

ITEM 1 COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

Greywolf Capital Management LP

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March 2014

This brochure provides information about the qualifications and business practices of Greywolf Capital Management LP (“Greywolf” or the “**Adviser**,”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Chris Samios, at (914) 249-7836 or Chris.Samios@greywolfcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

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

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

ITEM 2 MATERIAL CHANGES

Greywolf Capital Management LP is updating its Brochure as of March 31, 2014, as part of its annual amendment filing for 2014. Since our last filing, Robert Miller is no longer with the Firm and Joseph Marconi, PM, has become a limited partner. In addition, Greywolf has also made certain clarifying amendments to the Brochure.

ITEM 3 TABLE OF CONTENTS

Page

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

A.	Methods of Analysis and Investment Strategies.....	12
B.	Risk of Loss	13
C.	Recommendation of a Particular Type of Security	31
ITEM 9 DISCIPLINARY INFORMATION		32
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS		33
A.	Broker-Dealer Registration	33
B.	Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration	33
C.	Material Relationships and Conflicts of Interests with Industry Participants	33
D.	Material Conflicts of Interest Relating to Other Investment Advisers	36
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING		37
A.	Code of Ethics	37
B.	Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests	37
ITEM 12 BROKERAGE PRACTICES.....		39
A.	Selection of Broker-Dealers and Reasonableness of Compensation	39
B.	Aggregating Orders for Various Client Accounts	41
C.	Additional Brokerage Considerations; Trade Errors	41
ITEM 13 REVIEW OF ACCOUNTS		43
A.	Periodic Review of Client Accounts	43
B.	Additional Review of Client Accounts	43
C.	Contents and Frequency of Account Reports to Clients	43

ITEM 14	
CLIENT REFERRALS AND OTHER COMPENSATION	44
A. Economic Benefits for Providing Services to Clients	44
B. Compensation to Non-Supervised Persons for Client Referrals	44
ITEM 15 CUSTODY	45
ITEM 16 INVESTMENT DISCRETION	46
ITEM 17 VOTING CLIENT SECURITIES	47
ITEM 18 FINANCIAL INFORMATION	48
A. Balance Sheet	48
B. Contractual Commitments to Our Clients	48
C. Bankruptcy Petitions.....	48

Brochure Supplements: To be provided under separate cover.

ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

We are a Delaware limited partnership, founded in February, 2003.

We primarily provide investment management services to separately managed accounts and private pooled investment vehicles (each, a “**Fund**,” and collectively, the “**Funds**” or “**Clients**”) that are offered to qualified investors on a private placement basis, typically pursuant to an investment management agreement or similar document (an “**IMA**”) under which the Adviser is generally granted discretion to trade the Client’s account without obtaining the Client’s consent to each particular transaction (subject to the investment policies and restrictions, if any, imposed by the Client in an IMA or other organizational or operative document). In addition, we operate under basic policies and principles applicable to the conduct of our investment advisory business. These policies and principles are based upon general concepts of fiduciary duty, the specific requirements of the Investment Advisers Act, the rules and regulations promulgated thereunder, and our internal policies. We anticipate advising other funds and managed accounts from time to time. We refer to such potential clients, along with the Clients, as our “**clients**.”

Our principals are Jonathan Savitz, Chief Investment Officer; William Troy, Chief Risk Officer; James Gillespie, Portfolio Manager; Joseph Marconi, Portfolio Manager; and Brett Bush, Chief Operating Officer. Greywolf Capital Management LP is controlled by its general partner, Greywolf GP LLC, a company controlled by Jonathan Savitz.

B. Description of Advisory Services

As an investment adviser, we provide portfolio management services to our Clients. We are responsible for sourcing potential investments, conducting research and due diligence on potential investments, analyzing investment opportunities, structuring investments, and monitoring investments on behalf of our Clients. We generate all of our advisory billings from investment advisory services.

In general, we do not limit the type of investment advisory services we offer and there are no material limitations to the types of securities in which we may invest our clients (subject to anything in the relevant IMA, offering document, or organizational documents of a particular client). We may invest in any security and any sector of the market to carry out the overall objectives of our clients. Such objectives, strategies and policies may be expected to evolve materially over time. We have complete flexibility to create or organize (alone or in conjunction with others including affiliates) or otherwise utilize special purpose subsidiaries or other special purpose investment vehicles, swaps or other derivatives or structured products.

C. Availability of Customized Services for Individual Clients

We tailor our advisory services to the individual needs of our Clients. The Client’s IMA, managed account agreement (a “**MAA**”), a Fund’s private placement memorandum (a “**PPM**”), or other Fund organizational or operative documents provide more detailed descriptions of each client’s investment objectives and may contain investment guidelines, policies, or restrictions.

D. Wrap Fee Programs

We do not offer or participate in a wrap fee program.

E. Assets Under Management

As of January 1, 2014, we had approximately \$3,214,496,994 Client Regulatory Assets Under Management (as such term is defined in the instructions to Form ADV Part 1A) on a discretionary basis and no Client assets under management on a non-discretionary basis.

ITEM 5 FEES AND COMPENSATION

A. Advisory Services and Fees

While the management and performance fees vary by Client, our basic fee schedule is currently as follows: the Adviser receives a management fee of up to 1.5% annually of net assets under management and an incentive or performance fee or allocation of up to 35% of the annual profit, if any, charged to each client subject in certain cases to a hurdle, loss carry forward or high water mark provision. In addition, each Client is responsible for research and certain administrative expenses or pays a fixed administrative fee of up to 0.5% annually to cover such expenses, as described under “*C. Additional Expenses and Fees*” below.

From time to time, we may negotiate different fee schedules than those discussed above for clients (or underlying investors) based on a variety of factors, including nature of investments. We structure any performance or incentive fee or allocation arrangement in accordance with Section 205(a)(1) of the Investment Advisers Act and the rules and regulations promulgated thereunder, including the exemption set forth in Rule 205-3 permitting performance fee arrangements with “qualified clients.”

B. Payment of Fees

The IMAs, PPMs, MAA or other Fund documents, govern the terms of compensation and the manner in which we charge fees to each Client. Subject to the terms of IMAs, PPMs, MAA’s or other Fund documents, our Clients may authorize us to directly deduct fees from the Client’s account or we may send our Clients invoices for our fees. Our management and administrative fees are generally paid quarterly in advance depending on the Client, based on beginning net assets at the start of each quarter. For certain Funds, management or administrative fees may be paid at the end of a quarter. Management and administrative fees will be prorated for partial periods. Performance or incentive fees or allocations are generally paid annually in arrears.

C. Additional Expenses and Fees

In general, the Funds bear certain expenses in connection with their operations, including, but not limited to, investment-related expenses (*e.g.*, brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, consulting and other professional fees relating to particular investments or contemplated investments, investment-related travel and lodging expenses, and research-related expenses, including, without limitation, news and quotation equipment and services and the cost of certain investment management related software), legal expenses, accounting, audit and tax preparation expenses, organizational expenses, expenses relating to the offer and sale of interests and shares, as the case may be, management fees, fees to the administrator, extraordinary expenses and other similar expenses related to the Funds. From time to time a Client may invest in mutual funds and exchange-traded funds, which also charge management fees and expenses. Certain Funds may also bear other expenses, including premiums for directors’ and officers’ liability insurance (if any, as applicable), remuneration to members of the respective Fund’s board of directors and/or advisory boards, expenses related to the maintenance of each Fund’s registered office and corporate registrations. Certain Funds may also bear their pro rata share of certain of our affiliates’ investment-related and other expenses respectively.

