

INVESTMENT ADVISER BROCHURE

STELLEX CAPITAL MANAGEMENT LP

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Stellex Capital Management LP (“Stellex Capital Management”). If you have any questions about the contents of this Brochure, please contact us at (212) 710-2323. 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 authority.

Stellex Capital Management is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Stellex Capital Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

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ADVISORY BUSINESS

Stellex Capital Management LP, a Delaware limited partnership and a registered investment adviser, and its affiliated investment advisers (“**Stellex Capital Management**,” and collectively, “**Stellex**”) provide investment advisory services to private investment funds. Stellex commenced operations in March 2014.

Stellex’s clients include Stellex Capital Partners LP (the “**Fund**,” and together with any future private investment fund to which Stellex Capital Management or its affiliates provide investment advisory services, “**Private Investment Funds**”).

Stellex Partners LP and Stellex Management LP (each a “**Relying Adviser**”) are the investment advisers affiliated with Stellex Capital Management.

Each Relying Adviser is registered under the Advisers Act pursuant to Stellex Capital Management’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each Relying Adviser, which operate as a single advisory business together with Stellex Capital Management. Unless the context otherwise requires, “Stellex” should be construed to mean the relevant Relying Adviser arranging such services from Stellex Capital Management and/or its affiliates and their respective personnel on behalf of the Funds.

The Fund and any other Private Investment Funds are private equity funds and invest through negotiated transactions in operating entities. Stellex’s investment advisory services to the Fund consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Stellex expects investments to be made predominantly in non-public companies, although investments in public companies are part of Stellex’s strategy to obtain control positions. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Stellex may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Fund.

Stellex’s advisory services for Private Investment Funds are detailed in the applicable private placement memoranda and limited partnership agreements and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Private Investment Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Fund or Stellex may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the Fund’s limited partnership agreement with respect to such investors.

Additionally, from time to time, Stellex may provide (or agree to provide) certain investors or other persons the opportunity to participate in co-invest vehicles that will invest in certain portfolio companies alongside a Private Investment Fund. Such co-invest vehicles typically invest and dispose of their investments in the applicable portfolio company at the same time and on the same terms as the Private Investment Fund making the investment. However, from time to time, for strategic and other reasons, a co-invest vehicle may purchase a portion of

an investment from a Private Investment Fund. Any such purchase from a Private Investment Fund by a co-invest vehicle generally occurs shortly after the Private Investment Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-invest vehicle may be charged interest on the purchase to compensate the relevant Private Investment Fund for the holding period.

As of January 2015, Stellex is a new investment adviser and did not manage client assets on a discretionary basis. Stellex Capital Management LLC, a Delaware limited liability company, acts as the general partner of Stellex Capital Management. Stellex Capital Management is principally owned by Ray Whiteman and Mike Stewart.

FEES AND COMPENSATION

In general, Stellex expects to receive a management fee and a carried interest in connection with advisory services. Stellex intends to receive additional compensation in connection with management and other services performed for portfolio companies of Private Investment Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Stellex. Investors in the Fund also bear certain fund expenses.

Management Fees

Commencing on the earlier of (i) the date that the Fund commences operations and (ii) the six-month anniversary of the initial closing date (the “**Effective Date**”) and during the period commencing on the Effective Date and ending on the earlier of (i) the date on which Stellex has called all Commitments (defined below) or (ii) on the fourth anniversary of the final closing date (the “**Investment Period**”), the Fund is expected to pay Stellex an annual management fee (the “**Management Fee**”), payable quarterly in advance, equal to 2.0% of aggregate investor capital commitments to the Fund (“**Commitments**”). Commencing with the first Management Fee due date after the expiration of the Investment Period, or earlier upon the occurrence of certain events as set forth in the Partnership Agreement, the Management Fee is expected to equal 2.0% of: (i) the aggregate contributions, less (ii) the aggregate amount of contributions with respect to the portion of each investment that has been disposed of, completely written-off or permanently written-down. Stellex intends to adjust installments of the Management Fee payable for any period other than a full three-month period on a *pro rata* basis according to the actual number of days in such period.

In addition, Stellex expects the Management Fee to be reduced by 80% of any: (a) directors' fees, financial consulting fees or advisory fees paid to Stellex with respect to any Fund investment; (b) transaction fees paid to Stellex with respect to any Fund investment; and (c) break-up fees with respect to Fund transactions not completed that are paid to Stellex, but not including, in any event, any amount received by Stellex or other person from a portfolio company as reimbursement for expenses directly related to such portfolio company or as compensation for services provided by Stellex or other person as an employee of such portfolio company. To the extent that such an offset credit would reduce the Management Fee for a given three-month period below zero, the credit will be carried forward for future application against payable Management Fees and if a credit remains upon liquidation a payment will be made

crediting limited partners of the Fund unless such limited partner has elected to waive such amount (e.g., where an adverse tax consequence may result).

