

Form ADV Part 2A: Firm Brochure

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Halcyon Long Duration Recoveries Management LP

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

This brochure provides information about the qualifications and business practices of Halcyon Long Duration Recoveries Management LP. If you have any questions about the contents of this brochure, please contact us at (212) 303-9498. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Halcyon Long Duration Recoveries Management LP also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This is the initial registration filing for Halcyon Long Duration Recoveries Management LP.

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1. Advisory Business

Halcyon Long Duration Recoveries Management LP is an investment advisory services firm formed in May 2013 that focuses on investments in claims, litigation-oriented investments and special opportunities with a long-term investment horizon. (The registrant is referred to as Halcyon or we). Halcyon expects to provide investment advisory services to closed-ended private investment funds, including single or limited investor funds sponsored by one or more unaffiliated institutions (referred to as Managed Accounts) and funds sponsored and controlled by an affiliate of Halcyon (referred to as the Halcyon Funds). Halcyon is affiliated with Halcyon Asset Management LLC, a leading global asset management firm for private investment funds. Halcyon and its affiliates (referred to as the Halcyon Group) manage approximately \$12 billion in client assets as of November 1, 2014, for a diverse group of advisory client funds whose investors include leading public and private pension funds, endowments, foundations, financial institutions, insurance companies, funds of hedge funds, and high-net-worth individuals. The Halcyon Group's advisory client funds have investors in the United States, Canada, Latin America, the United Kingdom, Continental Europe, the Middle East, Asia, and Australasia. As of the date of this brochure, we do not have any regulatory assets under management but we anticipate to have at least \$25 million within 120 days. The description of investment program and other activities in this brochure are based on our expected activities.

The Halcyon Group, for which John M. Bader serves as Chairman and Kevah Konner as Vice Chairman, is headquartered in New York. Jason Dillow, John Greene and Manish Mital also participate in Halcyon's investment decisions. The sole limited partner of Halcyon is Halcyon Management Holdings LP, and HLDR Management GP LLC is the general partner of Halcyon. The Halcyon Group draws on the skills and experience of approximately 125 employees, approximately 50 of whom are investment professionals.

Halcyon will seek to focus on long duration investments in claims, litigation-oriented investments and special opportunities (which can include private and illiquid positions that we deem appropriate). Across all of our strategies, we are committed to conservative, rigorous, and disciplined processes; to industry best practices; and, at the same time, to adaptability.

We tailor advisory services to the individual needs and specified investment mandates of our advisory clients. We will adhere to the investment strategy set forth in our clients' operating agreements that contain a description of the investment objective and mandate for the clients, as well as investment restrictions that are agreed upon with the clients. Subject to the requirements of the operating agreements, we will have full discretionary authority over the investment program of the clients.

We do not participate in wrap fee programs.

2. Fees and Compensation

Halcyon will receive compensation from its clients, both Managed Accounts and Halcyon Funds. This compensation will be calculated as a percentage of the capital commitments to or, following termination of the investment period, invested capital of the relevant client. Halcyon will also receive compensation on performance achieved for the relevant client. Neither Halcyon nor our partners or employees (partners and other employees collectively referred to as Employees) receives any transaction-based compensation for the sale of securities or other investment products.

Halcyon will deduct a portion of the management fees described above from the Halcyon Funds' accounts monthly or quarterly, in advance or in arrears, as specified in the Halcyon Funds' operating agreements. Any performance-based compensation for our clients is, subject to provisions of their governing documents, deducted upon the realization or other disposition of assets held by the relevant client. An unaffiliated party deducts management fees and performance compensation from our Managed Account clients.

Clients will bear all costs and expenses directly related to portfolio investment or prospective investments, including brokerage commissions, interest on debit balances or borrowings, custodial fees, and legal and consultant fees. Clients also will bear all out-of-pocket expenses incurred in obtaining or maintaining systems, research and other information utilized in their investment programs together with out-of-pocket costs of administration including accounting, audit, administrator and legal expenses, costs of any litigation or investigation involving the fund's activities, costs associated with reporting and providing information to existing and prospective investors, and the costs of liability insurance. Specific provisions relating to expenses may be included in the operating agreements of our Managed Account clients. When Halcyon incurs expenses on behalf of multiple client accounts, we allocate the expenses among the applicable clients in a fair and reasonable manner.