These charges, fees, and expenses are exclusive of and in addition to our management and incentive fees. We shall not receive any portion of these charges, fees, and expenses and shall not receive a brokerage commission or other compensation attributable to the sale of a security or other investment product. However, in lieu of reimbursement to the Adviser of research and certain administrative expenses otherwise payable by the Funds, certain Funds will pay an administrative fee, under terms described in their IMA, MAA, PPM or other operative or organizational documents.

D. Prepayment of Fees

Certain Funds and Clients, depending on the IMA, MAA, PPM or other operative document, pre-pay management fees on a quarterly basis. If a client (or underlying investor in the case of a Fund) pre-pays a fee and then terminates its advisory contract before the end of the billing period, the client may obtain a refund by contacting the Adviser or the refund will automatically be credited to the client (or underlying investor) as specified in the relevant IMA, MAA, PPM or other Fund document. The amount of the refund will be prorated for the partial period.

E. Additional Compensation and Conflicts of Interest

We do not receive a brokerage commission or any other compensation attributable to the sale of securities or investment products and our personnel do not receive such compensation.

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

While the specific terms may vary by Client, for our advisory services, in general, we receive a management and, in certain cases, an administrative fee and may receive a performance-based fee from our Clients. We do not currently charge any clients other types of fees, such as an hourly or flat fee. For a more detailed discussion of our performance or incentive fees, please see Item 5, “Fees and Compensation,” above.

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may recommend under a different fee arrangement. In the allocation of investment opportunities, performance based fee arrangements may also create (i) an incentive for us to favor accounts with performance or incentive fee arrangements over accounts that are not charged, or from which we will not receive, a performance fee; and (ii) an incentive for us to favor accounts from which we will receive a greater performance fee over accounts from which we will receive a lesser performance fee. We have adopted Trade Allocation Policy and Procedures (the “**Allocation Procedures**”) designed to ensure that all of our clients are treated fairly and equally and to prevent this form of conflict from influencing the allocation of investment opportunities among our clients. We will generally offer clients the right to participate in all investment opportunities that we determine are appropriate for the client in view of relative amounts of capital available for new investments, the investment programs, the portfolios of our clients, and certain other factors. In accordance with our Allocation Procedures, we will endeavor to treat each of our clients in a fair and equitable manner.

Priority Allocation of Greywolf CLO Equity

We have entered into agreements, and we may enter into future agreements, with certain Clients providing for priority allocations with respect to the equity of new issue Greywolf CLOs (“Greywolf CLO Equity”). Subject to our fiduciary and contractual obligations to our Clients and our Clients’ investment programs, such priority allocations may result in certain Clients receiving more or less than a pro-rata allocation of Greywolf CLO Equity.

Priority Allocation for newly sponsored Greywolf CLO’s

In certain instances, CLOs for which Greywolf serves as the collateral manager, i.e. Greywolf-managed CLOs may receive a priority allocation, between pricing and the effective date, of loans that would otherwise be allocated pro-rata among all Greywolf-managed CLOs based on order size. This priority allocation ensures that such Greywolf-managed CLOs meet the necessary portfolio requirements to reach their effective date in a timely manner.

ITEM 7 TYPES OF CLIENTS

We currently provide investment advisory services to (i) private investment funds that are primarily offered to institutional investors and financially sophisticated high net worth individuals and (ii) separately managed accounts, primarily for the foregoing types of investors. Our investment advisory services are generally intended for fund of funds, pension and profit sharing plans, insurance companies, trusts, estates, family offices, charitable organizations, corporations, partnerships and limited liability companies.

The minimum account size necessary to open and maintain an account with us varies by client and type of client. We, an affiliate or the Funds themselves, have set minimum investment amounts that are specified in the governing PPM or MAA, but we may require a different amount, or waive the minimum investment, depending on a variety of factors, such as a particular client's circumstances or our investment strategies.

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

A. Methods of Analysis and Investment Strategies

As a general matter, the Adviser may use various methods of analysis, including charting, economic, fundamental, cyclical, technical, and quantitative analyses. In addition, the principals and members of our investment team have developed their own methodology and resources to assist in the identification of opportunities in the relevant markets. We also utilize the relationships that our principals and other members of the investment team have developed throughout their careers to identify and analyze investment opportunities.

In general, we focus on three fundamental investment strategies, special situations investing, structured product investing and tail risk investing.

Special Situations Investing

Special situations investing includes a variety of strategies seeking to capitalize on market opportunities resulting from catalyst driven events and value propositions created by market inefficiencies. Such catalysts or inefficiencies may be caused by, among other things, operational challenges, legislative or regulatory changes, legal actions, management issues, allegations of fraud, severe market demand shifts, corporate reorganizations or restructurings, liquidity crises, mergers, spin-offs, or credit rating changes. These events may lead to significant price fluctuations. Our particular focus is on investing long and short in special situations equities, performing credit and distressed securities. In identifying opportunities, we take a concentrated, fundamental approach focused on complex, event driven investments with a deep value orientation.

Structured Products Investing (CLO Credit Strategy)

Structured products generally refers to structured transactions that are expected to consist substantially of cash and synthetic collateralized loan obligations (“CLOs”) and the equity securities of CLO issuers (“CLO equity”), but may also include commercial mortgage-backed securities (“CMBS”), residential mortgage-backed securities (“RMBS”), asset-backed securities (“ABS”), credit default swaps (“CDS”), other derivative instruments, and other types of structured products. The CLO Products may consist of or reference corporate loans and debt instruments,

We typically invest, on behalf of our clients employing a structured products investment strategy, in tranching portfolio risk in both the cash and synthetic markets.

It is expected that a significant portion of the positions in this strategy will be in investments in debt and equity tranches of structured corporate credit transactions (or similar securities). These structured corporate credit transactions are expected to include both cash and synthetic collateralized loan obligations (“CLOs”) and similar investments, credit default swap (“CDS”) and other derivative instruments, and other types of structured corporate credit products which may consist of or reference individual, indexed or portfolio corporate debt instrument, or other assets.

In addition, certain portfolio investments for managed Funds may be in products that are managed by or are custom-designed by Greywolf.

Tail Risk Investing

Tail risk investing generally involves executing investment ideas that are intended to generate gains from potential “tail risk” events or scenarios that would be expected to adversely impact a typical portfolio. Tail risk investments typically are intended to hedge specifically identified “tail risk” events and/or scenarios and if none of these occur and/or materialize, the value of such tail risk investments would be negatively impacted, which could lead to a substantial or total loss of the investment. Tail risk investments may include, without limitation, credit derivatives (such as CDS on specific credits, an index or a tranche of an index), interest rate derivatives (such as swaptions or other interest rate options), currency or commodity derivatives (such as puts on specific currencies or commodities), equity derivatives (such as puts on an equity security or an equity index) and other types of hedging instruments (e.g. short sales).

B. Risk of Loss

The investment programs of the Funds are generally speculative and entail substantial risks. Investors may lose all or a substantial portion of their investment. There can be no assurance that the investment objectives of the Funds will be achieved and that investors will not incur losses. In addition to the risks listed below, clients and underlying investors should review the respective PPMs or other offering documents for each Fund for a detailed description of risk factors associated with a particular investment in a Fund.

Risk Factors

General Risk Factors

The following risk factors, in general, apply to both of our investment strategies, special situations investing and structured products investing:

Investors should be aware that they may lose all or part of their investment. All investments involve the risk of loss of capital. We believe that the Funds’ investment programs and research techniques moderate this risk through a careful selection of securities, the use of short positions and other financial instruments. However, no guarantee or representation is made that a particular Fund’s investment program will be successful. A Fund’s investment program may utilize such investment techniques as option transactions, margin transactions, short sales, limited diversification, leverage and forward contracts, which can, in certain circumstances, increase the adverse impact to which the Fund’s portfolio may be subject.

