

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE



Archer Capital Management, L.P.

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This brochure provides information about the qualifications and business practices of Archer Capital Management, L.P. (“**Adviser**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (“**CCO**”) at 212-319-2775 or compliance@archercm.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.

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

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

ITEM 2

MATERIAL CHANGES

Since we filed our last annual amendment to Form ADV, Part 2A on March 27, 2013, there have been no material changes to this brochure to report. While there are no material changes between this brochure and the previous brochure, we have updated and expanded the brochure to reflect recent developments with our business.

Our brochure may be requested, free of charge, by contacting our Chief Compliance Officer at 212-319-2775 or compliance@archercm.com.

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Brochure Supplements

ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

We are a Delaware limited partnership organized in January 2006 and have been in business for approximately 8 years.

We serve as the investment manager to: Archer Capital Fund, L.P., a Delaware limited partnership (the “**Archer Onshore Fund**”), Archer Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the “**Archer Offshore Fund**”), , and Archer Capital Master Fund, L.P., a Cayman Island exempted limited partnership (the “**Archer Master Fund**,” and collectively with the Archer Onshore Fund and the Archer Offshore Fund, the “**Archer Funds**”). The Archer Onshore Fund and the Archer Offshore Fund generally make investments directly, or indirectly through a special purpose entity, into the Archer Master Fund.

We also serve as the investment manager to the Select Mandate Funds (as hereinafter defined), which are comprised of Archer Select Mandate Master Fund, L.P., a Delaware limited partnership and Archer Select Mandate Fund, Ltd., a Cayman Islands exempted company (collectively, the “**Select Mandate Funds**”), the Hastings Funds (as hereinafter defined), which are comprised of Hastings Fund, L.P., a Delaware limited partnership, Hastings Offshore Fund, Ltd., a Cayman Islands exempted company, and Hastings Master Fund, L.P., a Cayman Islands exempted limited partnership (collectively, the “**Hastings Funds**”), the Portico Funds (as hereinafter defined) which are comprised of Archer Portico L.P. and Portico Direct L.P., Delaware limited partnerships, and Portico Direct, Ltd., a Cayman Islands exempted company (collectively, the “**Portico Funds**”), and the Select Dislocation Funds (as hereinafter defined) which are comprised of Archer Select Dislocation Master Fund, L.P, a Cayman Island exempted limited partnership, Archer Select Dislocation Fund, Ltd., a Cayman Islands exempted company, and Archer Select Dislocation Fund, L.P. a Delaware limited partnership (collectively, the “**Select Dislocation Funds**”). Archer Select Mandate Fund, Ltd. generally makes investments through Archer Select Mandate Master Fund, L.P. Hastings Fund, L.P. and Hastings Offshore Fund, Ltd. generally make investments through Hastings Master Fund, L.P. Portico Direct L.P. and Portico Direct Ltd. generally make investments through Archer Portico L.P. Archer Select Dislocation Fund, Ltd. and Archer Select Dislocation Fund, L.P. generally make investments through Archer Select Dislocation Master Fund, L.P. The Select Mandate Funds, Hastings Funds, Portico Funds and Select Dislocation Funds are pooled investment vehicles which we established for particular investment advisers and their clients.

From time to time, we or an affiliate serve as the investment manager to various other pooled investment vehicles, including special purpose vehicles which are in “wind down” or liquidation mode, and pooled investment vehicles that hold one or more real estate assets or other investments (the “**Other Pooled Investment Vehicles**”). The Other Pooled Investment Vehicles comprise less than ten percent of our assets under management. The terms and conditions pertaining to the provision of investment advisory services are set forth in the applicable Offering Documents (as defined below) for the Other Pooled Investment Vehicles.

Throughout this brochure, we refer to the Archer Funds, the Hastings Funds, the Select Mandate Funds, the Portico Funds and the Select Dislocation Funds collectively as our “**Funds**,” and the Funds and the Other Pooled Investment Vehicles collectively as our “**Clients**.”

Our principal owners are Joshua A. Lobel and Eric J. Edidin who own their interests in the Adviser indirectly through one or more entities.

B. Description of Advisory Services

As an investment adviser, 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 also provide certain administrative services to our Clients or arrange for such services to be provided by third parties. We refer to all of these services as “**investment advisory services**.” We generate all of our advisory fees from investment advisory services.

We do not limit the types of investment advisory services we offer and there are no material limitations on the types of securities in which we may invest on behalf of our Clients. We may invest in any type of security and any sector of the market that we consider to be appropriate to carry out the overall objectives of our Clients. The foregoing is subject to the provisions of the relevant investment management agreement or similar agreement (the “**IMA**”), offering memorandum, subscription agreement, limited partnership agreement and other organizational documents, as applicable (collectively with the IMA, the “**Offering Documents**”). Pursuant to the IMA, the Adviser is granted discretion to trade the accounts of its Clients without obtaining the Clients’ consent to each particular transaction (subject to the investment guidelines, policies or restrictions, if any, imposed by the Client in an IMA).

The investment objective of the Funds, generally, is to achieve superior risk-adjusted returns over the business cycle primarily by investing in middle-market distressed and special situations debt and equity securities. The investment objectives and restrictions of the Funds may vary by target position sizes, portfolio concentration and exposures, projected holding periods and other factors. Our investment advisory services, including our objectives, strategies and policies, may evolve over time based on conditions and trends in the financial and securities markets and the economy in general.

C. Availability of Customized Services for Individual Clients

We tailor our investment advisory services to the individual needs of each of our Clients. The Offering Documents provide detailed descriptions of each Client’s investment objectives and may contain investment guidelines, policies, or restrictions. In addition, the Adviser may enter into agreements with certain Clients (or underlying investors) that may, in each case, provide for investment terms that are more favorable to the terms provided to other Clients (or underlying investors). Such terms may include the waiver or reduction of management and/or incentive fees, the provision of additional information or reports, more favorable transfer rights, and more favorable liquidity rights, in each case as may be permitted by and disclosed in the relevant offering documents.

D. Wrap Fee Programs

We do not participate in any wrap fee programs.

E. Assets Under Management

As of March 1, 2014, we had approximately \$1,599,000,000 in regulatory assets under management on a discretionary basis, and no regulatory assets under management on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

A. Advisory Services and Fees

We or our affiliate receive management fees and performance-based incentive fees or allocations from our Clients in consideration for the investment advisory services we provide in accordance with the terms set forth in the relevant Offering Documents.

Our standard fee schedule for Clients is comprised of (i) an annual base management fee ranging from one and one half percent (1.5%) to two percent (2.0%) of net asset value; and (ii) an incentive fee or allocation ranging from sixteen percent (16%) to twenty percent (20%) based on net capital appreciation. The performance-based fees or allocations may be subject to a loss carryforward provision or a hurdle rate. In limited instances, the base management fee may be reduced if the Client's net asset value exceeds a certain threshold.

Certain Clients or investors may invest on terms that differ from the terms generally applicable to other Clients or investors. Such differing terms may be more favorable than the terms provided to other Clients (or underlying investors) and may include, but are not limited to: (i) the ability to withdraw or redeem capital, (ii) access to information or reports, (iii) management and incentive fees and allocations, and (iv) special rights to make future investments. Further, we, in our sole discretion, may reduce, waive, assign, participate or otherwise share the management fees or performance-based fees or allocations. Modification of these terms may, in some cases, be based upon, among other things, the amount of an investor's investment, an agreement by an investor to maintain such investment for a specified period of time or other commitments by an investor. Additionally, our officers and employees may invest on terms that are more advantageous than those of our Clients (or underlying investors).

For a more complete discussion of our advisory fees, Clients and investors should refer to the applicable Offering Documents.