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

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

Halcyon expects that it will receive performance-based compensation from all clients. To the extent there are differences in performance-based compensation among any clients, there will be a potential conflict of interest for Halcyon in that it may favor its clients paying the highest fees. However, this potential conflict of interest is minimized by the fact that the Halcyon Group's investment allocation policies prevent Halcyon and its affiliates from taking compensation into account when allocating limited investment opportunities.

4. Types of Clients

We anticipate providing advisory services solely to private investment funds or managed account clients. Each investor in the Managed Accounts and Halcyon Funds will be an

institutional investor or other highly sophisticated investor for which Halcyon's investment strategy is suitable and that is an "accredited investor," "qualified purchaser" or "knowledgeable employee" (as defined in applicable federal securities laws and regulations).

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

- A. Our investment strategy is to seek longer-duration investment opportunities predominantly within liquidating assets, litigation-oriented investments, and other specialized, less-liquid situations. Investments can include privately negotiated claims, private common equity, private preferred equity, private debt, and other instruments that we deem appropriate for this type of mandate.
- B. Our investment process has its foundation in a research paradigm and a dynamic approach to risk management that serves to put different types of positions within different strategies on equal footing for evaluation purposes. This approach results in better situation comparison and selection and better portfolio construction. The Halcyon partners will be incentivized based on overall fund performance rather than the performance of a particular strategy.

Halcyon will build portfolios on a "bottom-up" basis with a top-down overlay, choosing individual positions based on their absolute downside risk and their probabilistic relative attractiveness. At the same time, we will take into consideration macroeconomic factors in managing the funds and impose portfolio-based risk constraints designed to mitigate drawdowns and volatility, including, among others, limits on leverage, cross-correlation, equity and bond market exposure, industry, and geographic concentration.

Teams led by one or more senior analysts research individual positions, then discuss each position with the Portfolio Managers in an iterative fact-finding process. Research includes extensive proprietary qualitative and quantitative analysis and is supplemented by reports from sell-side firms, independent analysts, and industry consultants; fundamental due diligence with companies and their partners, customers and competitors; and event-oriented discussions with attorneys, lenders, accountants, investment bankers, and other investors. For more information, please see Section 10: Review of Accounts.

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

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

Illiquidity. Halcyon expects to make investments in securities or other assets that are not readily marketable or that cease to be readily marketable after Halcyon makes its investment. This could make it difficult to realize the value Halcyon ascribes to an

investment if we are forced to dispose of it in an inactive market. Given general market inefficiencies respecting companies engaged in litigation or restructuring, a portfolio valuation may not necessarily be indicative of actual results or amounts to be realized by Halcyon from the clients' investments. Additionally, some investments may be subject to certain other transfer restrictions that may contribute to illiquidity. Also, investments constituting a control position will be subject to additional transfer restrictions under federal securities and other laws by virtue of such control position which will further contribute to illiquidity.

Distressed Investments Generally. We expect to have interests, directly or indirectly, in securities, claims and other obligations of companies that are experiencing significant financial or business difficulties, have substantial capital needs or negative net worth, face special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings, with a view to making long-term investments in positions that are likely to generate attractive returns over time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high, and such investments may involve a substantial degree of risk. Investments in the debt or equity of companies involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies.

Trade and Other General Unsecured Claims. We expect to acquire interests in claims of trade creditors and other general unsecured claim holders of a debtor (referred to as trade claims). Trade claims generally include, but are not limited to, claims of suppliers for goods delivered and not paid, claims for unpaid services rendered, claims for contract rejections and claims related to litigation. Trade claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of trade claims is subject to significant uncertainties, including potential set-off by the debtor as well as the other uncertainties. A trade claim may be transferred or assigned before or after a petition in bankruptcy is filed, including after a proof of claim has been filed. Investments in trade claims and high risk receivables may also entail special risks including, but not limited to, fraud on the part of the assignor of the trade claim as well as logistical and mechanical issues which may affect our ability to collect the claim in whole or in part.