Concentration of Investments; Limited Diversification. We may have certain of our Clients invest substantially all of their assets in as few as one investment. As a result, Clients’ portfolios will be more susceptible to fluctuations in value of each investment than a less concentrated portfolio would be. Clients’ aggregate returns may be volatile and may be affected substantially by the performance of a particular holding. We will not be obligated to hedge our Clients’ positions. At any given time, it is possible that our Clients’ investments or portfolio risks could be concentrated in one or few industries, companies, geographic regions, asset types, strategies or other areas of risk. Such concentration of risk may increase the losses suffered by our Clients or reduce their ability to hedge their exposure and to dispose of depreciating assets. Limited diversity

could expose Clients to losses disproportionate to those incurred by the market in general if the areas in which the Clients' investments are concentrated are disproportionately adversely affected by price movements in those financial instruments or assets. **Long-Term Nature of Investment.** An investment with us requires a long-term commitment with no certainty of return. Because of the nature of our investment programs, there can be no assurance that Clients will be able to realize returns on their investments in a timely manner or at all. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains are realized on successful investments. The return of capital and realization of gains, if any, from an investment may not occur for a substantial period of time after investing with us. **Illiquid Portfolio Instruments and Special Investments.** We may invest a portion of our Clients' assets in instruments (including, without limitation, in equity or debt of private issuers, "hard" assets or illiquid financial instruments) that do not freely trade or that trade infrequently with no broker-dealer making a market in such instruments. Our Clients may not be able to readily dispose of such instruments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

Bank Loans. We may invest our Clients' assets in bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) with respect to participations, limitations on the ability of our Clients to directly enforce its rights and counterparty credit risk considerations. In analyzing each bank loan or participation, we compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by Clients.

Investing in High Yield Securities. We may invest our Clients' assets in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, we may invest our Clients in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities. **Global Investments.** We may invest our Clients' assets in the debt or other securities and instruments of issuers located outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Clients may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage and other taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by our Clients from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by Clients will reduce its net income or return from such investments. While we will take these factors into consideration in making investment decisions for Clients, no assurance can be given that Clients will be able to fully avoid these risks.

Collateralized Debt Obligations. We may invest our Clients' assets in CDOs and collateralized loan obligations ("CLOs"). The portfolio may consist of CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO mezzanine debt. CDO securities are subject to credit, liquidity and interest rate risks. The CDO equity purchased by Clients will most likely be unrated or below investment grade, which means that a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. In addition, as a holder of CDO equity, Clients will have limited remedies available upon the default of the CDO. From time to time, the market for CDO transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. CDOs often invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related CDO securities to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the related CDOs to a greater degree of risk with respect to economic downturns relating to such industry.

The value of the CDO securities owned by Clients generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO ("**CDO Collateral**"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDO securities must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO Collateral are insufficient to make payments on the CDO securities, no other assets will be available for payment of the deficiency and following realization of the CDO securities, the obligations of such issuer to pay such deficiency generally will be extinguished. CDO Collateral may consist of high yield debt securities, loans, asset-backed securities and other securities, which often are rated below investment grade (or of equivalent credit quality). High yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. Issuers of CDO securities may acquire interests in loans and other debt obligations by way of sale, assignment or participation. The purchaser of an assignment typically becomes a lender under the credit agreement with respect to the loan or debt obligation; however, its rights can be more restricted than those of the assigning institution. In purchasing participations, an issuer of CDO securities will usually have a contractual relationship only with the selling institution, and not the borrower. The CDO generally will have neither the

right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The CDO may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States of America and the states thereof, the CDO may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the CDO may be subject to the credit risk of the selling institution as well as of the borrower.

ABS and MBS. We may invest our Clients' assets in ABS and mortgage-backed securities ("MBS"). The investment characteristics of ABS and MBS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. Particular investments may experience outright losses, as in the case of an interest only security in an environment of faster actual or anticipated prepayments. Also, particular investment may underperform relative to hedges that a portfolio manager may have constructed for these investments, resulting in a loss.

Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass-through structures. Through CDOs, we may invest Clients in these and other types of ABS that may be developed in the future. ABS present certain risks that are not presented by MBS. Primarily, these securities do not have the benefit of the same security interest in the related collateral. There is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as

by the expiration or removal of any credit enhancement.

Commodities and Derivative Investments. We may invest our Clients' assets in commodities contracts and derivative instruments. The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, our Clients' assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. If a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in Client losses.

We may have our Clients buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. Our Clients' option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which our Clients have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, without taking into account other positions or transactions our Clients may enter into, the principal risks involved in options trading can be described as follows: When Clients buy an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of our Clients' investment in the option (including commissions). Our Clients could mitigate those losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (*e.g.*, by buying the securities or buying calls on them) in securities underlying put options.

When our Clients sell (write) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, our Clients would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Fund might suffer as a result of owning the security.

We may have our Clients invest in CDS. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In the manner described above, CDS can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, CDS can be used to implement the Adviser's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, Clients may

“write” credit default protection in which they receive spread income. Clients may also “purchase” credit default protection even in the case in which they do not own the referenced instrument if, in the judgment of the Adviser, there is a high likelihood of credit deterioration. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Valuation. Securities which we believe are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. In particular, purchasing securities at prices which we believe to be distressed or below fair value is no guarantee that the price of such securities will not decline even further.

Uncertain Exit Strategies. Due to the illiquid nature of many of the positions which we may have our Clients acquire, as well as the uncertainties of the reorganization and active management process, the Adviser is unable to predict with confidence what the exit strategy will ultimately be for any given core position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

Ability to Lend on Advantageous Terms; Competition and Supply. We may have our Clients purchase loans. Our Clients’ success, in this area, will depend, in part, on our Clients ability to obtain loans on advantageous terms. In purchasing loans, our Clients may compete with a broad spectrum of lenders, many of which have substantially greater financial resources and are better known our Clients. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

Lending of Portfolio Securities; Counterparty Insolvency. We may have our Clients lend securities on a collateralized and an uncollateralized basis, from their portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Client will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially. Additionally, we may have our Clients enter into repurchase and reverse repurchase agreements, which involve certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to our Clients.

Leverage and Financing Risk. We may have certain Clients leverage their capital because we believe that the use of leverage may enable our Clients to achieve a higher rate of return. The amounts of leverage for certain Clients could be material. Accordingly, Clients may pledge their securities in order to borrow additional funds for investment purposes. Clients may also leverage their investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which certain of our Clients may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing our Clients’ total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of our Clients’ investment would be magnified to the extent that Clients are leveraged. The cumulative effect of the use of

leverage by Clients in a market that moves adversely to the Clients' investments could result in a substantial loss which would be greater than if the Client were not leveraged.

In general, we may use short-term margin borrowings that result in certain additional risks to Clients. For example, should the securities pledged to brokers to secure our Clients' margin accounts decline in value, Clients could be subject to a "margin call," pursuant to which Clients must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of our Clients' assets, our Clients might not be able to liquidate assets quickly enough to satisfy its margin requirements. We may have our Clients enter into repurchase and reverse repurchase agreements. When Clients enter into a repurchase agreement, they "sell" securities to a broker-dealer or financial institution, and agree to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, Clients "buy" securities from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by Clients, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by Clients involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to Clients.

Highly Volatile Markets. The prices of financial instruments in which we may have our Clients invest can be highly volatile. Price movements of forward and other derivative contracts in which Clients' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses.

General Economic and Market Conditions. The success of our activities on behalf of our Clients will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of our Clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and the liquidity of Clients' investments. Volatility or illiquidity could impair profitability or result in losses. Clients could incur material losses even if we react quickly to difficult market conditions, and there can be no assurance that Clients will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Clients should realize that markets for the financial instruments in which we seek to invest may correlate strongly with each other at times or in ways that are difficult for us to predict. Even a well-analyzed approach may not protect Clients from significant losses under certain market conditions.

