

Form ADV Part 2A: Firm Brochure

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Halcyon Loan Management LLC is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Halcyon Loan Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 303-9498. 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 Halcyon Loan Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

We have updated Item 1 to include Halcyon Loan Advisors 2014-1 LLC, a newly formed indirect subsidiary and a relying adviser of Halcyon Loan Management LLC.

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1. Advisory Business

Halcyon Loan Management LLC, formed in 2009, is an investment advisory firm specializing in providing collateral asset management services to collateralized loan obligation investment vehicles (referred to as the CLOs) through its direct subsidiaries Halcyon Loan Investors LP and Halcyon Neptuno II Management LLC and indirect subsidiaries Halcyon Bacchus (U.S.) Management LLC (principally owned by Halcyon Management Acquisition Company, a subsidiary owned by Halcyon Loan Management LLC), Halcyon Loan Advisors 2012-1 LLC, Halcyon Loan Advisors 2012-2 LLC, Halcyon Loan Advisors 2013-1 LLC, Halcyon Loan Advisors 2013-2 LLC and Halcyon Loan Advisors 2014-1 LLC (each wholly owned by Halcyon Loan Advisors LP, a subsidiary principally owned by Halcyon Loan Management LLC). It is also the principal owner of Halcyon Loan Investment Management LLC, through which it provides investment advisory services to institutional clients structured as private investment funds, including single investor funds sponsored by an unaffiliated institution (referred to as the “Managed Accounts”) and funds sponsored and controlled by an affiliate of Halcyon (referred to as the “Halcyon Funds”) that focus primarily on bank loan investments. All of our direct and indirect subsidiaries rely on our registration with the United States Securities and Exchange Commission (referred to as the SEC) and conduct their operations as registered investment advisers (the registrant together with its relying advisory entities referred to as “Halcyon”, “we” or “our”). The sole owner of Halcyon Loan Management LLC is Halcyon Management Holdings LP of which Halcyon Management Partners LP is the principal owner. Mr. Bader owns more than 25% of interests in Halcyon Management Partners LP.

Halcyon is affiliated with Halcyon Asset Management LLC, a leading global asset management firm for private investment funds. Halcyon’s regulatory assets under management are estimated to be \$7,712,422,631 as of September 30, 2013. Halcyon and its affiliates (referred to as the Halcyon Group) manage approximately \$12.9 billion in client assets as of November 1, 2013, for a diverse group of advisory client funds whose investors include leading public and private pension funds, endowments, foundations, financial institutions, insurance companies, funds of hedge funds, and high-net-worth individuals. The Halcyon Group is headquartered in New York and its advisory clients have investors in the United States, Canada, Latin America, the United Kingdom, Continental Europe, the Middle East, Asia and Australasia. Halcyon is headquartered in New York. The Halcyon Group draws on the skills and experience of approximately 115 employees, approximately 50 of whom are investment professionals.

In Halcyon’s capacity as collateral manager to the CLOs, we control the management of the collateral supporting certain debt obligations issued by the CLOs. The collateral generally consists of debt obligations, secured and unsecured claims, any equity securities acquired as part of a unit consisting of both a debt obligation and an equity security, and certain derivative instruments. We perform numerous administrative and advisory functions with respect to the collateral, including selecting the portfolio of collateral and instructing the trustee with respect to any acquisition, disposition or reinvestment of proceeds of the collateral.

Halcyon provides investment advisory services to Managed Accounts pursuant to advisory agreements that contain a description of the investment objective and mandate for each Managed Account and detailed investment restrictions agreed upon with those clients.

For the Halcyon Funds, we adhere to the investment strategy and investment guidelines set forth in each fund's private placement memorandum. The investment management agreements with the Halcyon Funds do not require us to tailor our services to the needs of specific underlying investors in these hedge funds.

We do not participate in wrap fee programs. We manage client assets only on a discretionary basis.

2. Fees and Compensation

CLOs

Halcyon receives a base collateral management fee and, in some instances, a subordinated collateral management fee, each paid quarterly or semi-annually in arrears. These fees are equal to a certain percentage of the aggregate collateral balance, determined as of each payment date. In some instances, we also receive an incentive management fee with respect to collateral interest and collateral principal collections available as of each payment date, in certain instances subject to a hurdle. Detailed information concerning compensation and fee arrangements is contained in the prospectus or other governing documents of each CLO. Neither Halcyon nor any of its members or employees (referred to as Employees) receives any transaction-based compensation for the sale of securities or other investment products.

The trustee of each CLO generally remits the collateral management fees to us quarterly or semi-annually in arrears, typically from an interest collection account associated with the CLOs.

