Client are set forth in detail in each of the Client’s respective offering documents.

The Registrant’s overall goal and objective is to provide Clients and investors with superior risk-adjusted returns throughout various market cycles while consistently focusing on risk management and capital preservation principles. The Registrant seeks to implement this objective, depending on each Client’s particular strategy and permitted asset investment mandate, by acquiring and actively managing a diversified portfolio primarily comprised of credit instruments, including bonds, loans and other asset-based instruments, including performing, non-performing and re-performing residential mortgage loans, commercial real estate loans, mezzanine and equity investments in securitizations and special situation financings. These investments generally have estimable cashflows, and their ultimate value tends to be materially driven by structure and the fundamentals of the underlying assets.

Investment Strategy. The Registrant seeks to draw upon its specialized expertise in designing and analyzing structured finance instruments and evaluating the related underlying assets to generate attractive risk-adjusted returns. The Registrant investment strategy, includes, but is not limited to (i) identify opportunities that represent fundamental value; (ii) identify relative value opportunities, and (iii) augment returns through a sophisticated risk management infrastructure. OWS employs extensive in-house research and due diligence to determine what it believes to be the intrinsic value of various opportunities and identify those opportunities that it believes present superior risk-adjusted absolute returns.

Investment strategies of OWS’s Clients vary in respect of concentration of exposures to certain asset classes, duration, holding period and liquidity profile, utilization of leverage and hedging. To implement a Client’s investment strategy and construct and manage a Client’s portfolio, OWS takes into account the following factors:

- *Portfolio Construction.* OWS implements a top-down view towards portfolio construction by taking into account risk/return profiles in the market combined with a view on future direction which drives overall portfolio risk appetite. The risk appetite, along with a bottom up security

analysis determines a Client's total gross exposure and allocation across sectors, size of market hedges and their composition and the desired leverage for a particular Client.

- *Asset Analysis.* In addition to OWS's top-down approach towards portfolio construction, OWS employs both a fundamental collateral/credit analysis and a structural analysis of assets. OWS's fundamental collateral/credit analysis generally includes analysis through the development of empirical models, financial models, asset values, site visits (if applicable), industry analysis and servicing values. OWS's structural analysis generally includes cashflow schedules, deal/tranche triggers, loan covenants, cash vs. CDS, capital structure, rating agency methodology as well as understanding external factors such as legal, tax, regulatory, legislation, asset prices, interest rates.
- *Market Analysis.* In analyzing an asset, OWS takes into account historical pricing (where available), market structure, dealer positioning, sentiment and relative value.
- *Liquidity Management.* OWS implements an asset/liability management framework that takes into account both known and contingent draws on liquidity and attempts to maintain a margin of trading liquidity in excess of such requirements. The framework incorporates an analysis of both asset-level liquidity and reliability of financing under market stress scenarios.
- *Fundamental Risk Management.* OWS targets an aggregate credit risk appetite for a Client's portfolio by taking into account systemic macro risk, systemic sector risk and idiosyncratic security risk.

Investment Process. The Registrant generally expects to draw on its extensive quantitative and qualitative research capabilities, external research, and internal knowledge of the asset classes and structural analysis as the basis for an investment decisions.

Investment Risks. An investment in the strategies managed by the Registrant, via a Managed Account or investment in the Funds, entails a certain degree of risk and therefore should be undertaken only by clients and investors capable of evaluating and bearing the risks that are present. Set forth below is a non-exhaustive list of such risks/risk factors; however, prospective investors are advised to review the applicable Fund offering materials for a more extensive description of the risks of investing in the Funds. Prospective Managed Accounts may request additional details relating to such risks from the Registrant.

1. Investing in structured securities generally, may contain inherent risks such as limited diversification, structural leverage risk, interest rate mismatch, and securities with lower credit quality
2. Investing in residential mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, and mortgage loans contain inherent risks such as credit, market, structural, legal, and interest rate risk
3. Participation in stripped mortgage-backed securities involve principal prepayment risks
4. Investing in synthetic assets
5. Investing in credit default swaps
6. Investing in high yield and/or distressed securities
7. Credit quality of investments held in Client accounts
8. Investments in Client accounts may be non-performing

9. Illiquidity of certain investments
10. Utilization of leverage
11. Utilization of financing
12. Utilization of derivatives
13. Engaging in short selling and other hedging strategies
14. Counterparty risks
15. General real estate risks
16. Tax risks and implications
17. Bankruptcies
18. Market volatility
19. Global and emerging market investments
20. Lack of liquidity of interests in the Funds
21. Political and legislative changes

Investing in securities involves risk of loss that all Clients and investors should be prepared to bear including the total loss of their investment. In addition, OWS may purchase or sell securities on its own behalf or on behalf of a Client that may differ from those purchased or sold for another Client, even though their investment objectives may be the same or similar. It is possible that the activities or strategies used for one Client could conflict with the activities and strategies employed in managing the assets of another Client and affect the prices and availability of the securities and instruments in which a Client invests. The Registrant will seek to resolve such conflicts of interest in a fair and equitable manner. Conflict resolution may result in a Client receiving more or less consideration than it may have otherwise received in the absence of such a conflict of interest.