Necessity for Counterparty Trading Relationships; Counterparty Risk. We may have our Clients establish and maintain relationships to obtain financing, derivative intermediation and prime brokerage services that permit Clients to trade in any variety of markets or asset classes over time; however, there can be no assurance that Clients will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Clients' trading activities and could create losses, preclude Clients from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent Clients from trading at optimal rates and terms. Moreover, a disruption in the

financing, derivative intermediation and prime brokerage services provided by any such relationships before Clients establish additional relationships could have a significant impact on Clients' business due to Clients' reliance on such counterparties. Some of the markets in which we may have Clients effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where Clients have concentrated its transactions with a single or small group of counterparties. Generally, our Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with a single counterparty. Moreover, Clients' internal credit function which evaluates the creditworthiness of its counterparties may prove insufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Clients' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses.

Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transitions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. We will monitor on an ongoing basis the creditworthiness of firms with which our Clients enter into repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, Clients will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a Fund being less than if the Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent.

In addition, we may use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to Clients' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Fund and its assets. Clients should assume that the insolvency of any counterparty would result in losses, which could be material.

Systemic Risk. Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Adviser interacts on a daily basis.

Competition. The markets in which we may have our Clients invest are competitive and some of the investment opportunities that we may explore may be pursued by better known investors including other hedge funds and private equity firms and other investment funds. There can be no assurance that we will be able to identify or successfully pursue such opportunities in this environment. We compete with many firms that have substantially greater financial resources, more extensive development, better marketing and service capabilities, more favorable financing arrangements, larger research staffs and more securities traders than are

available to our Clients.

Short-Swing Liability and Other Limitations. From time to time, Clients, acting alone or as part of a group, may acquire beneficial ownership of more than 10% of a certain class of securities of a public company, or may place a director on the board of directors of such a company. As a result, under Section 16 of the U.S. Securities Exchange Act of 1934, as amended, Clients may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. In such circumstances Clients will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. In addition, certain statutory restrictions on transactions between Clients and an issuer imposed by such issuer's jurisdiction of formation may limit our Clients' ability to effect certain transactions with such issuer which, in turn, may further limit our Clients' ability to hedge its portfolio or take advantage of perceived investment opportunities.

Dependence on Key Individuals. The success of the Funds depends upon the ability of the key individuals, including Mr. Savitz, to develop and implement investment strategies that achieve the Funds' investment objective. If the Funds were to lose the services of Mr. Savitz, the consequence to the Funds could be material and adverse and could lead to the premature termination of the Funds.

Effect of Redemptions. A significant portion of a Fund's capital may be provided by accounts advised by a small number of advisors, which increased the potential for substantial redemption requests. A significant redemption of capital from a Fund may cause an imbalance in a Funds portfolio which could materially adversely affect the remaining investors. Substantial redemption could also significantly restrict a funds ability to obtain financing or derivative counterparties needed for its investment and trading strategies, which would have a further materially adverse effect on the Funds performance.

Potential for Concentration of Investments and Limited Diversification. Subject to the investment programs of Clients and our risk framework, in the normal course of making investments on behalf of Clients, we may select investments that potentially could be concentrated, for example, in any one issuer, industry, sector, strategy or geographic region. In addition, it is possible that we may select investments that are concentrated in a limited number or type of financial instruments or assets. At any given time, it is possible that a Client's investments or portfolio risks could be concentrated in only a few industries, companies, geographic regions, asset types, strategies or other areas of risk. Such concentration of risk may expose a Client to greater risk of loss or reduce its ability to hedge its exposure and to dispose of depreciating assets. Limited diversity could expose a Client to losses disproportionate to those incurred by the market in general if the areas in which such Client's investments are concentrated are disproportionately adversely affected by price movements in those financial instruments or assets.

Special Situation Investing Risk Factors

The following risk factors, in general, apply to our special situations investment strategy:

Investments in Distressed Securities. We may invest our Clients' assets in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to our Clients' investment in any instrument, and a significant portion of the obligations and securities in which our Clients invest may be below investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that we will correctly evaluate the value of the assets collateralizing our Clients' loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which our Clients invest, our Clients may lose its entire investment, may be required to accept cash or securities with a value less than our Clients' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from our Clients' investments may not compensate the investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to our Clients of the security in respect to which such distribution was made.

In certain transactions, our Clients may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Bankruptcy Claims. We may invest our Clients' assets in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by U.S. securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

Risks Associated with Bankruptcy Cases. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the Fund as a creditor. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and our Clients; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Although we intend to invest Clients primarily in debt, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that our Clients' influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where Clients, by virtue of such action, are found to exercise "domination and control" of a debtor, Clients may lose their priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by Clients.

We may invest our Clients in companies based non-U.S. countries. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. We, on behalf of our Clients, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of Clients' position as creditors or equity holders. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If we conclude that our obligations owed to the other parties as a committee or group member conflict with its duties owed to our Clients, it will resign from that committee or group, and Clients may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if Clients are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while they continue to be represented on such committee or group.

We may have Clients purchase creditors' claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). We do not intend to engage in conduct on behalf of Clients that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, our Clients may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

Contingent Liabilities. From time to time we may have our Clients incur contingent liabilities in connection with an investment. For example, Clients may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, Clients would be obligated to fund the amounts due. We also may have Clients enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to Clients.

Litigation. Reorganizations and, more generally, negotiations related to distressed securities, bank loans and other investments we may have Clients make can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. We anticipate that during the term of our Clients' investment, the Fund, the Adviser, and perhaps certain of its larger investors may be named as defendants in civil proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Fund and would reduce net assets. **Fraud.** Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of our Clients to perfect or enforce a lien on the collateral securing the loan. We will rely, on behalf of our Clients, upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Non-Performing Nature of Debt. It is anticipated that certain debt instruments purchased by us for Clients will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

Convertible Securities. We may invest our Clients' assets in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or

exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by our Clients is called for redemption, our Clients will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Clients’ ability to achieve their investment objective.

Private Equity Investment. We may invest our Clients’ assets in private equity of companies at an early stage of development, which involves a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

Although we may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent Clients take minority positions in companies in which they invest, we may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

Furthermore, in connection with the disposition of certain investments, Clients may be required to make representations about the business and financial affairs of the underlying company, and to indemnify the

purchasers of such company if those representations ultimately prove to be inaccurate. We may establish reserves as appropriate to provide for such contingent liabilities.

Investments in private equity of highly-leveraged companies involve a high degree of risk. Some of our Clients' investments in companies may involve leverage, which in turn will increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, Clients may suffer a partial or total loss of capital invested in the company, which, depending on the size of Clients' investments, could adversely affect Clients' return on capital.

Control Position. We may have our Clients acquire a "control" position in an issuer's securities. This may subject Clients to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

Activist Investments. We may have certain of our Clients invest in debt and equity securities of companies that we believe are undervalued by the marketplace and are likely to appreciate, including as a result of a change in ownership, corporate direction or management, or as a result of operational improvements. In making such investments, our Clients may act alone or together with one or more other investors or investment managers acting as a group. In order to implement any actions deemed necessary to maximize value, we, or other members of the investing group, may work with the management team of the target company to design an alternate strategic plan and assist them in its execution and may secure the appointment of persons selected by us or other members of the group to the company's management team or board of directors. We, either alone or as part of a group, may also initiate investor actions (including those that may be opposed by company management). Such investor actions may include, among other things, re-orienting management's operational focus, initiating the sale of the company (or one or more of its divisions) to a third party, or an acquisition by Clients or other members of the investing group. Such an acquisition may be accomplished either by Clients (or the members of the investing group) acting alone, or acting in conjunction with management through a leveraged buyout. In order to accomplish the foregoing, we may cause Clients, either alone or together with other members of a group, to acquire a "control" position in the company's securities. This activist investment strategy may require, among other things: (i) that we properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) that Clients acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) that Clients avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) that management of portfolio companies and other security holders respond positively to our proposals; and (v) that the market price of a portfolio company's securities increases in response to any actions taken by portfolio companies. There can be no assurance that any of the foregoing will succeed.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of our Clients' investment; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in securities prices; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In

addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or us, and such regulatory agencies may independently investigate the participants in a transaction, including our Clients, as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of our Clients, and some of those parties may be indifferent to the proposed changes. Moreover, securities that we believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe we anticipate, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow Clients to dispose of all or any of their securities therein or to realize any increase in the price of such securities.