B. Payment of Fees

The Offering Documents govern the terms of compensation and the manner in which we are compensated by each Client. We typically deduct our management fees quarterly in advance as of the beginning of each calendar quarter, and book our incentive allocation or fee at the close of each fiscal year.

C. Additional Expenses and Fees

Operating Expenses. The Offering Documents provide that our Clients will generally bear the legal, accounting, regulatory, insurance (including directors and officers liability insurance) and administration expenses associated with the organization and operation of the corresponding investment vehicle(s). Operating expenses generally include costs and expenses directly related to portfolio investments or prospective investments (whether or not consummated), such as investment research and due diligence costs, brokerage commissions, interest on debit balances or borrowings, fees due to unaffiliated advisors and consultants, specific expenses incurred in obtaining and maintaining systems, research and other information

utilized with respect to our Clients' investment programs and any withholding or transfer taxes imposed on our Clients.

In addition, our Clients may incur certain charges imposed by custodians, brokers, and other third parties, including custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our management fees are generally exclusive of such brokerage commissions, custody fees, fund or investment vehicle expenses, transaction fees, and other related costs and expenses. We do not receive any portion of these commissions, fees, and costs and will not receive a brokerage commission or any other compensation attributable to the sale of securities or other investment products. For a detailed discussion of our brokerage practices, please see Item 12, "Brokerage Practices."

Termination and Indemnification. The IMAs typically provide that either the Adviser or the Client may terminate the agreement, without penalty, with thirty (30) to ninety (90) days prior written notice, depending on the Client provided that, in limited instances, the Adviser may be entitled to receive a lump sum payment of management fees, if any, in the event of an early termination by the Client. In addition, the IMAs typically provide for the indemnification of the Adviser, its members, directors, employees and officers from and against any expense, loss, liability or damage arising out of any claim asserted or threatened to be asserted in connection with the provision of the investment advisory services. The indemnification typically will not apply to the extent of the Adviser's breach of fiduciary duty, willful misconduct, bad faith, recklessness, gross negligence except to the extent such exculpation and indemnity may be inconsistent with the requirements of the U.S. securities laws, ERISA, if applicable, or any other applicable law.

Trade Errors. The Adviser endeavors to minimize losses to Clients in relation to trade errors. As a general matter, trade errors that result in gains are credited to the affected Client(s). In the case of trade errors that involve a loss to a Client, the CCO will consult with our senior management, and outside legal counsel, as appropriate, regarding the nature of the trade error, the facts and circumstances surrounding the trade error, and whether the loss should be attributed to the Client or the Adviser based on the applicable Client's IMA including the standard for indemnification set forth therein.

For a more complete discussion of our Clients' expenses, Clients and investors should refer to the applicable Offering Documents.

D. Prepayment of Fees

If a Client pre-pays a management fee and then terminates the IMA before the end of the applicable billing period, the Client may obtain a refund of any unearned portion of the management fee (prorated for the partial period) provided that, in limited instances, the Adviser may be entitled to receive a lump sum payment of management fees, if any, in the event of an early termination by the Client. Further, except in the case of the Select Mandate Funds, Fund investors may generally withdraw or redeem investments on a quarterly basis as of the last day of each fiscal quarter, upon ninety (90) days' written notice. In connection with such withdrawals or redemptions, Fund investors will generally be credited with a refund of any unearned portion

of the management fee (prorated for the partial period) as may be specified in the relevant Offering Documents.

E. Additional Compensation and Conflicts of Interest

Neither we nor our supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

While the specific terms vary by Client, we or an affiliate typically receive a base management fee and may receive a performance-based incentive fee or allocation in exchange for our provision of investment advisory services. We do not charge Clients any other type of fee, such as an hourly or flat fee. The terms and conditions of our fee arrangements are subject to individualized negotiations, and are structured in accordance with Section 205(a)(1) of the Advisers Act, which permits performance-based fee arrangements with “qualified clients” as defined in Rule 205-3 of the Advisers Act. For a description of our fees, please see Item 5, “Fees and Compensation.”

Conflicts Relating to Performance Fees

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we might otherwise recommend in the absence of such an arrangement. In the allocation of investment opportunities, performance based fee arrangements may also create an incentive for us to (i) favor Clients with performance or incentive fee arrangements over Clients that are not charged, or from which we will not receive, a performance fee; and (ii) favor Clients from which we will receive a greater performance fee over Clients from which we will receive a lesser performance fee. We have adopted an order aggregation and trade allocation policy (the “**Aggregation and Allocation Policy**”) 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 Clients.

Pursuant to the Aggregation and Allocation Policy, to ensure fairness in the allocation of investment opportunities, we will generally allocate investment opportunities pro rata with regard to the suitability of such investments to each Client. In determining the suitability of each investment opportunity for each Client, consideration is given to a number of factors, the most important being the Client’s investment objectives, strategies, and guidelines, existing portfolio composition, and cash levels, as well as legal, tax, and regulatory considerations. Where an investment opportunity is suitable for two or more Clients, we allocate such investment opportunity in a manner to ensure that Clients have equal access to the same quality and quantity of investment opportunities. We also allocate trades in a manner consistent with achieving target position sizes within any individual Client as well as across all of our Clients. The target position sizes may vary based on the strategy or investment objectives of any individual Client. In general, allocations are made on a pro-rata basis, with consideration given to the other factors described above.

ITEM 7

TYPES OF CLIENTS

We currently provide investment advisory services to private investment vehicles that are offered to institutional investors, as well as high net worth, financially sophisticated individual investors. Our investment advisory services are generally intended for endowments, pension funds, family offices, trusts and estates, financially sophisticated individual investors and institutional investors, and pooled investment vehicles.

The minimum account size necessary to open and maintain an account with us varies by Client and type of client. For instance, we have set a minimum investment of at least \$2,000,000 for the Archer Funds, but we may require a different amount, or waive the minimum investment, depending on a variety of factors, including the investor's size, investment strategy, and level of required portfolio servicing.

Investors in the Funds and the Other Pooled Investment Vehicles must generally be "accredited investors" as defined in Rule 501(a) of Regulation D of the Securities Act of 1933, as amended; and may also need to be "qualified purchasers" within the meaning of the Investment Company Act of 1940.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

We generally pursue a middle-market distressed and special situation investment strategy by investing on behalf of our Clients in a wide range of financial instruments and securities, including syndicated bank debt, high yield bonds, non-performing distressed fixed income securities, equities and convertible securities. In addition, we may invest in mortgage notes, trade claims, leases, privately-sourced bank debt, non-performing loan portfolios, and other equity and credit instruments. At appropriate times in the cycle, we target investments in distressed securities where ownership positions in enterprises can be created at significant discounts to long-term intrinsic value and active involvement in restructuring may be used as a catalyst to value realization.

B. Risk of Loss

Investing in securities involves risk of loss that Clients and investors should be prepared to bear. There can be no assurance that our investment program will be successful or that investments purchased by Clients will increase in value. We utilize investment techniques, which practices can, in certain circumstances, increase the adverse impact to which our Clients may be subject. Investors should carefully review this brochure and the applicable Offering Documents before deciding to invest with us.

Risk Factors

Diversification. Since our Clients' portfolios will not necessarily be widely diversified, the investment portfolio of our Clients may be subject to more rapid changes in value than would be the case if our Clients were required to maintain a wide diversification among companies, securities and types of securities. This limited diversity could expose our Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in our Clients' investments.

Competition. There will be competition for investment opportunities by investment vehicles and others with investment objectives and strategies similar to those of our Clients. There can be no assurance that our Clients will be able to locate and complete investments which satisfy our Clients' objective or that our Clients will be able to invest fully its available capital.