Disciplinary Information

The Registrant and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

As discussed, the Registrant provides investment advice to the Funds. The general partners of the Funds are affiliated with the Registrant by common ownership. Otherwise, OWS and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

OWS recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients and investors; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients and investors come first; and (iii) it has a fiduciary duty to its Clients to act for their benefit. All OWS personnel must put the interests of the Clients and Fund investors before their own personal interests and must act honestly and fairly in all respects in dealings with clients and investors. All OWS personnel must also comply with all federal securities laws.

OWS has adopted Code of Ethics and Personal Investment policies governing personal trading by its personnel. Among other requirements, all personnel must seek pre-approval of the Registrant for certain

personal trades and must report their personal securities transactions and holdings. The policies additionally require the Compliance Officer to regularly review all personal trading documents and to address any issues noted during the review, including the appropriateness of imposing a penalty for violations of the policies. Clients, investors, or prospective clients and investors may obtain a copy of the Code of Ethics and Personal Investment policies by contacting Mr. Christopher Epes (OWS's Chief Compliance Officer) via phone at (212) 957-2500.

Eligible OWS personnel hold, either directly or through the Funds' general partner, financial interests in the Funds. Additionally, it is possible that OWS personnel may personally invest in some of the same investments that are held by the Clients, or that they may own investments that are subsequently purchased for the Clients although this practice is generally prohibited by the Personal Investment policy. In any case, such transactions are required to be pre-approved in order to evaluate any issues resulting from the employee's proposed ownership.

Brokerage Practices

Best execution. The Registrant has a fiduciary duty to use its reasonable efforts to obtain best execution of securities transactions for the Clients. This means that in selecting broker-dealers to execute transactions, the Registrant must attempt to ensure that the total cost or proceeds of any transaction is the most favorable attainable under the circumstances. However, the Registrant need not necessarily solicit competitive bids on each transaction and may not have an obligation to seek the lowest possible cost. In determining best execution, the Registrant may take into account the full range and quality of a broker-dealer's services. The factors to be considered in selecting and approving broker-dealers include, but are not limited to, overall costs of a trade (*i.e.*, net price paid or received); quality of execution; reputation, financial strength and stability; block trading and block positioning capabilities; willingness and ability to commit capital; access to underwritten offerings and secondary markets; ongoing reliability; and confidentiality of trading activity.

From time to time, a Client may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by the Client may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. The Registrant believes that the use of a broker in such instances is consistent with its duty of obtaining best execution for the Client. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

Subject to the considerations described above, the selection of a broker (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow. Generally, with the exception of prime broker charges, if applicable, the Registrant and its affiliates do not separately compensate any broker for any of these services.

The Registrant periodically reviews its relationships with broker-dealers and the effectiveness of its efforts to obtain best price and execution.

Soft dollars. While the Registrant currently has no soft dollar arrangements, it may use full-service broker-dealers and may on occasion receive and use research provided by these full service broker-dealers.

Trade errors. It is the Registrant's policy its Clients, and not the Registrant or an affiliate, will be responsible for any losses in the Clients' account resulting from trading errors and similar human errors, absent the Registrant's or an affiliate's willful misconduct, fraud or gross negligence. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Managed Accounts and Fund investors should assume that trading errors (and similar errors) may occur and, to the extent agreed upon in the Client's governing documents, that the Client will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Registrant or an affiliate. The Registrant, subject to its fiduciary obligations, will determine whether or not any trade error is required to be reimbursed in accordance with the pertinent liability and exculpation provisions. Notwithstanding the foregoing, the Registrant or an affiliate may voluntarily reimburse a Client for losses suffered as a result of certain trade errors identified by the Registrant or an affiliate. Any positive trade errors will be for the benefit of the Fund and not retained by the Registrant.

Capital Introduction Services. From time to time, the Registrant's personnel may speak at conferences and programs for potential investors interested in investing in hedge funds that are sponsored by certain broker-dealers through which the Registrant effects transactions. These conferences and programs may be a means by which the Registrant can be introduced to potential investors in the Funds. Currently, neither the Registrant nor the Funds compensate broker-dealers for organizing such "capital introduction" events or for any investments ultimately made by prospective investors attending such events. While such events and other services provided by a broker-dealer may influence the Registrant in deciding whether to use such broker-dealer in connection with brokerage, financing and other activities of the Funds, the Registrant will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation.

Allocation of investment opportunities. The Registrant has a fiduciary obligation to use its best efforts to ensure that no Client is treated unfairly in relation to any other Client in the allocation of securities or investment opportunities or in the order in which transactions are executed. The Registrant will seek to allocate orders and investment opportunities among Clients in a manner that it believes is equitable and in the best interests of all of its Clients. Although such allocations may be *pro rata* among participating Clients, they will not necessarily be so, where the Registrant's allocation policies (*e.g.*, taking into account differing objectives or other considerations) dictate a different result. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. In any case, the Registrant seeks to allocate investment opportunities in a way that is fair and equitable among all Clients.