Short Selling. We may have our Clients engage in short selling. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which our Clients engage in short sales will depend upon our investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to our Clients of buying those securities to cover the short position. There can be no assurance that Clients will be able to maintain the ability to borrow securities sold short. In such cases, Clients can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Forward Trading. We may have our Clients engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by our Clients due to unusual trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which we would otherwise recommend, to the possible detriment of our Clients. Market illiquidity or disruption could result in major losses to Clients.

Hedging Transactions. We may have our Clients utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of our Clients' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect our Clients' unrealized gains in the value of our Clients' investment portfolio; (iii) facilitate the sale of any such investments;

(iv) enhance or preserve returns, spreads or gains on any investment in our Clients' portfolio; (v) hedge the interest rate or currency exchange rate on any of our Clients' liabilities or assets; (vi) protect against any

increase in the price of any securities our Clients anticipate purchasing at a later date; or (vii) for any other reason that we deems appropriate.

The success of our hedging strategy will depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the hedging strategy will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for Clients than if they had not engaged in such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent Clients from achieving the intended hedge or expose Clients to risk of loss. We may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of Clients' portfolio holdings.

Structured Products Investing (CLO Credit Strategy) Risk Factors

The following risk factors, in general, apply to our structured products investment strategy:

Structured Finance Securities. We may invest our Clients' assets in trust certificates or similar securities of the type generally considered to be "repackaged securities" ("**Structured Finance Securities**"). Structured Finance Securities may present risks similar to those of the other types of CDOs in which the Fund may invest and, in fact, such risks may be of greater significance in the case of Structured Finance Securities. In a repackaging transaction, the terms of an existing securitization vehicle are structured, with changes in seniority, notional amount, coupon, maturity and waterfall priority. The cash flows of the existing debt are used to support restructured debt securities to achieve the desired ratings. Repackaged securities may present risks similar to those of the other types of assets in which Clients may invest and, in fact, such risks may be of greater significance in the case of repackaged securities. Moreover, investing in Structured Finance Securities may entail a variety of unique risks. Among other risks, Structured Finance Securities may be subject to prepayment risks, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may depend upon any associated interest rate hedging agreement providing for the exchange of interest accruing on the security being repackaged into interest stated to be payable on the trust certificate or similar securities). In addition, the performance of a Structured Finance Security will be affected by a variety of factors, including the level and timing of payments and recoveries on, the characteristics of, the underlying collateral, the remoteness of those assets from the originator or transferor and the adequacy of, and the ability to realize upon, any related collateral.

Mezzanine Debt Securities. We may invest our Clients' assets in mezzanine debt securities. Mezzanine debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Mezzanine debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine debt securities are generally unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high-yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of mezzanine debt securities may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Investment Grade Debt Securities. We may invest our Clients' assets in investment grade debt securities. Investment grade debt securities are investment grade rated obligations that have credit ratings that are intended to reflect (but will not necessarily reflect) relatively less credit and liquidity risk than high-yield debt securities or mezzanine debt securities. Risks of investment grade debt securities may include (among others): (i) market place volatility resulting from changes in prevailing interest rates, (ii) the absence, in many instances, of collateral security, (iii) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause Clients to reinvest premature redemption proceeds in lower-yielding debt obligations and (iv) the declining creditworthiness and the greater potential for insolvency of the issuer of such investment debt securities during periods of rising credit spreads and/or interest rates and/or economic downturn.

Tail Risk Investing Risk Factors

The following risk factors, in general, apply to our tail risk investment strategy:

Swaps and other derivatives subject to legal, tax and market uncertainties. There is currently limited case law or litigation characterizing swaps and certain other derivatives, interpreting their provisions or characterizing their tax treatment. In addition, new and additional regulations and laws may apply to swaps and other derivatives that have not heretofore been applied. There can be no assurance that future court decisions construing provisions in, or provisions similar to those in, any swap agreement or other related documents or new and additional regulations and laws governing swaps and other derivatives will not have a material adverse effect on Tail Risk Portfolio Investments.

Illiquidity of assets; Embedded Leverage. Tail risk investing includes investments in credit derivatives (such as CDS), interest rate derivatives (such as swaptions or other interest rate options), currency or commodity derivatives (such as puts on specific currencies or commodities), equity derivatives (such as puts on an equity or an equity index) and other types of derivatives. These instruments may be complex, highly illiquid and may include embedded leverage which can magnify losses and/or lead to a substantial or total loss unrelated to the ultimate occurrence and/or materialization (or the absence thereof) of identified “tail risk” events and/or scenarios.

Counterparty Risk. Swaps and derivatives generally present counterparty default risk because in the event of the insolvency of a counterparty, the Fund may be treated as a general creditor of such counterparty and will generally not have recourse with respect to the referenced assets.

Loss of principal. Tail risk investing is highly speculative and entails substantial risks. There can be no assurance that the “tail risk” events and/or scenarios hedged by tail risk investments will occur and/or materialize, and in the event these do materialize the tail risk investment may not experience gains or adequately hedge against such events and/or scenarios. In addition, there may be “tail risk” events and/or scenarios not identified or identified and not executed that would adversely impact a typical portfolio and also adversely impact the tail risk investment. Finally, there can be no assurance that the “tail risk” identified will materialize; which may result in a total or substantial loss of principal.

C. Recommendation of a Particular Type of Security

We do not recommend any particular type of security. There are no material limitations to the types of securities in which we may invest our clients (subject to anything to the contrary in the relevant IMA, MMA, PPM or other offering document, or organizational documents of a particular client).

ITEM 9 DISCIPLINARY INFORMATION

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

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration

The Adviser and its management personnel are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

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

The Adviser and its management personnel rely on certain exemptions and are not registered as futures commission merchants (“FCM”), commodity pool operators (“CPO”), and commodity trading advisors (“CTA”) with the Commodity Futures Trading Commission (“CFTC”) and do not have any application pending to register with the CFTC or the National Futures Association as a FCM, CPO, CTA, or an associated person of a FCM, CPO, or CTA. If such relied upon exemptions are eliminated in the future, the Adviser may choose to become registered with the CFTC.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our clients and our affiliates are material to our advisory business. The Adviser, its respective members, officers, employees and affiliates manage and advise multiple Funds, including, but not limited to, the following: Greywolf Capital Partners II LP, Greywolf Capital Overseas Fund, Greywolf Capital Overseas Fund II, Greywolf Capital Overseas Master Fund, Greywolf Structured Products Fund I LP, Greywolf Structured Products Fund Offshore I, Ltd., Greywolf Structured Products Master Fund, Ltd., Greywolf CLO Credit Fund Offshore IA, Ltd., Greywolf CLO Credit Fund I LP, Greywolf CLO Credit Fund Offshore I Ltd., Greywolf CLO Credit Master Fund, Ltd., Greywolf CLO Credit Fund III LP, Greywolf Opportunities Fund, Greywolf Opportunities Master Fund, Greywolf Opportunities Fund II LP, GW TR Master Fund I LP, GW TR Fund I Ltd., Greywolf CLO Credit Master Fund II, Ltd., Greywolf CLO Credit Fund II LP, Greywolf CLO Credit Fund II, Ltd. Greywolf CLO Credit Fund IIA, Ltd., Greywolf CLO Equity Participation LP, Greywolf Opportunities Fund, LLC, Greywolf CLO I, Ltd., Greywolf CLO II, Ltd., Greywolf CLO III, Ltd. and ESF QIF I plc. An affiliate of the Adviser serves as general partner to certain of these Funds. In addition, in certain instances, the Adviser may engage affiliates to provide services to clients.