Suspensions of Trading. Each securities exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension involving securities owned by our Clients would render it impossible for our Clients to liquidate positions and, accordingly, could expose our Clients to losses.

Projections. Our Clients may make investments relying upon projections developed by us or a portfolio company concerning such portfolio company's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond our control and the portfolio company in question. The inaccuracy of certain assumptions, the failure to satisfy

certain financial requirements and the occurrence of unforeseen events could impair the ability of a portfolio company to realize projected values and/or cash flow.

Board Participation and Creditors' Committees. We anticipate that our Clients' investment programs may from time to time enable our Clients to place our employees on creditors committees and/or boards of certain companies in which our Clients have invested. While such representation may enable us to enhance the value of our Clients' investments, it may also prevent our Clients from freely disposing of investments and may subject our Clients to additional liability. Our Clients will indemnify us and any other person(s) designated by us from claims arising from such board or committee representation. Our Clients will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise their rights with respect to such companies, but the exercise of such rights could produce adverse consequences in particular situations.

Potential Involvement in Litigation. As a result of our Clients' activities generally, including possible investments in distressed investments and the possibility that we may participate in restructuring activities, it is possible that our Clients may become involved in litigation, including litigation with respect to creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against our Clients and us, and ultimately judgments may be rendered against our Clients for which our Clients do not carry insurance. 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 our Clients. 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.

Leverage. Our Clients may leverage their portfolios through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to investors if our Clients earn a greater return on the incremental investments purchased with borrowed funds than they pay for such funds, the use of leverage decreases returns to investors if our Clients fail to earn as much on such incremental investments as they pay for such funds. Consequently, in the event our Clients leverage their portfolios, fluctuations in the market value of our Clients' portfolios will have a significantly greater effect in relation to our Clients' capital and the risk of loss and the possibility of gain will each be increased. Accordingly, the amount of borrowing which our Clients may have outstanding at any time, if any, may be large in relation to its capital. In addition, in the event our Clients utilize leverage, the level of interest rates generally and the rates at which our Clients can borrow in particular, will be an expense of our Clients and therefore affect the operating results of our Clients.

Our Clients may use short-term margin borrowing in funding investments. Such borrowing, if made, may result in certain additional risks to our Clients. For example, should the securities pledged to brokers to secure our Clients' margin accounts decline in value, our Clients could be subject to a "margin call," pursuant to which our Clients must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities and/or other investments to compensate for the decline in value. In the event of a sudden,

precipitous drop in value of our Clients' assets, our Clients might not be able to liquidate assets quickly enough to pay off their margin debt.

Interest Rate Fluctuations. The prices of portfolio investments tend to be sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the corresponding prices to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to our Clients of borrowed securities and leveraged investments.

Financial Fraud. Instances of fraud and other deceptive practices committed by senior management of certain companies in which our Clients invest may undermine our due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of our Clients' investments. In addition, when discovered, financial fraud may contribute to overall market volatility which can negatively impact our Clients' investment programs.

Market Conditions. Developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In the event of market turmoil and an overall weakening of the financial services industry, our Clients, their prime broker(s) and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on our Clients' business and operations. Moreover, market conditions have substantially reduced the availability of credit, which may have a material adverse effect on our Clients' ability to achieve their investment objectives with respect to any particular investment and/or our Clients' various portfolios, which could have a material adverse effect on our Clients' overall return objectives.

Market Disruptions. Our Clients may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets. The risk of loss from a disruption is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions. The financing available to our Clients from banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to our Clients. A sudden restriction of credit by the dealer community has historically resulted in forced liquidations and major losses for a number of investment funds and other vehicles. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for our Clients and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for our Clients to liquidate affected positions and thereby expose them to losses. There is also no assurance that off-exchange markets will remain liquid enough for our Clients to close out positions.

Financial Markets and Regulatory Change. The global financial markets have in recent years gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has, in certain cases, been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, as one would expect given the complexities of the

financial markets and the limited time frame within which governments have felt compelled to take action, these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. Legal, tax and regulatory changes could occur that may adversely affect our Clients. The regulatory environment for investment funds is evolving, and changes in the regulation of investment funds may adversely affect the value of investments held by our Clients and the ability of our Clients to obtain the leverage they might otherwise obtain or to pursue their trading strategies. In addition, the regulatory and tax environments for derivative and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by our Clients. The effect of any future regulatory or tax change on our Clients is impossible to predict and the effect of any future regulatory change on our Clients or us, could be substantial and adverse. There can be no assurance that we will be able, for financial reasons or otherwise, to comply with future laws and regulations.

Recent Developments in the Financial Services Industry. Recent developments in the U.S. financial markets have heightened the risks associated with the investment activities and operations of hedge funds, including without limitation, those resulting from a substantial reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of insolvency of prime brokers and other counterparties. In addition, in July of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“*Dodd-Frank*”) was passed which imposes many new requirements and restrictions on the financial services industry that may likely affect the business, operations and performance of hedge funds, such as increased reporting requirements, limitations on certain trading activity and regulatory oversight by different agencies, such as the newly created Financial Stability Oversight Counsel. Even with the passage of Dodd-Frank, the implications of its passage for the hedge fund industry as a whole still remain somewhat unclear. The hedge fund industry may continue to be adversely affected by the recent developments in the financial markets in the U.S. and abroad, and any future legal, regulatory, or governmental action and developments in such financial markets and the broader U.S. economy could have an adverse effect on our Clients business, operations and performance.

Uncertain Exit Strategies. Due to the illiquid nature of some of the investments which our Clients expect to make, we are unable to predict with confidence what, if any, exit strategy will ultimately be available for any given position. 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.

Dependence on the Adviser. The authority to make decisions and to exercise investment discretion on behalf of our Client is delegated to us. The success of our Clients therefore significantly depends on the expertise of our principals and certain other of our key personnel. Therefore, the death, disability or departure from our business of our principals or other key personnel could materially adversely affect our Clients, including by triggering a termination event under our Offering Documents or a material number of investor withdrawals or redemptions.

Lack of Liquidity of Investments; Distributions in Kind of Illiquid Securities. The investments made by our Clients may be very illiquid, and consequently our Clients may not be able to sell such investments at prices that reflect our assessment of their value or the amount paid for such investments by our Clients. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by our Clients and other factors. Furthermore, the nature of our Clients' investments, especially those in financially distressed companies, may require a long holding period prior to profitability. If our Clients experience higher than expected withdrawals, our Clients may have difficulty realizing on their investments and may be forced to sell higher rated or more liquid securities, resulting in a decline in the overall credit quality of our Clients' portfolios and increasing the exposure of our Clients to the risks of illiquid securities. Furthermore, our IMA and Offering Documents typically authorize us to make distributions in kind of securities (which may include, without limitation, interests in one or more special purpose vehicles holding assets of our Clients or participation therein) in lieu of or in addition to cash to satisfy withdrawals. In the event we make distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

Foreign Currencies and Investments. Investing in foreign issuers involves certain considerations comprising of both risks and opportunities not typically associated with investing in United States issuers. These considerations include changes in exchange control regulations, political and social instability, expropriation, imposition of withholding and other foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, different legal systems with less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Although we intend that most of our Clients' investments will be U.S. dollar denominated, Client investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We intend, but are under no obligation, to employ hedging techniques to reduce these risks, but there can be no assurance that such strategies will be effective.

High Yield, Low or Unrated Securities. Our Clients may invest in "high yield" bonds and preferred stock or unrated debt securities which are unrated or rated in the lower categories by the various credit rating agencies. Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities,

whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Distressed Securities. Our Clients may purchase, directly or indirectly, securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization or liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result such securities may have to be held for an extended period of time. A wide variety of considerations exist, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit our access to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect 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 their entire investment or may be required to accept cash or securities with a value less than our Clients' original investment.