The CLOs may incur the following expenses: offering expenses, including rating agency expenses, listing expenses, underwriting and placement agent fees and legal expenses; trustee and administrator expenses; costs and expenses incurred in connection with the acquisition, holding, monitoring, amendment, default, restructuring, bankruptcy and disposition of collateral debt obligations and other eligible investments or relating to any proposed investments; brokerage fees; legal, tax, accounting and appraisal costs, and any extraordinary expenses of any nature or other unusual matters.

Managed Accounts

Halcyon's fees are negotiable for Managed Accounts. The Managed Accounts pay asset-based fees quarterly and performance-based compensation. An unaffiliated third party deducts these fees from Managed Account assets. The Managed Accounts bear investment expenses and other expenses specified in their governing documents.

Halcyon Funds

Halcyon or its affiliate typically receives compensation from the Halcyon Funds calculated as a percentage of the assets Halcyon manages and with respect to certain series of interests in the Halcyon Funds on performance achieved. The governing documents of the Halcyon Funds permit us to negotiate different fees with investors in the Halcyon Funds separately and to waive the fees for our affiliates, principals, employees and accounts managed by them.

Halcyon deducts the asset-based fees from the Halcyon Fund accounts quarterly in arrears. Because investors in the Halcyon Funds may not make intra-month withdrawals of their capital, investors in these funds do not pay a management fee in excess of what they owe for the entire period. An affiliate of Halcyon generally deducts performance-based compensation from the relevant Halcyon Funds' accounts at the end of each year, or a shorter period coinciding with an earlier withdrawal date with respect to the withdrawn amount.

The Halcyon Funds bear all costs and expenses directly related to portfolio investments or prospective investments (whether or not consummated) including brokerage commissions, interest on debit balances or borrowings, commitment fees, custodial fees, fees and profit-sharing payments due to unaffiliated advisors, sub-advisors, consultants, lawyers and finders (which do not offset the management fees or the performance compensation payable to Halcyon), specific expenses incurred in obtaining or maintaining systems, research and other information utilized with respect to the Halcyon Funds' investment program and any withholding or transfer taxes imposed on the Halcyon Funds. The Halcyon Funds also bear all out-of-pocket costs of their administration, including accounting, audit, administration and legal expenses, costs of any litigation or investigation involving the Halcyon Funds' activities, costs associated with reporting and providing information to existing and prospective investors, costs of any regulatory filings (including any filings made by Halcyon relating to the Halcyon Funds, i.e. Form PF) and the costs of any liability insurance obtained on behalf of the Halcyon Funds, Halcyon or its affiliates.

When we incur expenses on behalf of multiple client accounts, we allocate the expenses among the applicable clients in a fair and reasonable manner.

Neither Halcyon nor any of our partners or employees (referred to as Employees) receives any transaction-based compensation for the sale of securities or other investment products.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

3. Performance-Based Fees and Side-By-Side Management

Halcyon receives performance-based compensation from certain of the CLO clients and all Managed Accounts and Halcyon Funds, provided that certain series of interests in the Halcyon Funds are not subject to performance compensation. This side-by-side

management of accounts with different compensation structures creates a potential conflict in that the manager may be incentivized to allocate investment opportunities to the clients that are subject to the performance compensation. Halcyon has adopted and applies investment allocation policies designed to achieve equitable allocation among our clients over time. Specifically, our allocation policy prevents us from taking compensation into account when allocating investment opportunities.

4. Types of Clients

Our CLO clients issue senior and subordinated notes in offshore offerings pursuant to Regulation S or subject to Rule 144A resale transactions. Purchasers of notes must be either non-US persons or highly sophisticated domestic investors, generally “qualified institutional buyers,” “accredited investors,” “qualified purchasers” and/or “knowledgeable employees” (each as defined in US federal securities regulations).

Our Managed Account clients are private funds sponsored by non-US institutions primarily for non-US investors.

The Halcyon Funds are private investment funds for a diverse group of investors, including leading pension funds, endowments, foundations, financial institutions, insurance companies, hedge funds of funds, and high-net-worth individuals throughout the world. Halcyon generally requires investors that are US persons to be “accredited investors” and “qualified purchasers” or “knowledgeable employees” (as defined in applicable federal securities laws and regulations).

5. Method of Analysis, Investment Strategies, and Risk of Loss

- A. During the “ramp-up” stage of CLO portfolio construction, Halcyon assembles a collateral portfolio consisting primarily of debt obligations, secured and unsecured claims (including secured or unsecured loans or bonds issued by corporations, structured products and other privately issued obligations), swaps and derivatives and other eligible instruments in each case meeting the investment guidelines, qualification and rating requirements specified in each respective offering circular. Halcyon manages collateral through maturity of debt obligations issued by the CLOs. Ongoing functions with respect to the CLOs include instructing the trustees with respect to any acquisition, disposition or sale of the assets, including reinvestment of proceeds during the reinvestment period.