Litigation-Oriented Investments. Our litigation-oriented investments strategy requires an evaluation of the outcome and timing of a dispute resolution process. Regardless of the amount of research and other due diligence that may be performed, predicting the outcome of litigation or other dispute resolution processes is inherently uncertain and depends on a variety of circumstances that may be unrelated to the legal merits of the substantive claims of the parties, including uncertainty regarding the application of law to particular facts, disputed factual records and testimony, unforeseen procedural issues, uneven quality of advocacy, misapplication of settled law by a judge or jury, or settlement dynamics in which the motivations of the parties may be unrelated, in whole or in part, to the merits of the dispute. Since the expenditures in this strategy generally do not involve the acquisition of any assets having any residual value, an unfavorable outcome typically will result in a complete loss of the investment.

Investments in Unregistered Securities. Our clients may invest in unregistered securities, including investments in new and early stage companies or companies undergoing operational or financial restructuring, which may involve a high degree of business and financial risk that can result in substantial losses. Because of the possible absence of a liquid trading market for these investments, it may not be possible to liquidate or it may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be substantially lower than those originally paid by our clients. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Concentration. The clients' portfolios may be highly concentrated, and a loss with respect to any position may have a significant impact on the overall returns.

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

Leverage. Halcyon generally has the discretion to use borrowing and other forms of leverage in our strategies. While the use of leverage can amplify the profit on successful investments, it can also amplify the losses incurred on unsuccessful investments.

Conflicts of Interest. As described elsewhere in this brochure, Halcyon is subject to various conflicts of interest as a result of our management of multiple accounts, the nature of our compensation arrangements, our relationship with the Halcyon Group and other accounts managed by it, and the use of our fund structure. The existence of these conflicts of interest may influence the independence of Halcyon's judgment. This brochure contains information about how Halcyon manages these conflicts.

The summary of risk factors that we provide to investors in Halcyon Funds and the Managed Accounts contains discussions of various risk considerations that are more extensive in scope and depth than the foregoing summary.

6. Disciplinary Information

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

7. Other Financial Industry Activities and Affiliates

Halcyon is affiliated with the following management companies, which are Halcyon's related persons: Halcyon Asset Management LLC, Halcyon Loan Management LLC, Halcyon Asset-Backed Advisors LP, Halcyon Long/Short Management LP and Halcyon Liquid Strategies IC Management LP. Each of these entities is separately registered with the SEC as an investment adviser, and information concerning each of these entities and

its relying advisers (if any) is included in its own Form ADV Part 1 and Part 2. In addition, Halcyon is affiliated with Halcyon Loan Advisors (UK) LLP (principally owned by Halcyon Loan Management (UK) Limited, a subsidiary owned by Halcyon Loan Management LLC), which is authorized and regulated by the Financial Conduct Authority of the United Kingdom. Our investment professionals may participate in managing the portfolios of more than one advisory client and, in many instances, on behalf of more than one investment advisory entity. As a result, they do not devote their exclusive attention to any single advisory client or any single advisory entity.

HLDR GP LLC, which is under common ownership and control with Halcyon, may act as the general partner of certain Halcyon Funds. None of the compensation, liquidity, or other terms of the Halcyon Funds are negotiated at arm's length. However, Halcyon discloses to prospective investors the terms of all of its general fees and performance-based compensation, as well as the other terms of an investment, in detail in the operating agreements relating to the Halcyon Funds.

The potential to earn performance-based compensation with respect to the Managed Accounts, the Halcyon Funds or other fee-paying clients could provide an incentive to invest assets in an aggressive or speculative manner. Halcyon seeks to minimize this potential conflict by taking a disciplined approach to portfolio risk management. There is a potential conflict of interest regarding the allocation of investment opportunities among our client accounts, which may include an incentive to favor clients with the performance compensation payable to Halcyon. Mindful of the presence of these potential conflicts of interest, Halcyon will seek to act fairly when allocating investment opportunities and valuing client assets.

There is also a potential conflict of interest due to Halcyon's ability to value certain positions. Halcyon has adopted written policies and procedures that are designed to ensure fair allocations over time and consistent valuation methodologies, except to the extent Halcyon adopts specialized methodologies in light of the clients' strategies. In particular, our policy prevents us from taking into account fee or other compensatory differences in allocating an investment opportunity.

