

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 are providing updated information about our client assets and regulatory assets under management as of December 31, 2012 in Item 1 and advisory affiliates in Items 1 and 7.

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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 (through Halcyon Management Acquisition Company), Halcyon Loan Advisors 2012-1 LLC, Halcyon Loan Advisors 2012-2 LLC and Halcyon Loan Advisors 2013-1 LLC (through Halcyon Loan Advisors LP). It also provides investment advisory services through its direct subsidiary Halcyon Loan Investment Management LLC to institutional clients that are structured as private investment funds, including single investor funds, sponsored by an unaffiliated institution (referred to as the “Managed Accounts”) and funds that Halcyon sponsors and controls (referred to as the “Halcyon Funds”), focusing primarily on bank loan investments. All of our direct and indirect subsidiaries rely on our registration with 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 \$7,386,746,415 as of December 31, 2012. Halcyon and its affiliates (referred to as the Halcyon Group) manage approximately \$12 billion in client assets as of December 31, 2012, 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’s 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 105 employees, more than 40 of whom are investment professionals.

In Halcyon’s capacity as collateral manager to the CLOs, we control the management of the collateral securing 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 its 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 that are agreed upon with those clients. For the Halcyon Funds, we adhere to the investment strategy set forth in

each such client's Private Placement Memorandum. The investment management agreement with each Halcyon Fund does not require us to tailor our services to the needs of specific underlying investors of 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 in arrears. These fees are equal to a certain percentage of the aggregate collateral balance, determined as of each payment date. 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 such compensation and fee arrangements is contained in the prospectus of each CLO. Neither Halcyon nor any of its members or 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 in arrears. Such fees are typically deducted 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 quarterly asset-based fees and performance-based compensation. An unaffiliated third party deducts such fees from Managed Account assets. The Managed Accounts bear investment expenses and any other expenses set forth in their governing documents.

Halcyon Funds

Halcyon typically receives compensation from each of its advisory clients calculated as a percentage of the assets Halcyon manages and in some instances on performance achieved for each client's account or specific interests in client accounts. 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 certain of our affiliates, principals, and employees. Neither Halcyon nor any of its principals or employees

receives any transaction-based compensation for the sale of securities or other investment products.

Halcyon deducts one-twelfth of the asset-based fee described above from the Halcyon Fund accounts quarterly. Because investors in the Halcyon Funds may not make intramonth withdrawals of their capital, investors in these funds do not pay a management fee in excess of what they owe for the entire month. Halcyon generally deducts performance-based compensation described above from the 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.

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

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 all of its advisory clients.

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.

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 such 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 such assets through the termination of the Managed Account. Halcyon provides ongoing reporting to the institutional sponsor with respect to portfolio activities in the Managed Accounts.

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 such 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 accurately and unpredictable changes in circumstances, including unforeseeable macro-economic circumstances unrelated to our analysis of the specific investment.

Illiquidity. We may make investments in securities 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. These brochure contains information about how Halcyon manages some of these conflicts.

The private offering memorandum for any Managed Account structured as a private fund contains a discussion of various risk considerations that is more extensive in scope and depth than the foregoing 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 such CLO. Investors should have no expectation of a secondary market in notes issued by a CLO, or that such market 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 such 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 such interest the controlling class will have no obligation to consider any possible effect on such 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 such 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 such 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 such 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

Affiliated Investment Advisers

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 and Halcyon Agilis Management L.P. Each of these entities is separately registered as an investment adviser with the Securities and Exchange Commission, 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 Services 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.

Our advisory 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 such 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. Such notes will have limited voting rights. The fees payable by the relevant CLO to us will not be reduced as a result of any such investment by affiliated investors, provided that we may rebate such 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 such 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 such 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 debt owned by our client or a client of an affiliated management company.

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' members, partners, officers and other employees (collectively, "Employees") (and members of their families) 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 its clients. Thus, Halcyon Employees must, among other things, (i) place the interests of the clients 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 some instances, members of their families) must comply include, but are not limited to, preapproval of personal securities transactions by the Chief Compliance Officer or his or her designee, annual certification of compliance with the Code of Ethics and directing brokers to supply 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 the clients, nor do they buy or sell for the clients, securities or other instruments in which they have a material financial interest. Halcyon related persons may invest in the CLOs or Halcyon Funds. These investments could theoretically pose a conflict of interest with our other advisory clients because Employees may be motivated to allocate time, attention, and/or investment opportunities to the clients in which they invest at the expense of other clients. Halcyon has adopted written policies and procedures governing the allocation of investment opportunities and seeks to ensure that the allocation of investment opportunities is conducted in a manner that allows fair dealing with advisory clients in accordance with the applicable securities laws and fiduciary responsibilities.
- 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. All Employees must obtain approval from the Chief Compliance Officer or his or her designee 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. No Employee of Halcyon may hold more than twenty positions in total in a personal account at any one time and no more than five new investments in a personal account is allowed per month, subject to the maximum of twenty positions stated above. This limitation does not apply to certain exempt transactions, which do not pose a potential conflict of interest. The Chief Compliance Officer or his or her designee approves all relevant proposed personal transactions involving personal accounts prior to execution. The Chief Compliance Officer or his 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 our policies, such violation is subject to disciplinary action including dismissal.
- D. The Code of Ethics generally provides that, subject to certain narrow exceptions, no Employee may effect a transaction in a personal account on the day before, the same day or the day after a day when Halcyon is purchasing and/or selling that same security or

instrument on behalf of its advisory client. 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 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 clients is being met. The Broker Review Committee, the members of which include various officers and partners, reviews and approves internally generated records and externally prepared reports bearing on the selection of broker-dealers, and such documents include: the approved list of executing brokers and any brokers proposed for inclusion on the list; Best Execution worksheets completed by traders; Commission Reports; the Gift and Entertainment Log, and; the results of the survey analyzing Halcyon's choice of, and payments to, broker-dealers. The research services that broker-dealers might provide include written information and analyses concerning specific securities, 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 such 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 if the Halcyon Group determines 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 or the Managed Accounts. The Halcyon Group seeks to allocate each opportunity to purchase or sell an investment among its advisory clients on an equitable basis, taking into account factors that it deems relevant, which include but are not limited to, the relative size of a client's account, available cash for investment, investment objectives and restrictions, investment horizons, liquidity considerations, legal and regulatory restrictions, purchase or sale to reach target positions, availability of trading accounts for all clients, risk tolerance, the possibility to participate in future investment opportunities, leverage limitation, 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 our Pricing Review Committee, Broker Review Committee, IT Committee, Conflicts Committee and Risk Management 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.

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 such 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 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 such 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.

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 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, and the commission rates at which we effect trades. Despite this 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 program set forth in the Private Placement Memorandum of each Halcyon Fund. In particular, our Risk Management Committee and Investment Committees 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 securities and other instruments in the amounts and at the prices that we determine appropriate in our discretion.

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.