During the “ramp-up” stage of Managed Account portfolio construction, Halcyon assembles a portfolio of assets consisting of eligible instruments in each case meeting the investment guidelines, qualification and rating requirements specified in each respective investment management agreement. Halcyon manages portfolio assets through the termination of the Managed Account and provides ongoing reporting to the institutional sponsor with respect to portfolio activities in the Managed Accounts.

The Halcyon Funds’ investment objective is to generate current income, affording significant downside protection by investing primarily in senior loans attributable to the most senior position in the capital structure of a company (i.e first-lien loans or second-

lien loans subject to coverage (magnitude, quality) comparable to first-lien loans of the same borrower) and secured by specific collateral. Halcyon uses its disciplined, fundamental bottom-up credit underwriting protocols to identify investment opportunities. The investment process also involves an informed macro judgment concerning broad investment themes and sector drivers. Halcyon focuses on relative value in asset selection, both within and among issuers' capital structures, with a keen emphasis on the appropriate price, market liquidity and timing for event catalysts as well as other special situations. In addition, the bank loan portfolio management approach includes a focus on loans with potential for near term yield enhancement in which Halcyon believes the likelihood of early retirement and/or re-pricing of the loan via a tactical refinancing, corporate action or legal negotiation with lenders creates an attractive risk/return dynamic relative to other investment opportunities in the issuer's capital structure.

Individual positions are researched by teams led by one or more senior analysts, then discussed with the portfolio managers in an iterative fact-finding process. Research includes extensive proprietary qualitative and quantitative analysis and is supplemented by reports from sell-side firms, independent analysts and industry consultants; fundamental due diligence with companies and their partners, customers and competitors; event-oriented discussions with attorneys, lenders, accountants, investment bankers and other investors, and; review of public filings, including bankruptcy filings.

- B. Halcyon's dedication to the rigorous management of risk within and across our client portfolios is designed to identify and appropriately address the sorts of risk inherent in the types of transactions in which we participate. However, despite our risk management process, investing involves a risk of loss that our clients or any of the investors in these clients must be prepared to bear.

Examples of potential areas of risk associated with the types of investment strategies in which we engage are:

Non-investment grade investments. Our strategies often call for us to invest in debt of companies experiencing financial distress or stress, and our credit investments often are unsecured or subordinated. With meaningful balance sheet leverage, operational and/or business risk, our credit investments may be unsecured or subordinated. As a consequence of the nature of our strategies and our investments, there is a risk that we may lose some or all of the cost of many investments that we make. Our strategies and the success of our accounts depend upon our ability to gather all relevant information about each investment and to assess it accurately, not only at the time of investment but through our holding period until we dispose of the investment. Our expectations regarding the favorable outcome of any investment can be adversely affected by numerous factors beyond our control, including our receipt of incomplete or inaccurate data, our failure to assess it properly and unpredictable changes in circumstances, including unforeseeable macro-economic circumstances unrelated to our analysis of the specific investment.

Bank loans generally. There are special risks associated with investments in bank loans and participations, which include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) limitations on the ability of a fund to enforce its rights directly with respect to participations. Successful claims by third parties arising from these and other risks, absent bad faith, are borne by the investor and diminish investment returns.

Senior loans risk. Senior loans are usually rated below investment grade or may also be unrated. As a result, the risks associated with senior loans are similar to the risks of below investment grade fixed income instruments, although senior loans are senior and secured in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured. Investment in senior loans rated below investment grade is considered speculative because of the credit risk of their issuers. Issuers of non-investment grade debt are more likely to default on their payments of interest and principal owed to a fund, and defaults could have a materially adverse effect on the Halcyon Funds' performance. An economic downturn would generally lead to a higher non-payment rate, and a senior loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a senior loan may decline in value or become illiquid, which would adversely affect the senior loan's value.

Investments in loans secured by real estate. While direct real estate investment is not our intended focus, it is possible that, from time to time, our clients may invest in loans secured by real estate and may, as a result of default, foreclosure or otherwise, hold real estate assets. Special risks associated with these investments include changes in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants, and changes in operating costs. Real estate values are subject to government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

Illiquidity. We may make investments in bank loans or other assets that are not readily marketable or that cease to be readily marketable after we make our investment. This could make it difficult for us to realize the value that we ascribe to an investment if we are forced to dispose of it in an inactive market.