The investment activities of one or more advisory clients of the Halcyon Group may result in the imposition of restrictions on the flexibility of other client accounts. For example, if the Halcyon Group obtains material non-public information concerning a company on behalf of an advisory client in connection with a privately negotiated transaction, other advisory clients may be unable to trade in securities of the same company in the public markets. In addition, such accounts may compete with the Halcyon Funds and Managed Accounts for investment opportunities or otherwise pursue different interests within the same portfolio companies, including investing in securities of the same companies with different seniority, participating in litigation or pursuing activist tactics.

To the extent permitted by the governing documents of the Halcyon Fund or Managed Account, Halcyon may cause cross trades among its and its affiliates' advisory clients, provided that it may do so only upon determination that such transaction is in the best

interests of each of its participating client accounts and with the consent of the relevant client if consent is required by applicable law, advisory contract or in other appropriate circumstances as determined by Halcyon. See also Section 9: Trade Aggregation and Allocation.

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

- A. Halcyon has adopted a Code of Ethics in accordance with legal requirements. The Code of Ethics is designed to ensure that the interests (including personal securities transactions) of Halcyon Employees and employees of its affiliated management companies' do not conflict with the interests (including transactions) of our clients. The Code of Ethics is based on the principle that Halcyon and its Employees owe a fiduciary duty to our clients and their individual investors. Thus, Halcyon Employees must, among other things, (i) place the interests of our clients and their investors first, (ii) avoid taking inappropriate advantage of their positions within Halcyon, and (iii) conduct their personal securities transactions in full compliance with the Code of Ethics. Policies adopted by Halcyon with which all Employees (and, in certain circumstances, members of their families and other related persons) must comply include, but are not limited to, preapproval of certain personal securities transactions by the Chief Compliance Officer or her designee, annual certification of compliance with the Code of Ethics and requiring brokers to provide Halcyon with duplicate confirmations and periodic statements of personal transactions. Halcyon provides a copy of its Code of Ethics to any client or any investor that requests one.
- B. Employees of Halcyon do not recommend to advisory clients, nor do they buy or sell for clients, securities or other instruments in which they have a material financial interest. Halcyon's related persons may invest personally in Halcyon's client funds. These investments could theoretically pose a conflict of interest with our other advisory clients because Employees may be motivated to allocate time, attention, and/or investment opportunities to the funds in which they invest at the expense of other clients. Halcyon has adopted written policies and procedures governing the allocation of investment opportunities among clients in a fair and equitable manner.
- C. Halcyon has a comprehensive set of procedures in place to ensure that we address potential conflicts that may arise between Employees and clients when investing in the same securities or other assets and to align incentives properly. The Code of Ethics generally provides that, subject to certain limited exceptions that do not pose potential conflicts of interest, no Employee may purchase or direct a purchase of securities in personal accounts. The sale of securities by an Employee is subject to preapproval from the Chief Compliance Officer or her designee, subject to limited exceptions. The Code of Ethics also provides that all Employees must notify Halcyon of all relevant existing personal accounts and must obtain approval from the Chief Compliance Officer prior to the opening of a new personal account. In the limited circumstances in which personal trading activities are permitted, the Chief Compliance Officer or her designee approves all relevant proposed transactions involving personal accounts prior to execution. The Chief Compliance Officer or her designee also conducts a quarterly review of personal

accounts to examine relevant trades executed during the previous quarter and related statements and to determine whether all the accounts are maintained in compliance with the requirements and restrictions described above. To the extent there is any finding relating to personal trading activity that is inconsistent with this policy, Halcyon will investigate and, as with any breach of the firm's policies, a violation is subject to disciplinary action, including dismissal.