Defaulted Securities. Our Clients may invest in the securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject our Clients to litigation risks or prevent our Clients from disposing of securities. In a bankruptcy or other proceeding, our Clients as creditors may be unable to enforce their rights in any collateral or may have their security interests in any collateral challenged, disallowed or subordinated to the claims of other creditors. While our Clients will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that our Clients will be able to successfully defend against them.

Post-Reorganization Securities. Post-reorganization securities typically entail a higher degree of risk than investments in securities of companies which have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring.

Investments in Undervalued Assets. Our Clients may invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from our Clients' investments may not adequately

compensate investors for the business and financial risks assumed. An investor should be aware that it may lose all or part of its investment in our Clients.

In addition, our Clients may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of our Clients' capital would be committed to the assets purchased, possibly preventing our Clients from investing in other opportunities. In addition, our Clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Fixed Income Securities. Fixed income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

Small to Medium Cap Securities. Our Clients may invest a portion of their assets in the securities of companies with small- to medium-sized market capitalizations that the Manager believes have potential for capital appreciation significantly greater than that of the market averages. These companies may have limited product lines, markets or financial resources, and may be dependent on a limited management group. Such securities, particularly smaller-capitalization securities, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of micro- and small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some micro- and small-capitalization securities, an investment in those securities may be illiquid.

Convertible Instruments. Our Clients may invest in convertible instruments. A convertible instrument is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. Our Clients may invest in convertible instruments that have varying conversion values. If a convertible instrument held by our Clients is called for redemption, our Clients will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and will hold the stock to the extent that we determine that such equity investment is consistent with the investment objectives of our Clients. If our Clients hold a convertible bond that its issuer redeems, this could adversely affect our Clients' ability to achieve its investment objective. Some convertible securities may be convertible only upon the occurrence of certain contingencies. If these contingencies fail to occur, this could also adversely affect our Clients' ability to achieve their investment objectives.

Convertible bonds are bonds that can be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. The holder of a convertible bond typically receives interest or a dividend until the security matures or is converted or exchanged. Convertible bonds are unique in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (2) are less subject to fluctuation in value than

the underlying security due to their fixed-income characteristics; and (3) provide potential for capital appreciation if the market price of the underlying security increases.

The value of a convertible security is a function of its “investment value” and its “conversion value.” A convertible security’s investment value is determined by its yield in comparison to yields of other securities of comparable maturity and quality that do not have a conversion privilege. Changes in interest rates influence a convertible security’s investment value. Investment values decline as interest rates increase and vice versa. The issuer’s credit standing and other factors may also affect the convertible security’s investment value. A convertible security’s conversion value is determined by the market price of the underlying security. If the conversion value is low relative to the investment value, then the investment value principally governs the price of the convertible security. As the market price of the underlying security approaches or exceeds the conversion price, the conversion value will increasingly influence the price of the convertible security.

Commodities and Futures. Our Clients may trade on a limited basis in commodities and futures. Such trading activity is regulated by the Commodity Futures Trading Commission (the “*CFTC*”). Pursuant to an exemption from registration under CFTC regulations, we are not required to register, and are not registered, with the CFTC or the National Futures Association (“*NFA*”) as a commodity pool operator (a “*CPO*”) or as a commodity trading advisor (“*CTA*”). To comply with the exemption, we are subject to specific limitations on the amount of commodities and futures that we can trade on behalf of our Clients. Should our Clients’ investments in commodities or futures instruments exceed the limits provided by the applicable exemption from registration, we will either have to register with the NFA or cease providing commodity interest trading advice to our Clients and liquidate our Clients’ holdings of commodities and futures which could result in losses and additional costs to our Clients.

Counterparty Risk. Counterparty risk arises from each party with whom our Clients contract for the purpose of making derivative investments (the “*Counterparty*”). In the event of the Counterparty’s default, our Clients will typically only rank as unsecured creditors and risk the loss of all or a portion of the amounts they are contractually entitled to receive.

Short Sales. Short sales by our Clients create opportunities to increase our Clients’ return but, at the same time, involve special risk considerations and may be considered a speculative technique. Since our Clients will profit from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, the value of investments will tend to increase more when the securities it has sold short decrease in value, and to decrease more when the securities it has sold short increase in value, than otherwise would be the case if it had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may increase continuously. Under adverse market conditions our Clients might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

Derivative Instruments. We may use various derivative instruments, including options, forward contracts, swaps and other derivatives that may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting

fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following:

- *Tracking.* When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent us from achieving the intended hedging effect or expose our Clients to the risk of loss.
- *Liquidity.* Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets we may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative positions limits on exchanges on which we may conduct transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting our Clients to the potential for greater losses.
- *Leverage.* Trading in derivative instruments can result in large amounts of synthetic leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by our Clients and could cause our Clients' net asset value to be subject to wider fluctuations than would be the case if we did not use derivative instruments that provide leverage.
- *Over-the-Counter-Trading.* Derivative instruments that may be purchased or sold by our Clients include instruments not traded on an exchange. Over-the-counter options, unlike exchange-traded options, are bilateral contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which we can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Options. When purchasing an option, our Clients run the risk that they will lose their entire investment in the option in a relatively short period of time, unless our Clients exercise the option or enter into a closing transaction with respect to the option during the life of the option. If the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, our Clients will lose part or all of their investment in the option. There is no assurance that our Clients will be able to affect closing transactions at any particular time or at any acceptable price.

Credit Default Swaps. A credit default swap ("*CDS*") is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if the underlying credit instrument (typically a bond or loan) experiences a negative credit event, for example, a default, restructuring, or bankruptcy. Generally an investor would buy a CDS

if it expects the underlying credit to deteriorate or to protect against such potential deterioration, and would sell a CDS if it expects the underlying credit to improve.

CDS contracts have been compared with insurance, because the buyer pays a premium and, in return, receives a sum of money if one of the events specified in the contract occurs. However, there are a number of differences between CDS and insurance, for example:

- the buyer of a CDS does not need to own the underlying security or other form of credit exposure; in fact the buyer does not even have to suffer a loss from the negative credit event. In contrast, a buyer of traditional insurance, must have an insurable interest such as owning a debt obligation;
- the seller of a CDS need not be a regulated entity;
- the seller of a CDS is not required to maintain any reserves to pay off buyers, although major CDS dealers are subject to bank capital requirements;
- in the United States, CDS contracts are generally subject to mark to market accounting and to collateral calls.

Enhanced Regulation of Short Sales and CDSs. Short sales and CDSs are subject to the provisions of the EU Regulation on Short Selling and certain aspects of CDSs (the “*Short Selling Regulation*”), which was published in the Official Journal of the European Union on March 24, 2012. The Short Selling Regulation introduces restrictions and disclosure requirements for persons taking short positions in EU shares and sovereign bonds, and prohibits entering into uncovered CDSs in relation to EU sovereign debt (i.e., where the investor does not have an exposure that it is seeking to hedge either to the sovereign debt itself or to assets or liabilities whose value is correlated to the sovereign debt). In addition, the Short Selling Regulation permits the competent authorities of EU Member States to prohibit or restrict short sales, limit sovereign CDSs and impose emergency disclosure requirements, among other things, during times of stressed markets. Competent authorities may also restrict short sales of individual financial instruments which have suffered a significant fall in price in a single day. The provisions of the Short Selling Regulation may hinder our Clients’ investment program by preventing them from taking positions that we consider to be favorable. They may also result in overvaluations of certain financial instruments due to restrictions on market efficiency. In addition, the emergency powers granted to competent authorities during times of stressed markets and with respect to individual financial instruments may adversely affect our Clients by preventing them from taking hedging positions or other positions that we consider to be in their best interests. The imposition of emergency measures under the Short Selling Regulation could, therefore, result in substantial losses to our Clients.