Competition. The success of our investments may depend on our ability to identify or exploit opportunities more efficiently than other market participants. Our ability to do so may be adversely affected by as a result of the highly competitive nature of the asset management industry.

Conflicts of interest. As described elsewhere in this brochure, we are subject to various conflicts of interest as a result of our services to multiple accounts, and the nature of our compensation arrangements. The existence of these conflicts of interest may influence

the independence of our judgment. This brochure contains information about how Halcyon manages some of these conflicts.

Fund structure: limited liquidity and transparency. An investor's investment in the Halcyon Funds is subject to the structure and terms of the fund. These include rights to liquidity and transparency that are more restricted than would be the case for a separate account held by a custodian in the investor's name or for the personal account of the investor in its own name.

The private offering memorandum for each Halcyon Fund and Managed Account structured as a private fund contains a discussion of various risk considerations that is more extensive in scope and depth than the above summary.

In addition, CLOs are subject to the following structural risks:

CLO structure: limited liquidity and recourse. An investor's investment in a CLO is subject to the structure and terms of each CLO. Investors should have no expectation of a secondary market in notes issued by a CLO, or that markets would provide investors with liquidity. The notes issued by a CLO are limited recourse obligations; investors must rely on available collections from the collateral pledged by a CLO, as issuer, pursuant to the indenture and will have no other source of payment.

Subordination. Payments on the senior-most class(es) of the CLOs' securities are subordinate to the payment of certain fees and expenses payable by us to other parties pursuant to the indenture. Payments of principal and interest on any junior class of securities are subordinated under the priority of payments to payments on any senior class of securities. To the extent any losses are suffered by any securities, those losses will be borne by each class of securities in order of subordination. Accordingly, the most subordinated classes of securities may not be paid in full and may be subject to 100% loss. In addition, the most subordinated class(es) of interests in CLOs' securities represent highly leveraged investments and will be most affected by any changes of market value of the collateral, including, but not limited to, defaults, prepayments and other risks associated with the collateral.

Remedies. If an event of default occurs under a CLO indenture, the controlling class (generally the most senior class of notes then outstanding) will generally be entitled to determine the remedies to be exercised under the indenture. The interests of the controlling class of a CLO may be adverse to those of the subordinated classes, and in pursuing this interest the controlling class will have no obligation to consider any possible effect on other interests. In addition, the junior-most class of securities is not generally entitled to exercise remedies under the indenture, nor is the trustee generally obligated to act on behalf of the holders of these securities.

Sale of collateral upon default on the securities. If an event of default occurs under a CLO indenture, there can be no assurance that the proceeds of any sale of collateral will be sufficient to pay in full transaction expenses and principal and interest on the securities.

Reinvestment risk. In certain circumstances, certain funds will be reinvested in additional or substitute assets. A number of factors, including the need to satisfy certain reinvestment criteria set forth in the indenture, may result in a lower yield on additional or substitute assets. In addition, due to significant restrictions set forth in the CLO indenture on the ability to buy and sell collateral, the issuer may be unable to buy or sell obligations or take other actions which might be in the best interests of the security holders in the absence of these restrictions.

The prospectus for each contains a discussion of various risk considerations that is more extensive in scope and depth than the foregoing summary.

6. Disciplinary Information

There have been no legal or disciplinary events involving Halcyon or any of our principals or executive officers that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

7. Other Financial Industry Activities and Affiliates

The Halcyon Group manages numerous private funds and CLOs. In addition to Halcyon, the Halcyon Group includes: Halcyon Asset Management LLC, Halcyon Asset-Backed Advisors LP, Halcyon Agilis Management LP, and Halcyon Liquid Strategies IC Management LP. Each of these entities is separately registered as an investment adviser with the SEC, and information concerning each entity and its relying advisers (if any) is included in its own Form ADV Part 1 and Part 2. In addition, Halcyon is affiliated with Halcyon Asset Management (UK) LLP, a subsidiary of Halcyon Asset Management LLC, which has been authorized by the Financial Conduct Authority of the United Kingdom. Our investment professionals participate in managing the portfolios of more than one advisory client and may work simultaneously for Halcyon and one or more of its affiliated management companies. As a result, they do not devote their exclusive attention to any single advisory client or any single advisory entity.

An affiliate of Halcyon acts as the general partner of each the Halcyon Funds. None of the compensation, liquidity, or other terms of the Halcyon Funds is negotiated at arm's length. However, Halcyon discloses to prospective investors the terms of all of its general fees and performance-based compensation, as well as the other terms of an investment, in detail in the private placement memorandum relating to each Halcyon Fund, and the investors may negotiate special terms through side letters. Performance compensation with respect to the Halcyon Funds is based in part on unrealized gains and losses, so Halcyon may theoretically have an incentive to inflate the value of client assets through fair valuation determinations. The firm adopted and applies consistent valuation policies and also utilizes the services of an unaffiliated administrator to value the Halcyon Funds' assets.