As a general matter, the Registrant allocates securities among the Clients in each strategy on a *pro rata* basis. When an investment is appropriate for both sets of Clients and, as pertinent, another Client, the Registrant typically will allocate the investment among all of the pertinent Clients pursuant to at least the following criteria: (1) the appropriateness of the investment for each Client strategy; (2) amount of available securities; (3) available liquidity in each Client account; (4) diversity of each Client account; (5) tax considerations relating to the type of investment; and (6) risk equity limits for each Client account. Accordingly, the allocation among Clients will change over time based on the above criteria. Further, the Registrant may allocate investments to avoid creating odd lots of securities so long as allocation is equitable among Clients.

With respect to allocations of limited investment opportunities, such as privately placed securities and initial public offerings of securities, the Registrant will determine which Clients are eligible to participate in those opportunities. Limited investment opportunities will generally be allocated among all eligible Clients in proportion to their target allocations in accordance with the procedures set forth above. Clients without sufficient available capital will not participate.

Trade aggregation. The Registrant will generally execute Client transactions on an aggregated basis when the Registrant believes that aggregation will enable it to negotiate more favorable commission rates or other transaction costs. Each Client that participates in an aggregated order will participate at the average price for such transaction in that security, with transaction costs shared *pro rata*. On occasion, the Registrant will not be able to purchase or sell all of the securities ordered as part of an aggregated order in a single day. If the order is partially filled, it will generally be allocated *pro rata* in proportion to the size of the orders placed for each Client to the extent practicable. Notwithstanding the foregoing, an aggregated order may be allocated on other than a *pro rata* basis if all Clients receive fair and equitable treatment and the reason for the different allocation is documented. As described above, such reasons might include avoidance of odd lots or a *de minimis* allocation to one or more Clients.

Review of Accounts

The Registrant's Chief Investment Officer and the Portfolio Managers will be primarily responsible for ensuring that the securities or other financial instruments held by each Client are consistent with, as pertinent, the Fund's disclosures set forth in the relevant offering documents or the Managed Account's investment advisory agreement. In addition, Chief Investment Officer and the Portfolio Managers will review the Clients' portfolio holdings to determine that the securities and other financial instruments held by each Client remain consistent with the pertinent offering documents or investment advisory agreement and will generally review each Client's performance. All of these reviews are conducted on an ongoing basis.

Fund investors will receive audited annual financial statements and necessary U.S. federal tax information. Fund investors will also receive periodic unaudited performance information no less frequently than quarterly. In addition to the foregoing reports and statements, and upon the request of certain Fund investors or third parties representing Fund investors, more frequent disclosure or additional information not contained in the above mentioned reports and statements regarding the investment portfolio. Such information will be maintained by the Registrant and will be available to all Fund investors, if requested. As a condition to receipt of certain information, the Registrant may require such investors to execute a confidentiality agreement prior to providing such information. Managed Accounts receive reports as agreed upon in the pertinent investment advisory agreement. Managed Accounts are held at third party custodians engaged by the Managed Account. As a result, the Managed Accounts may receive greater transparency, including, but not limited to information, regarding transaction activity and position level detail.

Client Referrals and Other Compensation

Please refer to the Brokerage Practices section for a discussion of potential benefits received by OWS from certain trading counterparties. The Registrant has entered into written agreements with and compensates unaffiliated third parties for soliciting new investors to the Funds. The Registrant is not currently party to any arrangements whereby it compensates a third-party for Managed Account referrals.

Custody

All Client assets are held in custody by unaffiliated broker/dealers or banks; however the Registrant may have access to Fund accounts since its affiliates serve as the General Partner of the Funds. Limited

partners of the Funds will not receive statements from the custodian. Instead the Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and distributed within 120 days of each Fund's fiscal year end.

Investment Discretion

The Registrant generally has discretionary authority to determine, without obtaining specific Client consent, securities to be bought or sold, the amount of securities to be bought or sold, the broker-dealer to be used, and the commission rates paid. Any limitations on authority are included in the Client's investment management agreement or governing documents, as applicable.

Voting Client Securities

The Registrant may have opportunities to vote the proxies of companies on behalf of its Clients. In voting proxies, the Registrant is guided by general fiduciary principles. The Registrant's goal is to act prudently, solely in the best interests of its Clients (including the Fund investors) and consistent with efforts to achieve a Client's stated objectives, including maximizing portfolio value. The Registrant will vote proxies on a case-by-case basis, but will generally vote for any proposals that the Registrant believes will offer fair value to its Clients. Clients do not have the authority to direct OWS to vote a proxy in a particular manner.

The Registrant follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of its Clients. If it is determined that any such conflict or potential conflict is not material, the Registrant may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, appropriate personnel of the Registrant will work to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

Clients and investors in the Funds may request a copy of OWS's Proxy Voting Policies and Procedures, as well as applicable proxy voting records, by contacting the Registrant at (212) 957-2500.

Financial Information

The Registrant has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.