As a result, our clients may be subject to a number of actual and potential conflicts of interest. Certain inherent conflicts of interest arise from the fact that the Adviser and its affiliates (collectively, the “**Greywolf Group**”) provide investment management services to the Funds and may, in the future, provide management services to additional funds or other accounts and proprietary accounts in which the Funds will have no interest (collectively, “**Other Accounts**”). There is no limit on the number of vehicles or accounts that may be managed or advised by the Adviser. Furthermore, the Adviser, its principals, officer, and other personnel may have conflicts in allocating their time and services among the Funds (and/or Other Accounts). The Adviser and its principals, officers, and personnel will devote as much of their time to the activities of the Funds as it deems necessary and appropriate.

The respective investment programs of the Funds and Other Accounts may or may not be substantially similar. The portfolio strategies employed by the Greywolf Group for Other Accounts could conflict with the transactions and strategies employed by the Adviser in managing the Funds and affect the prices and availability of the securities and instruments in which the Funds invest.

In addition, the Greywolf Group may give advice or take action with respect to the investments of one or more Funds (or Other Accounts) that may not be given or taken with respect to other Funds with similar investment programs, objectives, and strategies. Thus, Funds having similar strategies may not hold the same securities or instruments or may not achieve the same performance. Conversely, participation in specific investment opportunities may be appropriate, at times, for one or more of the Funds and Other Accounts. In such case, participation in such opportunities will be allocated on an equitable basis, in accordance with our Allocation Procedures. Such considerations are likely to result in allocations of certain investments among the Funds and Other Accounts on other than a *pari passu* basis.

To address these potential conflicts of interests in its material relationships, the Greywolf Group has adopted policies and procedures, including a Code of Ethics and the Allocation Procedures. Under the Code of Ethics, in general, all personnel of the Greywolf Group, including directors, officers, and employees of the Adviser, must put the interests of the Adviser's clients first and must act honestly and fairly in all respects in dealings with clients. For a more detailed discussion of the Adviser's Code of Ethics and conflicts of interest policies, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below.

Furthermore, it is our policy to allocate investment opportunities fairly and equitably over time. This means that such opportunities will be allocated among those Clients for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations

(a) whether the risk-return profile of the proposed investment is consistent with the Clients' objectives, whether such objectives are considered (i) solely in light of the specific investment under consideration or (ii) in the context of such Client's overall holdings;

(b) the potential for the proposed investment to create an imbalance in the Client's portfolio; (c) liquidity requirements of the account; (d) potentially adverse tax consequences; (e) regulatory restrictions that would or could limit a Client's ability to participate in a proposed investment; and (f) the need to re-size risk in the Client's portfolio. Such considerations may result in allocations among Clients on other than a *pari passu* basis.

Additional Conflicts

From time to time, the Adviser may acquire securities or other financial instruments of an issuer on behalf of a Fund (or Other Account) which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired on behalf of, another Fund (or Other Account) (e.g., one Fund (or Other Account) may acquire senior debt while another Fund (or Other Account) may acquire subordinated debt). We recognize that conflicts may arise under such circumstances. Generally, when this occurs, the portfolio managers will attempt to determine which of the "conflicting investments" has the highest profitability potential (such investment, the "**Preferred Investment**"), taking into account such considerations as size of positions, the risk/reward profile and likelihood of success of a particular course of action (i.e., exercising remedies under

loan, note or security agreements, proposing or opposing DIP financing or other motions in a bankruptcy court, pursuing litigation or proposing or supporting a plan of reorganization in bankruptcy), control and costs and demands on our resources and personnel. In the absence of an agreement among the portfolio managers as to the Preferred Investment, Mr. Savitz, or in his absence, Mr. Troy, may make such determination. Once the Preferred Investment is determined, the portfolio managers will take actions which seek to maximize value. Such actions could possibly be adverse to other investments held by the Funds or Other Accounts. To lessen any adverse impact resulting from such action, we may seek to sell in a commercially reasonable manner the non-Preferred Investments. Alternatively, a determination may be made that an immediate sale would result in a lower return on the non-Preferred Investment than would be the case if the investment remained in the portfolio, in which case the Fund or Other Account would maintain the position. There can be no guarantee, however, that continuing to hold a non-Preferred Investment will not result in greater losses than would have resulted had the investment been sold.

Applicable tax, regulatory and other considerations may sometimes lead to certain equity and real estate investments being structured in a manner such that a Fund (or the entity through which a Fund makes an investment) will lend capital to (or enters into a similar transaction with) a U.S.-based Fund affiliated with the Fund. The debt interest of such Fund, while senior to the equity interest held by the affiliated U.S.-based Fund, is often structured to yield a debt-like return (and accordingly a lower rate of return) than the U.S.-based Fund's investment in the equity. As in all allocation decisions, the Adviser must weigh the conflicting interests of the different investors and funds in determining the amount to allocate to debt and equity and the terms of these loans. We will attempt to deal with such conflicting interests in a manner similar to that of Preferred Investments. Additionally, the equity and debt holders with respect to an investment may have conflicting interests during the term of a particular investment, especially if the investment is not performing well.

Subject to any relevant legal, fiduciary and contractual obligations, e.g. ERISA considerations, from time to time one Fund managed by us (the **"Selling Fund"**) may offer to another Fund managed or advised by us (the **"Purchasing Fund"**) assignments or sales of, loans (or interests therein) that the Selling Fund holds. Such offers will usually be made after the Selling Fund has already held such investment (including the portion offered) for a period of time. The price of the participation, assigned or sold interest (as the case may be) will be established based on third-party valuations. In determining the target amount of a particular loan acquired by the Selling Fund, the Selling Fund may take into consideration the fact that it anticipates offering participations or assigning or selling a portion of such loan as described above. If the offered funds and accounts decide not to purchase such participations, assignments or interests in such investments, the Selling Fund will be forced to hold that portion of the investment until such time as it can be disposed of. This may result in the Selling Fund being "overweighted" with respect to a particular investment for a significant period of time.

ERISA

In addition, with respect to certain Funds, as a result of "plan asset" investments comprising over 25% of the value of each Fund, the Funds are considered covered private investment funds under the Employment Retirement Income Security Act of 1974, as amended (**"ERISA"**). To the extent that the Adviser serves as investment manager to covered private investment funds, we are considered an ERISA fiduciary. Generally, conflicts between a covered private investment Fund and other Funds must be resolved in favor of the covered fund

If, at the time that the assets of any Fund are treated as "plan assets" for purposes of ERISA (**"Plan Assets Fund"**), and a conflict arises, for example such Plan Assets Fund holds securities or other financial

instruments of an issuer which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, one or more other Funds and/or Other Accounts managed by us, we will endeavor to resolve the conflict in a manner that it deems to be fair and equitable to both such Plan Assets Fund and other Funds and/or Other Accounts, but in no instance shall such resolution result in a benefit to the other Funds and/or Other Accounts at the detriment of the Plan Assets Fund. In addition, we will not cause or permit such Plan Assets Fund to enter into any internal cross transaction with any other Funds and/or Other Accounts managed by us or any principal transaction with us. Furthermore, in the event any Plan Assets Funds assets constitute “prohibited transactions” (as defined in Section 406 of ERISA and any regulations promulgated thereunder) for a “plan assets” fund, such Fund will sell the related and/or resulting investments in a commercially reasonable manner.