Our advisory clients and clients managed by the Halcyon Group may compete for the same investment opportunities, and a conflict may arise which could have an impact on investment opportunities. Theoretically, to the extent our clients have different

compensation provisions, Halcyon could have an interest in favoring the clients that are most likely to pay performance compensation. The potential to earn performance-based compensation could also provide an incentive to invest client assets in an aggressive or speculative manner. Halcyon seeks to minimize this potential conflict by taking a disciplined approach to portfolio risk management and abiding by risk management criteria specified in the clients' operating agreements. We seek to act fairly when allocating investment opportunities and have adopted policies to address the principles of investment allocation and co-investment among the advisory clients of the Halcyon Group to ensure fair allocations over time. In particular, our policy prevents us from taking into account fee or other compensatory differences in allocating an investment opportunity. For more information, see Section 9: Trade Aggregation and Allocation.

We and other management companies within the Halcyon Group may establish relationships with issuers and managers whose obligations are part of our clients' portfolios and may acquire debt obligations or equity from these issuers for the benefit of our respective clients. The investments that we and our affiliates hold in the same issuer for different clients may include instruments with different seniority, resulting in a potential conflict of interest among our clients. We have implemented proxy voting policies and investment screening procedures which aim to minimize these conflicts.

Our affiliates may invest in subordinated notes issued by a CLO. These notes will have limited voting rights. The fees payable by the relevant CLO to us will not be reduced as a result of any investment by affiliated investors, provided that we may rebate fees to the affiliated investors.

We or our affiliated management companies may, from time to time, come into possession of material nonpublic information that limits our ability to make an investment for our clients, and our clients' investments may be constrained as a consequence of our inability to use this information for advisory purposes or otherwise to effect transactions that we could have initiated on behalf of our clients in the absence of such information. Halcyon seeks to minimize restrictions when possible, consistent with applicable law and its internal policies, but our efforts may not be successful and as a result, restrictions may occur.

On rare occasions, Halcyon and its affiliated management companies may determine that a sale of positions from one advisory client to another is in the best interests of both accounts. While these transactions with related parties are expected to expand the universe of opportunities that are available to our clients, not all advisory clients will necessarily derive a benefit from each of these transactions, and the advisory clients may have divergent interests. Moreover, there may be uncertainties regarding the valuation of investments that are subject to these transactions. Where required by applicable law or in other appropriate circumstances as determined by Halcyon, we will seek client consent to transactions in which participating accounts may have divergent interests. However, the following transactions generally will not be subject to any approval: (i) buying interests in or selling positions to another fund or account managed by Halcyon or its affiliated management companies where Halcyon has verified the valuation of the interests and the purchase or sale is in the best interests of each client, and (ii) actual or synthetic

ownership or support of the bank loans owned by our client or a client of an affiliated management company. Halcyon may determine to aggregate the bank loans to be purchased by one of our advisory clients with the bank loans to be purchased by other funds or accounts managed by Halcyon and its affiliates. In such event, an affiliated entity would purchase the bank loans and would then enter into participation agreements or other similar arrangements with the other funds and accounts, allowing the other funds and accounts to participate in the economic performance of the bank loans without actually owning the bank loans directly. In pricing these participations, Halcyon faces a theoretical conflict of interest. In these situations, Halcyon acts in a manner that it believes will serve the best interests of the client who issues the participations, and will price the participations at the price paid by the client for the bank loans. Under the terms of participation arrangements, advisory clients may be required to make future payments to another Halcyon advisory client. If any of the other funds or accounts were to default on their respective obligations to the issuing client, that advisory client could be adversely impacted. In addition, if the issuing client were to act as the lender of record with respect to any purchase of bank loans, it may have greater exposure to third-party claims than the other funds and accounts.