As permitted under the Partnership Agreement, Stellex may waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital Stellex would otherwise be required to contribute to the Fund. The limited partners of the Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of Stellex in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions. Waived or reduced Management Fees are not expected to be subject to the Management Fee offsets described above. Due to waived or reduced Management Fees by Stellex and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in the Fund, resulting in a net additional benefit to Stellex.

Carried Interest

Stellex expects to receive a carried interest with respect to the Fund equal to 20% of all realized profits subject to a 8% compound preferred return, as more fully described in the Partnership Agreement. The carried interest distributed to Stellex is subject to a potential giveback at the end of life of the Fund if Stellex has received excess cumulative distributions and at certain interim intervals as provided in the Partnership Agreement.

It is expected that any future Private Investment Funds will have a similar fee structure.

Other Information

Stellex may exempt certain investors in Private Investment Funds from payment of all or a portion of Management Fees and/or carried interest, including Stellex Advisers and any other person designated by Stellex. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by Stellex, or through other Private Investment Funds which co-invest with the Fund.

The Fund and other Private Investment Funds intend to invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the Fund (or the relevant Private Investment Fund, as applicable) and investors generally are not permitted to withdraw or redeem interests in the Fund (or other relevant Private Investment Fund, as applicable).

Principals or other employees of Stellex may receive a portion of the Management Fee, carried interest or other compensation received by Stellex or its affiliates.

In addition to the Management Fee and carried interest payable to Stellex, Stellex expects the Fund to bear certain expenses. As set forth in the Partnership Agreement, the Fund is expected to bear all expenses to the extent not paid by portfolio companies, including legal, auditing, consulting, financing, investment banking, travel, accounting, research, brokerage, finder's fees, and custodian fees and expenses; expenses associated with the Fund's financial statements, tax returns, Schedule K-1s and any other Fund-related reporting or filing obligations;

expenses incurred in connection with transactions not consummated (“**Broken Deal Expenses**”); expenses of the Fund’s advisory board and annual meetings and any other meeting with a limited partner(s) of the Fund; insurance (including directors and officers insurance); other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund. Private Investment Funds may also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of Stellex and/or its affiliates. Excluded from Fund expenses are all ordinary administrative and overhead expenses Stellex incurred in connection with managing and operating its office(s), including employees’ salaries, rent, utilities, etc. As is typical for private equity funds, the Private Investment Funds are likely to bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.” In certain circumstances in the future, one Private Investment Fund may pay an expense common to multiple Private Investment Funds (*e.g.*, legal expenses for a transaction in which all such Funds participate), and be reimbursed by the other Private Investment Funds by their share of such expense, without interest. While highly unlikely, it is possible that one of the other Private Investment Funds could default on its obligation to reimburse the paying Private Investment Fund. To the extent co-investment vehicles or similar entities are formed in connection with a proposed transaction that is not consummated, Broken Deal Expenses relating to such co-investment vehicles or similar entities may be borne by other Private Investment Funds.

Stellex and/or its affiliates generally will have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation may give rise to conflicts of interest between Private Investment Funds, on the one hand, and Stellex and/or its affiliates on the other hand.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” Stellex expects to receive a carried interest allocation on certain realized profits in the Fund. Stellex does not currently advise Private Investment Funds not subject to a carried interest, although it may advise such Private Investment Funds in the future. Stellex may waive carried interest with respect to certain affiliated partners as described under “Fees and Compensation.”

TYPES OF CLIENTS

Stellex provides investment advice to Private Investment Funds, including the Fund. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Stellex or its affiliates.

The Fund generally has a minimum investment amount of \$10 million for third-party investors, and the Fund's interests are offered and sold solely to qualified purchasers (or qualified knowledgeable Stellex personnel). Such minimum investment amount may be waived by Stellex.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Stellex seeks to primarily invest in distressed middle-market companies within both the United States and Europe that represent an attractive opportunity to generate desirable risk-adjusted returns. Stellex believes that distress and the opportunity to invest in distressed companies are systemically inherent to both geographies, regardless of the stage in the overall economic cycle. Stellex expects the combined skill sets, experience and location of its investment team to enable the Fund to be well-positioned to take advantage of these opportunities.

Once an investment opportunity has been identified, Stellex seeks to implement an effective operating strategy to improve the performance of the acquired company by (i) development restructuring and operating plans, (ii) driving business improvement and (iii) controlling the implementation of such plans and improvements by obtaining board representation and/or management installation.