D. Material Conflicts of Interest Relating to Other Investment Advisers

We do not receive compensation directly or indirectly for recommending or selecting other investment advisers for our clients, nor do we have other business relationships with such advisors.

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

A. Code of Ethics

We strive to foster and maintain a reputation for honesty, integrity and professionalism. In seeking to meet these standards, we have adopted a Code of Ethics. Our Code of Ethics incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of our Clients, including the underlying investors of our Clients, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

As a companion to our Code of Ethics, we also maintain insider trading policies and procedures (the "**Insider Trading Policies**") that are designed to detect and prevent the misuse of material, non-public information. Our Insider Trading Policies prohibit the Adviser and its personnel (to the extent prohibited by law) from trading for Clients or themselves, or recommending trading, in securities of an issuer on the basis of material, non-public information ("**Inside Information**") about the issuer, from disclosing such information to any person not entitled to receive it, and from assisting anyone in transacting business on the basis of Inside Information through a third party. By reason of various investment and other activities, we may become privy to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. The Adviser has designed and implemented policies and procedures designed to comply with the requirements of the federal securities laws relating to insider trading. Among other things, such policies and procedures seek to control and monitor the flow of Inside Information to and within the Adviser, as well as prevent trading on the basis of Inside Information. Companies about which we have Inside Information will be placed on our restricted list. Our ability to trade public securities the issuers of which are placed on the restricted list is extremely limited.

Our personnel are required to certify to their compliance with the Code of Ethics and the Insider Trading Policies on a periodic basis. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting our Chief Compliance Officer, Chris Samios, at (914) 249-7836 or Chris.Samios@greywolfcapital.com.

B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests

Conflicts of interest may occur when we, or our related persons, invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that we recommend to our clients. In addition, a related entity of the Adviser is the general partner of certain of the Funds. The Adviser has established procedures, including a Code of Ethics and a personal trading policy, intended to limit conflicts of interest in cases where the Adviser, a related person or any employee, buys, sells or otherwise has an interest in, securities recommended by the Adviser to its Clients.

The Adviser may from time to time invest its excess funds in one or more Funds or in securities or instruments in which it may invest the Funds' assets. Similarly, the Adviser, its principals, officers, and employees may from time to time make personal investments in securities or instruments in which we may invest the Funds' assets. The Adviser and its personnel may buy, sell, or hold securities or other instruments for its or their own account(s) while entering into different investment decisions for one or more Funds.

In addition, certain of our principals and employees have substantial personal investments in one or more Funds. The amount of each principal or employee personal investment in a Fund (if any) may change over time. A principal or employee may decide to invest only in certain Fund(s) and not in other(s). Likewise, our principals or employees may invest in a Fund through separate share classes dedicated to the Adviser and its affiliates, employees, officers, directors, and principals. Investors will not be provided with notice of principals' or employees' investment in, or withdrawal from, a Fund (except to the extent such notice is required under a Fund's offering document).

On occasion, and as permitted by a Clients' IMA, MMA, PPM or other organizational or operative documents, or any applicable law, the Adviser may deem it to be in the best interests of certain of its Clients to rebalance or "cross" securities transactions between Client accounts. Similarly, on occasion, and as permitted by a Clients' IMA, organizational or operative documents, or any applicable law, the Adviser may enter into "principal transactions" in which the Adviser or an affiliate act as principal for its own account or as broker for the account of a Client with respect to the sale of a security to or purchase of a security from another Client. The Adviser maintains policies and procedures intended to limit the potential conflicts of interest inherent in cross or principal transactions. Cross or principal transactions will only be effected if they are deemed to be in the best interests of the particular Clients involved and will be conducted in compliance with our policies and procedures and applicable law.

Personal Trading

We believe restricting our employees' personal trading is one way of avoiding conflicts of interest between our clients and our employees. Our Code of Ethics places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to us on a periodic basis. We require that employees pre-clear all personal securities transactions with our Chief Compliance Officer or, in his absence, our General Counsel before effecting a personal transaction in securities, except for a limited number of exempt and permitted transactions, including, but not limited to, exchange traded funds that appear on our Pre-Approved ETF List, shares issued by open-ended mutual funds, money market funds, U.S. Treasury bonds, and commercial paper.

ITEM 12 BROKERAGE PRACTICES

A. Selection of Broker-Dealers and Reasonableness of Compensation

In selecting an appropriate broker-dealer to effect a client trade, the Adviser seeks to obtain best execution, taking relevant factors into consideration, including, but not limited to: price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; difficulty of execution; the broker-dealer's expertise in the specific security or sector in which the client seeks to trade; the extent to which the broker-dealer makes a market in the security involved or has access to such markets; availability of accurate information regarding the market for the security; the broker-dealer's skill in positioning the securities involved; the broker-dealer's promptness of execution; the broker-dealer's financial stability; adequacy of the broker-dealer's trading infrastructure, technology and capital; the broker-dealer's reputation for diligence, fairness and integrity; quality of service rendered by the broker-dealer in other transactions for the Adviser; confidentiality considerations; the quality and usefulness of research services and investment ideas presented by the broker-dealer; the broker-dealer's ability and willingness to correct errors; the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors affecting the services obtained. In addition, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. We maintain policies and procedures to review the quality of executions, including the establishment and quarterly meeting of a Best Execution Committee to assess commissions paid and broker performance using both quantitative and qualitative measures.

1. Research and Other Soft Dollar Arrangements

From time to time, we may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting client transactions in excess of that which another broker-dealer might have charged for effecting the same transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. We will effect such transactions, and receive such brokerage and research services, only to the extent that the brokerage and research services are within the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934 and subject to prevailing interpretations of Section 28(e) provided by the SEC.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with securities analysts. In addition, such research services may be provided in the form of meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In many cases, research services and products provided by the broker-dealer are generated by third parties. Currently, we do not have, and do not anticipate having, any such third-party soft dollar arrangements.

We believe it is important to our investment decision-making processes to have access to independent research. In the last fiscal year, in general, we acquired the following types of research and related products or services using brokerage commissions: written information and analyses concerning specific securities, companies, or sectors; market, financial, and economic studies and forecasts, as well as discussions with

research personnel; financial and industry publications; statistical and pricing services; and software, data bases and other technical services utilized in the investment management process

If we establish formal soft dollar arrangements in the future, and if we conclude that the commissions charged by a broker or the spreads applied by a dealer are reasonable in relation to the value of the brokerage and research products or services provided by such broker or dealer, we may have our clients pay commissions or be subject to spreads to such broker-dealer in an amount greater than the amount another broker-dealer might charge or apply. Moreover, when we use client brokerage commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services. The receipt of research and other “soft-dollar” benefits from broker-dealers provides an incentive for us to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients’ interest in receiving the most favorable execution. In addition, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by one or more client may be used by us to service one or more other clients. Nonetheless, we believe that such investment information provides our clients with benefits by supplementing the research otherwise available to our clients.

Further, if we establish formal soft dollar arrangements in the future, we would, on a periodic basis, consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempt to allocate a portion of the brokerage business of our Clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than a suggested allocation, but can exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will we make binding commitments as to the level of brokerage commissions we will allocate to a broker-dealer, nor will we commit to pay cash if any informal targets are not met. We would not exclude a broker from receiving business because it has not been identified as providing research products or services.