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

- A. Halcyon and its affiliated management companies have adopted a Code of Ethics in accordance with legal requirements. The Code of Ethics is designed to ensure that the interests of Halcyon (including personal securities transactions) and its affiliated management companies' partners and other employees (referred to as Employees) do not conflict with the interests (including transactions) of our clients. The Code of Ethics is based on the principle that Halcyon and its Employees owe a fiduciary duty to our clients and their individual investors. Thus, Halcyon Employees must, among other things, (i) place the interests of our clients and their investors first, (ii) avoid taking inappropriate advantage of their positions within Halcyon, and (iii) conduct their personal securities transactions in full compliance with the Code of Ethics. Policies adopted by Halcyon with which all Employees (and, in certain circumstances, members of their families and other related persons) must comply include, but are not limited to, preapproval of certain personal securities transactions by the Chief Compliance Officer or her designee, annual certification of compliance with the Code of Ethics and requiring brokers to provide Halcyon with duplicate confirmations and periodic statements of personal transactions. Halcyon provides a copy of its Code of Ethics to any client or any investor that requests one.
- B. Employees of Halcyon do not recommend to advisory clients, nor do they buy or sell for clients, securities or other instruments in which they have a material financial interest. The Halcyon Group's related persons invest personally in the Halcyon Group's client funds. These investments could theoretically pose a conflict of interest with our other advisory clients because officers and Employees may be motivated to allocate time, attention, and/or investment opportunities to the funds in which they invest at the expense of other clients. Halcyon has adopted written policies and procedures governing the allocation of investment opportunities among clients in a fair and equitable manner.

- C. Halcyon has a comprehensive set of procedures in place to ensure that we address potential conflicts that may arise between Employees and clients when investing in the same securities or instruments. The Code of Ethics provides that all Employees (and certain related persons) are required to notify Halcyon of all relevant existing personal accounts, and subject to certain limited exceptions, no Employee may purchase or direct a purchase of securities in personal accounts. The sale of securities by an Employee is subject to preapproval from the Chief Compliance Officer or her designee, subject to limited exceptions. All Employees must obtain approval from the Chief Compliance Officer prior to the opening of a new personal account. Copies of confirmations of all personal transactions and any other information reflecting account or transactional activity involving personal accounts must be provided to Halcyon. The Chief Compliance Officer or her designee approves all relevant proposed personal transactions involving personal accounts prior to execution. The Chief Compliance Officer or her designee conducts a quarterly review of the personal accounts. These reviews examine all relevant trades executed during the previous quarter and quarter-end statements to determine whether all of these accounts are maintained in compliance with the personal trading requirements and restrictions described above. To the extent there is any finding relating to personal trading activity that is inconsistent with this policy, Halcyon will investigate and, as with any breach of the firm's policies, a violation is subject to disciplinary action, including dismissal.
- D. The Code of Ethics generally provides that, subject to certain limited exceptions that do not pose potential conflicts of interest, no Employee may purchase or direct a purchase of securities in personal accounts. The sale of securities by an Employee is subject to preapproval from the Chief Compliance Officer or her designee, subject to limited exceptions. This policy is aimed in part at addressing a potential conflict of interest created by the personal transactions of Employees.

9. Brokerage Practices

In selecting broker-dealers and determining the reasonableness of their commissions for client transactions, Halcyon takes into account a number of factors, including the following: ability to secure future opportunities to obtain securities or other assets; quality and reliability of brokerage services; commissions or other fees for executing the orders; price; the broker's or dealer's facilities; financial responsibility; the ability of the broker or dealer to effect transactions, particularly with regard to aspects such as timing, order size and execution of orders; and the research and other investment-related services provided by the broker or dealer to Halcyon to enhance its general portfolio management capabilities (notwithstanding the fact that a specific client may not be a direct or exclusive beneficiary of these services). Halcyon may execute trades for its advisory clients with broker-dealers with which Halcyon has other business relationships, including prime brokerage, credit relationships and capital introduction or investments by affiliates of the broker-dealers in the advisory client entities. We do not take client referrals into account in selecting broker-dealers.

Halcyon does not utilize "soft dollar" commissions to purchase third-party research and other services. We do, however consider a broker-dealer's proprietary research in

selecting broker-dealers and determining the commission rates. Accordingly, Halcyon may cause the client to pay a commission for effecting a transaction for the advisory client in excess of the amount another broker or dealer would have charged for effecting that transaction, where it determines in good faith that this commission is reasonable in relation to the value of the brokerage and/or research services the broker or dealer provides to Halcyon. Halcyon does not put a specific dollar value on the research or brokerage services of any broker or dealer or allocate the relative costs or benefits of research, because Halcyon believes that the research received is, in the aggregate, of assistance in fulfilling Halcyon's overall responsibilities to its advisory clients.