9. Brokerage Practices

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

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

Halcyon's Broker Review Committees meet quarterly to ensure that Halcyon's obligation to seek best execution in its trading activities for the benefit of all advisory clients is being met. The Broker Review Committees, the members of which include various executive officers, partners and others, reviews internally generated records and externally prepared reports bearing on the selection of broker-dealers. Such documents include: the approved list of executing brokers; best execution worksheets completed by traders; commission reports; gift and entertainment log; report of the cancellation and rebooking of trades; report analyzing Halcyon's use of broker-dealers and; a report containing the results of a broker vote by certain Halcyon investment professionals. The research services that broker-dealers might provide include written information and analyses concerning specific investments, companies or sectors; market, financial and

economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. In many cases, research services that are generated by third parties may be provided by or through the brokerage firm to which commissions are paid. Using client transactions to obtain research and other benefits creates incentives that theoretically could result in conflicts of interest between advisers and their clients. When Halcyon uses client markups or markdowns to obtain research products and services, it receives a benefit because it does not have to produce or pay for the research products and services. The availability of these benefits creates the potential that we might be influenced to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services rather than on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers. To mitigate risks of conflicts of interest, Halcyon does not permit that clients direct us to execute transactions through a specified broker-dealer.

Trade Aggregation and Allocation

Halcyon has adopted policies regarding trade aggregation and allocations of investments. Where appropriate, transactions for our advisory clients (including both discretionary and non-discretionary clients) may be aggregated for execution purposes. This aggregation does not ordinarily adversely affect commissions charged and execution prices on the transactions. In addition, Halcyon's advisory client accounts may be included in the aggregated orders with clients of Halcyon's affiliated advisers. The Halcyon Group generally effectuates aggregated orders for all accounts according to a pre-determined allocation methodology whereby clients receive an average price and are assessed a fixed commission charge.

Investment opportunities will be allocated among both discretionary and non-discretionary client accounts of the applicable adviser on a pro rata basis subject to available capital and acceptance of each investment recommendation by the non-discretionary account's investment manager. Managed Accounts will be allocated investment opportunities suitable in light of their respective investment mandates, investment restrictions and guidelines, available capital and other relevant factors.

10. Review of Accounts

- A. Halcyon has adopted policies regarding the review of advisory clients' portfolios. The Risk Management Committee of Halcyon consists of the Portfolio Managers and certain other senior members of the Halcyon Group. The Risk Management Committee regularly reviews portfolios of the applicable clients and generally meets to review and recommend policy strategies that are consistent with the advisory clients' investment objectives and policies. The members of the Risk Management Committee consider macro-level economic and market trends and assess the advisory client portfolios, seeking to manage risk in a manner consistent with each client's operating agreements. This committee reviews and adjusts limits to position size, industry exposure, capital structure, and other risk/reward metrics. The Risk Management Committee also

considers the strategy mix and the biggest risks among the holdings, taking into account macro-economic conditions, the regulatory framework, the political climate, and the potential for decline within companies and/or specific industries. Additionally, the Portfolio Managers review advisory clients' portfolios on a regular basis and make recommendations as necessary on behalf of each portfolio.

Halcyon also actively manages counterparty, technology, and operational risk as well as conflicts of interest through various Halcyon Group committees, including our Risk Management Committee, Pricing Review Committee, Systems and Information Technology Committee, Investment Committees, Broker Review Committees, Client Relations Committee and Conflicts Committee.

- B. Reports will be prepared for and provided to investors in the Halcyon Funds regularly. On a monthly basis, the administrator to the Halcyon Funds will provide statements to all investors in the fund, showing gains/losses for the month and year-to-date. Halcyon will prepare a monthly report for investors in the Halcyon Funds containing portfolio information and estimated performance results for the month and year to date. At the conclusion of each calendar quarter, Halcyon will prepare a report for the Halcyon Funds and investors which generally discusses the fund's portfolio and performance for the quarter and year to date. On an annual basis, independent certified public accountants audit the financial statements of the Halcyon Funds. Halcyon additionally will prepare an annual report including, among other things, the balance sheet for the Halcyon Funds, a statement showing the net gains or net losses of the client, the closing capital account (or net asset value of interests) of every investor in the Halcyon Funds (and the manner of the calculation thereof), and the opening capital account (or the net asset value of interests as of the beginning of the year) and ownership percentage of every investor in the Halcyon Funds. We may agree to provide additional reports as set forth in the Halcyon Funds' operating agreements.

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

11. Client Referrals and Other Compensation

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

12. Custody

Managed Accounts

We will not have actual or constructive custody of any Managed Account's assets. Each Managed Account client will establish accounts with its own qualified custodian and receives account statements directly from the qualified custodian. We urge our clients to carefully review the statements they receive from their qualified custodians and compare them with the periodic reports we may issue.