Enhanced Regulation of Swaps. The recently enacted Wall Street Transparency and Accountability Act of 2010 (the “*WSTAA*”) will, subject to exceptions for certain hedges, (1) require swaps accepted for clearing by a derivatives clearing organization (a “*DCO*”) or for trading through a designated contract market or swaps-execution facility to be so cleared and traded; (2) require margin for almost all swap transactions; (3) subject traders with a “substantial position” in swaps to registration and regulation requirements as a “major swap

participant” or “swap dealer;” and (4) impose position limits on swaps either individually or in the aggregate with respect to positions in commodity-futures contracts. Due to the new requirements imposed by the WSTAA, our Clients may experience increased transaction costs to pay for the clearing, execution and segregation obligations. In addition, margin requirements may increase once margin is set by DCOs with input from the CFTC, which may limit our Clients’ ability to engage in leverage and limit our Clients’ returns. The application of position limits to swap contracts may also limit our Clients’ ability to concentrate in any particular contract or exposure to an underlying commodity and may negatively impact our Clients’ ability to take advantage of current market trends or conditions. Any tightening in the market for swaps may significantly impact our Clients and its returns. In addition, if our Clients were deemed to be swap dealers or major swap participants under WSTAA, our Clients may be required to register with the CFTC and would be subject to a number of regulatory requirements that would significantly impact our Clients’ legal obligations and returns.

Asset-Backed Securities. Asset-backed securities are securities backed by assets other than mortgages or other mortgage-related assets. Credit card receivables, automobile and recreational vehicle loans, student loans, equipment leases, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, royalty streams and various types of accounts receivable commonly support asset-backed securities. Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, asset-backed securities do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and credit card debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give debtors the right to set off certain amounts owed on the credit cards, reducing their balance due. The risk of investing in asset-backed securities is ultimately dependent upon payment of consumer loans by the debtor. The collateral supporting asset-backed securities is usually of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. The value of an asset-backed security is affected by changes in the market’s perception of the assets 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.

Commercial Mortgage-Backed Securities. Commercial mortgage-backed securities are interests in packages of mortgage loans that are backed by commercial property, such as apartments and retail shops. Typically, mortgage loans on commercial properties are structured so that a substantial portion of the loan principal is payable at maturity (rather than during the course of the loan term). Thus, repayment of the loan principal often depends on the future availability of real estate financing and/or the future value and salability of the real estate. If real estate financing is unavailable at that time or borrowers are unwilling to refinance or dispose of encumbered property to pay off the loans, the loans may go into default. Most commercial mortgage loans underlying mortgage-backed securities are nonrecourse obligations, which means that there is no recourse against the borrower other than confiscating and selling the property (foreclosure). Foreclosure can be costly and delayed by litigation or bankruptcy. When considering factors such as the property’s location, the legal status of title to the property, the property’s physical condition and financial performance, environmental risks and governmental disclosure requirements with

respect to the property's condition, a third party may be unwilling to purchase the property at a foreclosure sale or pay a price sufficient to satisfy all of the borrower's obligations. In addition, the borrower may retain revenues from the underlying property or use the revenues to pay others. Diverted revenue generally cannot be recovered without a court-appointed receiver to control cash flow related to the property.

Distressed Mortgage-Backed Securities. We may purchase securities backed by mortgage loans on which the borrowers are or were having trouble making payments. These mortgage-backed securities may include loans in default or loans that may have a greater than normal risk of future defaults, delinquencies, bankruptcies or losses due to fraud. Returns on investments in mortgage-backed securities depend on the borrowers' ability to make required payments and, if a borrower defaults, the ability of the loan servicer to foreclose and liquidate the underlying mortgage loans.

Lending Risks. Certain of our Clients may originate as well as invest in loans. Such lending activities entail the following risks:

- *General Credit Risks.* Our Clients may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and the priority of any liens are each of great importance (although our Clients may invest in subordinate or second priority liens). There is no assurance that our Clients will correctly evaluate the value of any assets collateralizing the 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 have invested, our Clients may lose all or part of the amounts advanced to the borrower. We cannot guarantee the adequacy of the protection of our Clients' interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, we cannot assure that claims may not be asserted that might interfere with enforcement of our Clients' rights. In the event of a foreclosure, our Clients or an affiliate of our Clients may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to our Clients. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property may further reduce the proceeds and thus increase the loss.
- *Lower Credit Quality Loans.* There are no restrictions on the credit quality of our Clients' loans. Loans in which our Clients invest may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans which our Clients may invest have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of these loans also tend to be more sensitive to changes in economic conditions than better quality loans. In certain instances, loans may lack liquid markets.

- *Lender Liability Considerations.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of our Clients’ investments, our Clients could be subject to allegations of lender liability.
- *Equitable Subordination.* Lenders to companies operating in workout modes or under Chapter 11 of the Bankruptcy Code are, in certain circumstances, subject to certain potential liabilities. Under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (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 to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of our Clients’ investments, our Clients could be subject to claims from creditors or shareholders of an obligor that investments issued by such obligor that are held by our Clients should be equitably subordinated. A significant number of our Clients’ investments may involve investments in which our Clients would not be the lead creditor. Accordingly it is possible that lender liability or equitable subordination claims affecting our Clients’ investments could arise without the direct involvement of our Clients.
- *Fraud.* Of paramount concern in investing in loans 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 effectuate a lien on the collateral securing the loan. Our Clients will rely upon the accuracy and completeness of representations made by borrowers to the originator of such loans to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to our Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Bank Loans and Participations. There are special risks associated with investments in bank loans and participations in bank loans, which include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws, (ii) so-called lender-liability claims, (iii) environmental liabilities that may arise with respect to collateral securing the obligations and (iv) limitations on the ability of our Clients to directly

enforce their rights with respect to participations. Successful claims by third parties arising from these and other risks, absent gross negligence or willful misconduct, will be borne by our Clients.

Other Investments. Our Clients may from time to time undertake other kinds of investments, including, without limitation, special situation equities, emerging market debt securities, private debt or equity securities, warrants, real estate securities and risk arbitrage, and trade claims which involve special risks. Special situation equities are event driven, and may be subject to greater volatility than other equity securities. Emerging market debt securities are not required to meet any rating standards and may not be rated for creditworthiness by any internationally recognized credit rating organization. Emerging market debt securities rated in the lower and lowest rating categories of internationally recognized credit rating organizations and unrated securities of comparable quality are predominantly speculative with respect to the capacity to pay interest and repay principal in accordance with their terms, and generally involve a greater risk of default and volatility in price than securities in higher rating categories. Real estate securities may be subject to the risks associated with direct ownership of real estate, including market, credit and regulatory risks. Risk arbitrage is subject to high risk because of the uncertainty of the outcome of an arbitrage situation, which may depend on the outcome of litigation, changes in the terms of a transaction or regulatory developments or actions. If our evaluation of an anticipated outcome of an arbitrage situation should prove incorrect, our Clients could experience substantial losses as a result of a decline in the market value of securities in which our Clients holds a long position or an increase in the value of securities in which our Clients holds a short position or both.

Portfolio Turnover. Our Clients are not restricted in effecting transactions by any specific limitations with regard to their portfolio turnover rate. Our Clients' investment policies might result in substantial portfolio turnover. Portfolio investments may be sold for a variety of reasons, such as a more favorable investment opportunity or other circumstances bearing on the desirability of a continued position in such investments. A high rate of portfolio turnover involves correspondingly greater brokerage commissions, which will be borne directly by our Clients.