Halcyon's Broker Review Committee meets quarterly to ensure that Halcyon's obligation to seek best execution in its trading activities for the benefit of its advisory clients is being met. The Broker Review Committee, the members of which include various officers and partners, reviews internally generated records and externally prepared reports bearing on the selection of broker-dealers. Such documents include: the approved list of executing brokers; Best Execution worksheets completed by traders; Commission Reports; Gift and Entertainment Log; report of the cancellation and rebooking of trades; report analyzing Halcyon's use of broker-dealers and; a report containing the results of a broker vote by certain Halcyon investment professionals. The research services that broker-dealers might provide include written information and analyses concerning specific investments, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. In many cases, research services that are generated by third parties may be provided by or through the brokerage firm to which commissions are paid. Using client transactions to obtain research and other benefits creates incentives that theoretically could result in conflicts of interest between advisers and their clients. When Halcyon uses client markups or markdowns to obtain research products and services, it receives a benefit because it does not have to produce or pay for the research products and services. The availability of these benefits creates the potential that we might be influenced to select one broker-dealer rather than another to perform services for our clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers. Halcyon does not recommend, request, require or permit any client to direct us to execute transactions through a specified broker-dealer.

Trade Aggregation and Allocation

Where appropriate, transactions for our advisory clients and advisory clients of our affiliated management companies may be aggregated for execution purposes. This aggregation does not ordinarily adversely affect commissions charged and execution prices on the transactions. In addition, Halcyon's advisory clients' accounts may be included in the aggregated orders with clients of Halcyon's affiliated advisers. The Halcyon Group generally effectuates aggregated orders for all accounts according to a pre-determined allocation methodology whereby clients receive an average price and are assessed a fixed commission charge.

Circumstances involving partial fills may arise whereby the Halcyon Group may determine that, while it would be both desirable and suitable that a particular security or other investment be purchased or sold for more than one advisory client, there is a limited supply or demand for the security or other investment. If each of these orders cannot be fully executed under prevailing market conditions, the Halcyon Group may allocate among its clients the securities and other assets traded in a manner which it considers equitable, taking into account the size of the order placed for the clients as well as any other factors which it deems relevant. In allocating investment opportunities among advisory clients, the Halcyon Group may receive greater fees or overall compensation from some of its clients than the fees or overall compensation paid by the CLOs, the Managed Accounts or the Halcyon Funds. Where an investment opportunity is suitable for two or more advisory clients of the Halcyon Group, allocations of investment opportunities will be made among advisory clients in a fair and equitable manner, and in determining such allocations, the following factors, among others, will be considered: the relative size of a client's account, available cash for investment, investment objectives and restrictions, investment horizons, liquidity considerations, legal and regulatory restrictions, purchases or sales to reach target positions, availability of trading accounts for all clients, risk tolerance, the possibility to participate in future investment opportunities, leverage limitations, and the expected capacity of the client. None of Halcyon nor its affiliated management companies is required to ensure equality of treatment among any of its clients and, therefore, there can be no assurance that a purchase or sale opportunity that would be suitable for one advisory client will not be allocated to another client.

10. Review of Accounts

Halcyon has two committees that review the client portfolios. The Risk Management Committee consists of the portfolio managers and Halcyon Group's Chairman and Vice Chairman or their designees. The Risk Management Committee considers generally macro economic trends, sector allocations and other industry risk scenarios. The Risk Management Committee also reviews the collateral portfolio on an ongoing basis to ensure that the risk parameters of the collateral are managed in accordance with the terms of our clients' governing documents. Halcyon's Investment Committee consists of Halcyon's portfolio managers and other research personnel. The Investment Committee selects the collateral and reviews the collateral portfolio on an ongoing basis to ensure that the collateral is managed in accordance with the terms of the indenture governing the notes issued by our clients and the collateral management agreements between us and the clients.

Halcyon actively manages counterparty, technology, and operational risk as well as conflicts of interest through various committees, including our Risk Management Committee, Pricing Review Committee, IT Committee, Broker Review Committee, Client Relations Committee and Conflicts Committee.

Pursuant to the indenture governing the notes issued by the CLOs, the trustee is required to make certain monthly and other periodic reports regarding the collateral. However, the CLOs do not provide annual reports. Halcyon assists the trustee in preparing periodic

reports as required by the indenture and the collateral management agreement between us and our client.

We provide our Managed Account clients with financial information as may be agreed with respect to each account.

The administrator to the Halcyon Funds provides monthly statements for all investors in these funds, showing performance for the month and year-to-date. Halcyon prepares a monthly report for investors in the Halcyon Funds containing portfolio information and estimated performance results for the month and year to date. At the conclusion of each calendar quarter, Halcyon prepares a report for each Halcyon Fund and investors which discusses the fund's portfolio and performance for the quarter and year to date. On an annual basis, at the end of the last quarter of a client's fiscal year, independent certified public accountants audit the books and records of each Halcyon Fund. The accountants prepare an annual report including, among other things, the balance sheet for each Halcyon Fund, a statement showing the net gains or net losses of the client, the closing capital account (or net asset value of interests) of every investor in the client (and the manner of the calculation thereof), and the opening capital account (or the net asset value of interests as of the beginning of the year) and ownership percentage of every investor in each entity.