2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, we may consider whether we, or any of our affiliates, receive client or investor referrals from a broker-dealer or other third party. This may create a conflict of interests, as we may have an incentive to select or recommend a broker-dealer based on our interest in receiving client referrals, rather than our clients’ interest in receiving the most favorable execution.

From time to time, our personnel may speak at conferences and programs which are sponsored by the prime brokers we use for our clients. These conferences and programs are typically for potential investors interested in investing in hedge funds. Through such “capital introduction” events, prospective investors have the opportunity to meet with us. Neither we nor our clients compensate the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence us in deciding whether to use such prime broker in connection with brokerage, financing and other activities of our clients.

3. Directed Brokerage

“Directed brokerage” refers to instances in which a client retains the discretion to choose brokers and

instructs the Adviser to direct portfolio transactions to a particular broker-dealer. We generally do not permit any directed brokerage arrangements at this time. If we change our policy on directed brokerage, we will adopt appropriate policies and procedures. Directed Brokerage restricts the Adviser's discretion to select brokers and negotiate commission rates and may adversely affect the Adviser's ability to obtain best price and execution. Accordingly, if a client were to direct brokerage to a specific broker, the Adviser would require (i) the client to provide such direction in writing to the Adviser and (ii) the Adviser would provide the client with appropriate written disclosure, which will be acknowledged by the client.

B. Aggregating Orders for Various Client Accounts

We may aggregate orders of our clients' accounts for trade execution and thereafter allocate the securities on an average price basis to such accounts. More specifically, each client that participates in an aggregated order will participate at the average share price for all of the Adviser's transactions in that security or other instrument on a given business day and transaction costs will be shared pro rata based on each client's participation in the transaction. No client will be favored over any other client as a result of such aggregation. Brokerage commission rates will not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client. The Adviser believes that its aggregation policy is lawful and consistent with its duty to seek best execution for all its clients.

C. Additional Brokerage Considerations; Trade Errors

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

In addition, we have entered into agreements on behalf of our clients with certain brokers-dealers that act as prime brokers and/or custodians on behalf of our clients. We are not committed to continue any relationship with such prime brokers and custodians for any minimum period, and we, in our discretion, may select other or additional brokers to act as prime broker(s) or custodian(s) for the Funds.

Trade Errors

We may on occasion experience errors with respect to trades executed on behalf of our clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold; a security is sold when it should have been purchased or vice-versa; a security is sold or purchased contrary to regulatory restrictions or a Fund's investment guidelines or restrictions; the correct security is purchased or sold, but for the wrong account; or the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). Trade errors may result in losses or gains. We will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. Any gains resulting from a trade error shall be for the benefit of the affected Fund(s).

To the extent trade errors resulted from our error in the course of the trading of the Funds' assets,

generally, we will be responsible for making the affected Fund whole with respect to such errors that result from our gross negligence or reckless or intentional misconduct, or, in the case of Plan Asset Funds, as indicated in their operative documents, as a result of our negligence. Given the volume of transactions executed on behalf of our Clients, investors should assume that trading errors will occur and that the Fund will be responsible for any resulting losses, even if such losses result from our negligence (but not gross negligence), except as previously noted. To the extent a trade error is caused by a counterparty, such as a broker-dealer, we will not be responsible for such errors and will strive to recover losses associated with such error from the counterparty.

ITEM 13 REVIEW OF ACCOUNTS

A. Periodic Review of Client Accounts

Under the supervision of our portfolio managers and Chief Investment Officer, our research analysts and other investment professionals periodically monitor the holdings of Clients' accounts. Client accounts also are regularly reviewed in light of the client's specific investment objectives and guidelines by our portfolio managers, Chief Compliance Officer, General Counsel and Chief Investment Officer. The Funds' administrator also reviews the accounts regularly. In addition, certain Funds conduct annual board of directors meetings to review and assess the investment policy and performance of such Funds.

B. Additional Review of Client Accounts

We will conduct additional reviews of a client's account whenever necessary or appropriate.

C. Contents and Frequency of Account Reports to Clients

In general, underlying investors in the Funds receive monthly or quarterly account statements or reports prepared by the Funds' independent administrator and annual audited financial statements prepared by the Funds' independent auditor after completion of each year's audit (or as soon as reasonably practicable thereafter), as well as certain tax information for preparation of investors' tax returns. For certain Funds, quarterly letters or other reports may be available to the Funds or underlying investors. Clients with managed accounts generally receive account statements and such estimates and other reports as set forth in the relevant MAA.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

We do not receive any economic benefit from anyone, other than our clients, for providing investment advice or advisory services to our clients.

B. Compensation to Non-Supervised Persons for Client Referrals

From time to time we may provide compensation to a person who is not our supervised person for soliciting potential clients, including potential investors for any Fund, or referring potential clients, including potential investors to any Fund. In any such instance, GCM will comply with any applicable rules and regulations concerning such solicitation and compensation.

ITEM 15 CUSTODY

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

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

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

As noted above, Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, we need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or, in certain circumstances, to all limited partners, members or other beneficial owners, within 120 days (180 days in the case of a fund of fund adviser) of its fiscal year end. The Adviser intends to distribute the audited financials of each Fund to Clients (which will generally include Fund investors for this purpose) within the 120-day time period and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

ITEM 16 INVESTMENT DISCRETION

In general, our clients have provided us with full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. We exercise this discretion subject to our internal policies and the investment policies, limitations, and restrictions, if any, imposed by a client in an IMA, MMA, PPM or other applicable agreement, such as a Fund's organizational or offering documents. In these agreements, our clients may place limitations on our investment authority, including, without limitation, designating types of permitted investments, percentage of permitted investments, or prohibiting certain types of investments. For a limited number of our Clients, the underlying investor or its representatives need to consent to certain investment parameters and/or certain instruments, e.g. Greywolf CLO Equity.

Our clients must specify our authority, discretionary or non-discretionary, and provide us with any investment guidelines and restrictions in writing, typically as part of the IMA or by amending the IMA (MMA). For a complete discussion of our advisory business and the services we provide to our clients, please see Item 4, "Advisory Business," above.

ITEM 17 VOTING CLIENT SECURITIES

We have accepted, and in the future will continue to accept, the authority to vote our clients' securities. As such, we have adopted policies and corresponding procedures to comply with Rule 206(4)-6 promulgated under the Investment Advisers Act and with our fiduciary obligations (the "**Proxy Policies**"). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, "**proxies**"), in a manner that serves the best interests of the Funds, as determined by the Adviser in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, we may refrain from voting proxies where we believe that voting would be inappropriate, which includes a consideration of the cost of voting the proxy and the anticipated benefit to the Funds.

Generally, if a client has authorized us to vote proxies on its behalf, we will generally not accept instructions from the client regarding how to vote on a particular proxy or solicitation. Finally, we have developed detailed procedures to address potential circumstances in which we may have a conflict between our interests and those of our clients. A copy of our Proxy Policies and information regarding any proxies actually voted by the Adviser may be obtained by contacting our Chief Compliance Officer, Chris Samios, at (914) 249-7836 or Chris.Samios@greywolfcapital.com.

Class Action Law Suits

From time to time, we may receive notices regarding class action lawsuits involving securities that are or were held by the Funds. As a matter of policy, we refrain from serving as the lead plaintiff in class action matters and also refrain from submitting proofs of claim where we believe that either the recovery amounts are likely to be negligible or we cannot be assured of confidential treatment of the data submitted in connection with the proof of claim. As a result, we generally do not participate in class action lawsuits.

ITEM 18 FINANCIAL INFORMATION

A. Balance Sheet

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

B. Contractual Commitments to Our Clients

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our clients.

C. Bankruptcy Petitions

We have never been the subject of a bankruptcy petition.