Distributions. Although we may make periodic distributions of portfolio income in our sole discretion, our Clients do not generally intend to pay distributions. Thus, an investment in our Clients is not suitable for investors seeking current distributions of income. Moreover, an investor will be required to report and pay taxes on its allocable share of income from our Clients, even though no cash may be distributed by our Clients.

Tax Considerations. Our Clients may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the Internal Revenue Service, an investor in our Clients might be found to have a different tax liability for that year than that reported on its federal income tax return. In addition, an audit of our Clients may result in an audit of the returns of some or all of the investors, which examination could result in adjustments to the tax consequences initially reported by our Clients and affect items not related to an investor's investment in our Clients. If such adjustments result in an increase in an investor's federal income tax liability for any year, such Limited Partner may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with

any audit of our Clients' tax return will be borne by our Clients. The cost of any audit of an investor in our Clients's tax return will be borne solely by such investor.

The foregoing risk factors do not purport to be a complete explanation of all of the risks associated with an investment in our Clients. Prospective investors should read the applicable Offering Documents for a more complete discussion of the particular risks associated with such investments. In view of the foregoing considerations, an investment in our Clients is suitable only for investors who are capable of bearing the relevant investment risks.

C. Recommendation of a Particular Type of Security

Although we have broad discretion in making investments, our Clients' investments will typically include corporate loans, bonds and equity securities, sovereign debt, commodities and derivatives referencing such instruments. For additional information including a description of our investment strategy, please see Item 4.B, "Description of Advisory Services."

ITEM 9
DISCIPLINARY INFORMATION

To the best of 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

Neither we nor our management personnel (i) are registered as broker-dealers, or (ii) 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

Neither we nor our management personnel (i) are registered with the Commodity Futures Trading Commission as futures commission merchants, commodity pool operators or commodity trading advisors, or (ii) have any application pending for such registrations.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our affiliates and principals are material to our advisory business and may raise conflicts of interest. Our affiliates and principals currently, and may in the future, manage investment funds, accounts, or other investment vehicles with investment objectives similar to those of our Clients, or serve or may serve as officers, directors, or principals of entities that operate in the same, or a related, line of business. Additionally, we have entered into agreements with Clients in which our principals and other employees have or may have ownership and financial interests. These Clients may have similar or overlapping investment objectives. To address conflicts of interest (actual and apparent) and to fulfill our fiduciary duties to each of our Clients, among other things, we allocate investment opportunities in a manner that is fair and equitable over time and is consistent with our Aggregation and Allocation Policy so that no Client is disadvantaged in relation to any other Client.

Situations may arise in which Clients may seek to acquire or dispose of a position, but it is not possible under prevailing market conditions to do so for more than one Client at the same price that would be obtainable if the transaction were made for only one of Client. In such situations, whenever transactions are executed on behalf of multiple Clients, our policy is to seek an allocation of the investments among the participating Clients in such a manner that, to the extent feasible, no participating Client receives less favorable treatment than any other participating Client.

Further, in certain cases, an investment opportunity that is suitable for multiple Clients may not be capable of being shared among some or all of such Clients due to the limited availability of the opportunity or other factors. In situations where co-investment among multiple Clients is not permitted or appropriate, we will need to decide which Client account or accounts will proceed with the investment. We will make these determinations based on our Aggregation and Allocation Policy, which will generally require that such opportunities be offered to eligible Clients on a basis that will be fair and equitable over time. For a detailed discussion of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

From time to time, we or our affiliates may form and manage Other Pooled Investment Vehicles which may hold a single investment or single type of investment such as real estate assets, which are not offered to other Clients. Interests in Other Pooled Investment Vehicles may be offered to, among other persons, some, but not all of the underlying investors in our Clients. Before creating Other Pooled Investment Vehicles, we will determine (i) whether a particular investment opportunity is appropriate for our Clients, and (ii) to whom interests in the Other Pooled Investment Vehicles may be offered.

Conflicts Relating to Time and Resources of Investment Professionals

While our principals and employees will devote as much of their time to our respective Clients as is reasonably required to perform their duties, they will not devote their entire time and attention to the affairs of any particular Client or Clients, and plan to engage in investment activities, both for their own account and for all of our Clients. In light of the foregoing, we may have conflicts of interest in the allocation of time and resources of our personnel between and among our Clients. We have adopted Conflicts Procedures (as defined below) to address these types of conflicts.

Conflicts Relating to Our Financial Interests in Our Clients

We or our personnel may have investments in our Clients, the size of which may differ by Client. Further, as noted above, the type and amount of fees paid to us also differs among Clients. These differences in the financial interests in such Clients may raise conflicts of interest in the allocation of investment opportunities. We have adopted our Aggregation and Allocation Policy to address such conflicts. For a detailed discussion of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

Conflicts Relating to Material Nonpublic Information

Our personnel may serve as directors of, or in a similar capacity with, companies in which we invest on behalf of our Clients or in which we are considering such an investment. Additionally, from time to time, we enter into confidentiality agreements with companies or their representatives in connection with the conduct of due diligence of prospective investments. Through these and other relationships, we may obtain material nonpublic information that might restrict our ability to buy or sell the securities of such company on behalf of our Clients. In order to mitigate and limit the instances in which we will be subject to these restrictions, we have adopted a Confidentiality Policy that establishes controls with respect to the acceptance, use and handling of confidential information.

Conflicts Relating to Investments in Different Parts of the Capital Structure

We may invest in different classes of securities or other instruments of the same company having a different seniority in the company’s capital structure on behalf of our Clients based upon the particular investment objectives and strategies of such Clients. If Clients hold different classes of securities of a company and that company becomes insolvent or suffers financial distress, there may be a conflict between the interests of various Clients insofar as the company may be unable to satisfy the claims of all classes of its creditors and security holders. For

example, a senior debt holder may be better served by a liquidation of the company in which it will be paid in full, whereas a junior debt holder might prefer a reorganization that could create value for the junior debt holder. We have adopted Conflicts Procedures to address these types of conflicts.

Conflicts Relating to Service by Our Personnel to Portfolio Companies

Pursuant to the Code of Ethics, with the permission of our CCO, our personnel may serve as directors of portfolio companies, which may give rise to potential conflicts between our personnel's duties to the portfolio company and their duties to us and our Clients. We have adopted Conflicts Procedures to address these types of conflicts.

Conflicts Procedures

We have adopted our Code of Ethics (as hereinafter defined) and other policies and procedures to address potential conflicts among our various Clients (collectively, the “**Conflicts Procedures**”). These Conflict Procedures, which may be modified from time to time at our sole discretion, may require prior review or approval of certain transactions by the CCO and/or members of senior management. Additional procedures for addressing conflicts may be contained in the Offering Documents. With respect to certain conflicts of interest including affiliate transactions, the Offering Documents may provide for consultation regarding or approval of such transactions by a person or body such as a trustee, a board of directors, or an advisory committee comprised of representatives of certain of the underlying investors in a pooled investment vehicle. Our Conflicts Procedures, together with the provisions of relevant Offering Documents, may limit our ability to buy or sell a security or otherwise participate in an investment opportunity, or to take other actions that we might consider to be in the best interests of a Client and its underlying investors.

D. Material Conflicts of Interest Relating to Other Investment Advisers

We do not recommend or select other investment advisers for our Clients from whom we receive compensation, directly or indirectly, or have other business relationships with any such advisers that create a material conflict of interest.