11. Client Referrals and Other Compensation

Halcyon does not, nor do any Employees of Halcyon, receive any economic benefit from non-clients for providing advisory services to our clients.

An unaffiliated trustee engages services of investment banks that act as underwriters and in some instances, placement agents, in connection with the offering of notes by the CLOs. None of Halcyon or our related persons directly or indirectly compensates investment banks in connection with their underwriting or placement agent services. In addition, we do not receive any compensation from nor do we pay any compensation to the institutional sponsor of our Managed Accounts.

12. Custody

CLO and Managed Accounts

We do not have actual or constructive custody of any CLO's or Managed Account's assets.

Each CLO and Managed Account client establishes accounts with its own qualified custodian and receives account statements directly from the qualified custodian. We urge our clients to carefully review the statements they receive from their qualified custodians and compare them with the periodic reports we issue.

Halcyon Funds

Due to Halcyon's access to advisory client funds and securities as general partner or manager of the Halcyon Funds as well as our authority to deduct fees and other expenses from these client accounts, we are deemed to have constructive custody of their funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. Halcyon utilizes the services of unrelated financial institutions or other qualified custodians (as defined in Rule 206(4)-2) to hold all funds and securities of any of the Halcyon Funds, with the exception of certain uncertificated privately offered securities. We also ensure that the qualified custodian maintains these funds in accounts that contain only Halcyon Funds' assets and securities, under our name as agent or trustee for the relevant Halcyon Fund. We comply with the requirements of Rule 206(4)-2 with respect to the annual audit of customer accounts (performed in accordance with generally accepted accounting principles by an independent auditor), and the distribution of audited financial statements to investors in the Halcyon Funds within 120 days of the end of the clients' fiscal year for limited partnerships and offshore companies.

13. Investment Discretion

Scope of Authority

Halcyon accepts discretionary authority to manage each client's portfolio. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities, other investments and collateral assets to buy or sell, the amount of securities and collateral assets to buy or sell, the broker or dealer through which we effect trades, if any, and the commission rates at which we effect trades. While we have been given broad authority, Halcyon is committed to adhering to the investment strategy and portfolio restrictions set forth in the relevant CLO's offering circular, in the investment management agreement of each Managed Account, and in the investment strategy and guidelines set forth in the private placement memoranda of the Halcyon Funds. In particular, our Risk Management Committee and Investment Committee review the portfolio regularly to ensure that our activities are consistent with our clients' investment strategies and restrictions.

Procedures for Assuming Authority

The prospectus and other governing documents of each CLO sets forth, in detail, our investment strategy, portfolio limitations and the terms of the notes, including the scope of our investment authority. The collateral management agreements of the CLOs contain provisions relating to our investment authority. The note holders purchase notes subject to the terms and conditions in the governing documents that give us complete authority to manage CLOs' collateral.

Before accepting their subscriptions for interests, we provide all investors in the Halcyon Funds with a private placement memorandum and governing documents that set forth, in detail, our investment strategy and program and the terms of investment for investors, including the scope of our investment authority. By completing the subscription documents to acquire an interest in a Halcyon Fund, each investor consents to the terms and conditions in the operating agreements that give Halcyon complete authority to

manage our clients' investments in accordance with the private placement memorandum and the operating agreements. Prior to providing investment advice to our Managed Accounts, we require each client to appoint us as agent and attorney-in-fact of each portfolio that we manage for them. This gives us complete discretionary authority to buy and sell any securities and other instruments in the amounts and at the prices that we determine.

14. Voting Client Securities

Proxy Voting Policy

Halcyon rarely invests in equities and as a result, even though we have authority to vote proxies on behalf of its advisory clients, we do so infrequently. In the event Halcyon votes a proxy, we do so in accordance with the written policies applicable to the Halcyon Group, which generally require communications between the portfolio managers or their designees, the operations manager and the Chief Compliance Officer, and contain procedures for addressing potential conflicts.

Recordkeeping

Halcyon maintains the following records relating to proxy voting: copies of our proxy voting policies and procedures and any amendments to them; proxy statements received for client securities and other assets; records of proxy votes cast on behalf of our clients; records of written requests from the clients and investors of our clients for proxy voting information and our written responses to any written or oral requests; and any documents that our Employees prepared that were material to deciding how to vote proxies or that memorialize the basis for a proxy vote. Upon request, the clients or any of the investors in our clients can obtain (1) a copy of our proxy voting policies and procedures and (2) information concerning proxy votes on behalf of the relevant client.

15. Financial Information

Halcyon does not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Halcyon is not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our client. Halcyon has never been the subject of a bankruptcy petition.