Halcyon Funds

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

13. Investment Discretion

Scope of Authority

Halcyon accepts discretionary authority to manage each client's portfolio. We have the authority to determine, without obtaining specific client consent, which securities or other investments to buy or sell, the amount of securities or other investments to buy or sell, the broker through which we effect trades, if any, and the commission rates at which we effect trades. While we have been given this broad authority, Halcyon is committed to adhering to the investment strategy and program set forth in the investment management agreement of each Managed Account, and in the Halcyon Funds' operating agreements. Halcyon has processes and procedures in place to verify that it is complying with any client-imposed restrictions and adhering to each client's investment strategy and objectives. In particular, as discussed in more detail in Section 10, the Risk Management Committee of the relevant Halcyon advisory entity reviews its client accounts regularly to ensure that we are observing our clients' investment strategies and objectives.

Procedures for Assuming Authority

Before accepting their subscriptions, we provide all investors in the Halcyon Funds with governing documents for the Halcyon Fund that set forth, in detail, our investment strategy and program and the terms of investment for investors, including the scope of our investment authority. By executing the governing document and subscription documents to acquire an interest in the Halcyon Fund, each investor consents to the terms and conditions in the operating agreements that give Halcyon complete authority to manage our clients' investments in accordance with the operating agreements. Prior to providing investment advice to our Managed Accounts, we require each client to appoint us as agent and attorney-in-fact of each portfolio that we manage for them. This gives us discretionary authority to buy and sell any securities and other instruments in the amounts and at the prices that we determine, subject to the terms of the applicable operating

agreements.

14. Voting Client Securities

Proxy Voting Policy

Halcyon's policy is to review each proxy or information statement on an individual basis and to base its voting or consent decision on its judgment about what will best serve the interests of its advisory clients. In determining how or whether to vote proxies or provide consents, Halcyon will not subordinate the economic interests of its advisory clients to the interests of other persons or to Halcyon's self-interest. Decisions will be made by relevant Portfolio Managers and based on the financial interest of each advisory client in light of the specific applicable investment strategy. Each proxy proposal will be considered on its own merits, and an independent determination will be made whether to support or oppose management's position. Additionally, in certain circumstances, Halcyon may determine, pursuant to its exercise of its fiduciary duty, that it is in the best interests of its advisory clients not to vote or consent or that a vote or consent is not required, for example, where the clients' holdings are *de minimis*, when the proxy vote covers only routine corporate business, or where the advisory clients' positions were liquidated between the record date and the vote deadline.

The Halcyon Group's Operations Manager or his designee notifies relevant Research Analysts of pending corporate actions involving the advisory client portfolios. The Research Analyst assigned to the transaction or security consults with a member of the Investment Committee who is responsible for the ultimate determination regarding the proper vote or consent and with the Chief Compliance Officer. If in reviewing the corporate action, the Chief Compliance Officer (in consultation with the Investment Committee or others) determines that a material conflict may exist between Halcyon's interests and those of its advisory clients, the Chief Compliance Officer will inform the Conflicts Committee of such potential material conflict. The Conflicts Committee will evaluate the potential or actual conflict and, in consultation with the member of the Investment Committee, will determine if a material conflict of interest exists, and if so will determine the appropriate course of action to resolve the conflict in the interests of its advisory clients. If a conflict cannot be resolved, the affected clients will be informed of the conflict and explicit voting instructions will be solicited.

If no material conflict exists, or has been resolved, a member of the Investment Committee will, in accordance with Halcyon's fiduciary duties, make a determination as to how to vote the proxy and communicate the decision to the Research Analyst. The Research Analyst will then communicate the decision by the member of the Investment Committee to the Operations Manager, typically prior to the close of business on the day prior to the vote deadline. The Operations Manager utilizes the website www.proxyvote.com to transmit the proxy vote or consent, and receives confirmation of the vote or consent from the website. Upon receipt of said confirmation, the Operations Manager forwards the confirmation to the Chief Compliance Officer or her designee. The Chief Compliance Officer or her designee retains this information for six years from the date the proxy vote or consent is executed.

Recordkeeping

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

15. Financial Information

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