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

A. Code of Ethics

As a fundamental mandate, we demand the highest standards of ethical conduct and care from all of our employees, officers and directors. Our senior management and employees, whom we collectively refer to in this brochure as our “personnel,” must abide by this basic business standard and must not take inappropriate advantage of their position with the Adviser. Our personnel are under a duty to exercise their authority and responsibility for the benefit of our Clients and our firm, and may not have outside interests that inappropriately conflict with the interests of our Clients and our firm. Our personnel must avoid circumstances or conduct that adversely affect, or that appear to adversely affect our Clients or us.

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics to establish applicable policies, procedures and guidelines that promote ethical practices and conduct by all of our personnel and to prevent violations of the Advisers Act. Our Code of Ethics is predicated on the principle that we owe a fiduciary duty to our Clients. It consists of several policies primarily designed to address potential conflicts of interest, including a Personal Investment Policy, an Inside Information Policy, and a Gifts, Entertainment, Political Contributions and Outside Activities Policy.

Our personnel must observe the applicable standards of care set forth in our Code of Ethics and may not seek to evade the policies and procedures set forth therein in any way, including through indirect acts by family members or other associates. The obligations set forth in our Code of Ethics are in addition to, and not in lieu of, the policies and procedures set forth in our Employee Handbook and any other policies and procedures we adopt in respect of the conduct of our business. Our personnel must certify at least annually that they have read, understand, are subject to, and have complied with our Code of Ethics and our Regulatory Compliance Manual. Our personnel must comply with applicable federal securities laws and must report any improper or suspicious activity, including any suspected violations of our Code of Ethics and Regulatory Compliance Manual to the CCO.

We will provide a copy of our Code of Ethics, free of charge, to any Client or investor or any prospective client or prospective investor upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer at 212-319-2775 or compliance@archercm.com.

B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest; Conflict of Interests

Conflicts of interest may occur when we, our affiliates, or our personnel, 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. For example, we or our personnel may invest in the Funds, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Funds. In addition, in limited instances, our

personnel may own securities in their personal accounts that we also have recommended to or are owned by our Clients. Our Code of Ethics and the policies and procedures set forth therein have been designed to limit these conflicts of interest.

Cross Trades

Cross-trades are transactions between two clients of the same investment adviser, regardless of whether a broker-dealer is engaged to effect the transaction. Consistent with the Offering Documents and applicable law, we may utilize cross-trades to address account funding issues, save brokerage commissions or mark-ups/mark-downs, or for other bona fide portfolio management reasons. Under our policies and procedures, any proposed cross-trade must be advantageous to each of the Clients involved in the transaction and the proposed transaction must be pre-approved by the CCO and the board(s) of directors and/or the advisory committee of the participating Fund(s) or Clients, if and as applicable, in order to address potential conflicts of interest and ensure compliance with the Advisers Act.

Principal Transactions

In a principal transaction, an adviser, acting for its own account, buys a security from, or sells a security to, a client. It is our policy generally not to engage in principal transactions. If we are to engage in a principal transaction, we will do so in accordance with the requirements of Section 206(3) of the Advisers Act which requires, among other things, that an investment adviser provide written disclosure to a client and obtain the client's consent prior to settlement of any principal transaction.

C. Personal Trading Policy

As discussed above, our personnel must abide by our Code of Ethics. As a general matter, our personnel owe an undivided duty of loyalty to our Clients. Our personnel may not use their knowledge concerning a trade, pending trade, or contemplated securities transaction involving any Client, to profit personally as a result of such transaction, including by purchasing or selling such securities.

As required by Rule 204A-1 of the Advisers Act, our Code of Ethics mandates that our personnel disclose their personal securities holdings and transactions made in a "Reportable Security," as defined in our Code of Ethics. Pursuant to the Code of Ethics, our personnel provide our Chief Compliance Officer with (i) their personal securities holdings at the commencement of employment and annually thereafter, (ii) monthly or quarterly personal brokerage statements, and (iii) quarterly reports of any personal securities transactions involving Reportable Securities.

Our personnel are generally prohibited from purchasing or selling, for any personal accounts, any securities without pre-approval from our CCO and members of our senior management. Certain securities are exempt from this pre-approval requirement including: registered open-end mutual funds; U.S. Government securities; certificates of deposit; money market funds; currently performing bonds issued by a municipality, state, or local government; and Exchange Traded Funds (ETFs). In addition, our personnel are generally prohibited from trading in any issuer or securities held by our Clients.

Our Code of Ethics also contains policies and procedures to prevent the misuse of material nonpublic information by our personnel. Our Code of Ethics describes what constitutes “material” and “nonpublic” information, and outlines the penalties that our personnel are subject to if they trade on such information.

ITEM 12

BROKERAGE PRACTICES

A. Selection of Broker-Dealers and Reasonableness of Compensation

We have adopted a best execution policy and procedures in respect of our duty to obtain “best execution” for our Clients’ securities transactions. The duty of best execution is not defined in the federal securities laws; rather it is based largely on common law fiduciary duty principles, court decisions and SEC no-action letters. To fulfill this duty, when applicable, an adviser generally must execute securities transactions in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC has stated that in deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. In seeking best execution, we consider the full range of the broker’s services, including the value of research provided and execution capability, commission rate, financial responsibility and responsiveness. The SEC has, however, indicated that an investment manager need not solicit competitive bids on each transaction.

Thus, as a starting point, we consider the trade price and imputed mark-up/mark-down. These things being equal or fairly equal among broker-dealers, the following qualitative factors, among others, may be considered: (i) liquidity of the securities traded and current market conditions; (ii) ability to maintain the confidentiality of trading intentions; (iii) ability to place trades in difficult market environments; (iv) quality and value of the research services provided; (v) execution facilitation services provided; (vi) timeliness of execution and trade confirmations; (vii) allocation of limited investment opportunities; (viii) frequency and correction of trading errors and fairness in resolving disputes; (ix) ability to access a variety of market venues; (x) expertise as it relates to specific securities; (xi) intermediary compensation (dealer spreads); (xii) financial condition and business reputation; and (xiii) gross compensation paid to each broker-dealer.

In the case of transactions involving illiquid debt or other instruments, the underwriter or agent bank of a particular debt issue may be the only market participant actually involved with the particular security and who would be willing or able to transact with us. In these cases, the Adviser’s ability to establish and quantitatively test the quality of its trade execution is necessarily limited.

1. Research and Other Soft Dollar Arrangements

We do not currently have any arrangements or commitments, formal or informal, to obtain or utilize research and related products or services obtained from broker-dealers, or third parties, on a traditional soft dollar commission basis. Nonetheless, we may in the future decide to select a broker-dealer based upon research and related products or services provided to us or our Clients. In such cases, such research and related products or services furnished by brokers will be limited to services that constitute “research” within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Accordingly, research and related products or services may include, but are not limited to, 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; and statistical and pricing services. The research and related products or services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. Research services obtained through the use of commissions arising from a Client's portfolio transactions may not only benefit such Client's trading, but may also be used by us in our other investment activities

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Adviser creates a conflict of interest between the Adviser and our Clients, because our Clients pay for such products and services that are not exclusively for their benefit. To the extent that the Adviser is able to acquire these products and services without expending its own resources, our use of "soft-dollars" would tend to increase our profitability. In addition, the availability of these non-monetary benefits may influence us to select one broker rather than another to perform services for our Clients.

In the last fiscal year, we acquired the following types of research and related products or services from brokers with whom we did business: 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; and statistical and pricing services.

2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we, or any of our Affiliates, receive client or investor referrals from a broker-dealer or other third party.

3. Directed Brokerage

"Directed brokerage" arrangements refer 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. Our policy and practice is to not permit directed brokerage arrangements at this time. In addition, while investors in the Funds are not considered Clients, it is our policy not to accept brokerage direction from any investor or potential investor in a Fund. If we change our policy on directed brokerage, we will adopt appropriate policies and procedures. Directed brokerage arrangements restrict 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 Clients

We have adopted an Aggregation and Allocation Policy to ensure that our Clients are afforded fair and equitable treatment when aggregating and allocating Client trade orders. For a

more detailed discussion of the allocation portions of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

As a general principle, we will only aggregate transactions when we believe that such an aggregation is lawful and consistent with our duty to seek best execution for our Clients, and is consistent with the pertinent Clients’ Offering Documents or any other obligation we may have undertaken with respect to each Client for which trades are being aggregated. In such cases, individual investment advice and treatment will be accorded to each Client, and we will not receive any additional compensation or remuneration of any kind as a result of the proposed aggregation.

ITEM 13

REVIEW OF ACCOUNTS

A. Periodic Review of Client Accounts

In connection with the review of our Clients' accounts, we have adopted a Portfolio Management Review Policy. Under this policy, all securities transactions effected by the Adviser on behalf of our Clients are reviewed and monitored daily by members of our senior management to ensure investment suitability and compliance with the Offering Documents and applicable investment guidelines. In addition, our CCO, in consultation with our portfolio managers, will periodically review our Clients' portfolios and performance in order to identify any irregularities and/or inappropriate positions. Furthermore, the CCO, in consultation with our senior management, outside legal counsel and/or professional advisers, as appropriate, will conduct reviews at least annually, in order to verify compliance with these policies.

B. Additional Review of Client Accounts

The portfolio managers and investment staff assist in risk assessment and review of Client accounts by monitoring risks arising from various factors including: (i) concentration of positions; (ii) regional exposure; (iii) sector exposure; (iv) liquidity; (v) Client or investor-imposed investment restrictions; (vi) leverage; and (vii) counterparty risk.

C. Contents and Frequency of Account Reports to Clients

Clients and underlying investors typically receive (i) audited financial statements and tax information necessary for completion of their tax returns; and (ii) monthly updates, quarterly reports and net asset value statements describing investment performance and/or net asset value for the relevant reporting period. We may also furnish additional information as Clients and underlying investors may reasonably request.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

We do not receive economic benefits from third parties for providing investment advice or other advisory services to our Clients.

B. Compensation to Non-Supervised Persons for Client Referrals

We have entered into solicitation agreements with third parties, including placement agents, pursuant to which we compensate persons who are not our supervised persons for Client referrals, or for introductions to persons who become investors in the Funds. We make cash payments or share a portion of our management or incentive fees with one or more of these solicitors. Our CCO, in consultation with outside legal counsel, as appropriate, reviews these arrangements to confirm compliance with applicable laws, rules and regulations. Placement agents that solicit or refer potential Clients or investors to us are subject to a conflict of interest because they will be compensated in connection with their solicitation activities.

ITEM 15 CUSTODY

Rule 206(4)-2 of the 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).

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

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, advisers 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 (or 180 days in the case of a fund of funds adviser) of its fiscal year end.

We are deemed to have custody of the funds and securities of the Funds and the Other Pooled Investment Vehicles and must, therefore, comply with the requirements of the Custody Rule. We intend to distribute the audited financial statements of the Funds and the Other Pooled Investment Vehicles 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

At the outset of an advisory relationship, we receive discretionary authority from Clients to select the identity and amount of securities to be purchased and sold by the Client. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives of the particular Client as may be set forth in the Offering Documents.

When selecting and determining the amounts of an investment, we observe the investment policies, limitations, and restrictions of the Clients we advise, as stated in the applicable investment advisory agreement or other applicable agreements. Our Clients may place limitations on our investment authority, including, without limitation, designating types of permitted investments or the percentage of permitted investments, or prohibiting certain types of investment activity. Such limitations, investment guidelines and restrictions must be provided in writing. Additionally, we may require that our Clients exercise a power of attorney in our favor.

If investments made in any of our Clients by entities that are “benefit plan investors” (i.e., employee benefit plans as defined in Section 3(3) of the Employment Retirement Income Security Act of 1974 (“ERISA”), (but excluding church plans, governmental plans and non-U.S. plans), arrangements described in Section 4975(e)(1) of the Internal Revenue Code, and entities the underlying assets of which include “plan assets”) were to equal or exceed 25% of the aggregate net asset value of the relevant Client, as applicable, such assets may be treated as “plan assets” for purposes of ERISA. In the event that the assets of any Client are considered to be “plan assets,” we would (i) have fiduciary duties and (ii) be required to avoid transactions prohibited by ERISA, in each case as prescribed under ERISA. Investments in the Select Mandate Funds and Portico Funds by entities that are “benefit plan investors” exceed 25% of the aggregate net asset value of the respective funds as of the date of this Part 2A of our Form ADV.

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 discretionary authority to vote our Client's securities. As such, we have adopted a Proxy Voting Policy (the "**Proxy Voting Policy**") and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations. The Proxy Voting Policy applies to voting securities held by our Clients and has been designed to ensure that we vote proxies in the best interest of our Clients. Additionally, because our Clients also invest in debt or lending instruments, the Proxy Voting Policy applies to proposed waivers and amendments to various lending transaction documents. For purposes of the Proxy Voting Policy, requests for waivers or amendments are treated as proxies.

When voting proxies and requests for waivers and amendments, our primary objective is to make decisions in the best interest of our Clients. In fulfilling our obligations to our Clients, we will act in a manner deemed to be prudent and diligent to enhance the economic value of the underlying securities held by each of our Clients. In acting upon these matters on behalf of our Clients, we will seek to avoid material conflicts of interest between our interests and the interests of our Clients.

Our portfolio managers are responsible for making voting decisions with regard to all of our Clients' proxies. When voting proxies, some, but not all, of our considerations include:

- the view and opinion of management of the portfolio companies in which our Client holds a position and the effect of management's position on the value of our Client's investment;
- with regard to corporate governance matters, the purpose underlying the Client's investment position, including the investment horizon and the current or planned ownership position and degree of our involvement, if any, on behalf of our Client, in management;
- with regard to proposals related to stock option plans and other management compensation issues, the company's need to recruit and retain highly qualified individuals in competitive labor markets and the relevant industry standards and practices;
- the purpose of proposed changes to the capital structure of a portfolio company and the likely effect of the change on the Client's investment; and
- with regard to proposals related to social and corporate responsibility, we will generally defer to company management, but will not support any proposals that may conflict with the portfolio company's ability to maximize long-term profits or may have an adverse effect on our Client's investment.

In general, our Clients cannot direct how we vote on a particular solicitation.

When deciding how to vote proxies, certain conflicts of interest may arise. For example, companies in which different Clients are invested may be competing for or involved in similar transactions, investments, lines of business, or types of research. Voting a proxy with regard to one Client's portfolio company may adversely affect the prospects or business of another Client's portfolio company. In acting upon these matters on behalf of our Clients, we will seek to avoid material conflicts between our interests on the one hand and the interests of our Clients on the other. We have adopted Conflict Procedures for addressing such conflicts of interest. For a detailed discussion of these Conflicts Procedures, please see Item 10, "Other Financial Industry Activities and Affiliations." In addition, the Offering Documents may include provisions for the identification and mitigation of conflicts of interest.

We will maintain proper records in connection with our Proxy Voting Policy and as required under the Advisers Act. Our Clients can obtain a copy of our Proxy Voting Policy and voting procedures and information on how we have voted proxies or made determinations with respect to requests for waivers or amendments by contacting our Chief Compliance Officer at 212-319-2775 or compliance@archercm.com.

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 have no 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.