The following is a summary of the investment strategies and processes generally expected to be employed by Stellex on behalf of the Fund. *There can be no assurance that Stellex will achieve the investment objectives of the Fund and a loss of investment may be possible.*

Investment Strategy and Process

When considering potential investment opportunities, Stellex generally intends to rely on the following set of investment criteria:

| Target Investment Attributes | |
|------------------------------|---|
| Situation | <ul style="list-style-type: none"> Companies or operating assets that are experiencing financial, operational or industry-driven distress Underperforming and mismanaged companies Operationally sound companies that are over-levered Special situations that involve sectors or businesses where Stellex has significant in-house knowledge |
| Industries | <ul style="list-style-type: none"> Asset intensive businesses that allow for downside protection Cyclical industries Businesses with proven applications or markets |
| Size | <ul style="list-style-type: none"> Revenues of at least \$100 million and generally not more than \$2 billion |

| | |
|----------|--|
| | <ul style="list-style-type: none"> • Situations where Stellex can deploy \$25 to \$100 million of capital |
| Location | <ul style="list-style-type: none"> • United States and Europe |

The investment strategy of Stellex is premised upon identifying and executing investments that meet these investment criteria and that can provide desirable private-equity type returns with meaningful downside protection. Stellex believes it can successfully implement this strategy due to the Stellex team's expertise in the middle market, their flexibility in creating investments, the ability to leverage the investment and industry expertise of the Stellex team and the physical proximity of the Stellex platform to local opportunities in the United States and Europe. Stellex transaction opportunities will be subject to an intense due diligence process and thoughtful consideration of potential downside risks, and will be implemented through a measured investment pace and approach. These investment opportunities optimally will have collateralization or current income features that facilitate the management of downside risk and protection of capital. Stellex anticipates that the appreciation potential in the Fund's investments will be enhanced by an emphasis on investing at attractive initial valuations and employing a "hands-on" sponsorship style that works with portfolio companies to maximize value post-transaction.

Regardless of the geographic location of the investment opportunity, Stellex expects that there will be uniformity in its approach to identifying and executing investment transactions across the Stellex platform on behalf of the Fund.

Sourcing. Stellex's professionals have a long history of creating proprietary, "below the radar" deal flow. This deal flow has been generated through a variety of means, including their extensive networks and relationships in the middle market, including significant dealmakers in the financial advisory, legal and turnaround professions. In addition to exclusive investment opportunities expected to be sourced through relationships maintained by Ray Whiteman and Mike Stewart, each a managing partner of the Fund (together, the "**Managing Partners**"), Stellex also expects a significant contribution in the sourcing of deals from the rest of the Stellex team. Furthermore, Stellex has developed various deal-screening methodologies that, when coupled with its in-house information resources and data tools, are expected to allow the entire Stellex investment team to closely monitor developing situations that may be appropriate for the Fund's investment.

Evaluation and Primary Due Diligence. Once an opportunity that meets Stellex's investment criteria is identified, a deal team will be established that typically will include at least one Investment Committee (defined below) member, who will be expected to lead the deal team to provide strategic oversight, and two other investment professionals. As part of each potential investment's initial evaluation, Stellex intends to conduct a bottom-up review of the company's market position, industry prospects and products, based upon independent research, discussions with industry experts within the Stellex network as well as conversations with competitors, suppliers and industry consultants, as applicable.

The Stellex team typically will also engage counsel to undertake a legal analysis of the company's corporate and organizational structures and relevant financing documents, including

credit agreements, indentures, major contracts and contingent obligations. Integral to these analyses is an understanding of the rights and remedies of creditors and other claimants of the company in order to help Stellex determine how value will be distributed among different legal entities, creditors and equity classes in the event of a restructuring.

In the case of buyout or other structured transactions, due diligence is expected to be enhanced by the engagement of accounting, legal, consulting, tax and/or environmental professionals to complete a more thorough analysis of the target company. As part of this process, Stellex expects to frequently have prospective management teams fully engaged to augment the assessment, as well as to assist Stellex in developing an aligned 100-day plan to revitalize the company's operations and capital structure.

Investment Execution. Stellex will often seek to make “seed” or “toehold” investments in companies that meet the Fund's investment criteria by purchasing their credit claims (e.g., bank debt or bonds) in the secondary market. Seed investments are expected to enable Stellex to obtain better information, gain access to management and conduct more in-depth due diligence prior to committing additional capital and/or seeking influence or control. Based on Stellex's view of fundamental value, Stellex will decide upon increasing, maintaining or reducing the size of such investments on behalf of the Fund.

Alternatively, additional capital may be committed to increase the size of toehold positions if there is a path to exert meaningful influence or obtain control at significant discounts to fundamental value. While it is difficult to predict what portion of the Fund's investments will result in a position of influence or control, Stellex expects these investments to be a material part of the Fund's portfolio.

Stellex anticipates that the investment committee of the Fund's general partner (the “**Investment Committee**”) will play an active role in the investment execution process. In most instances, a member of the Investment Committee will be taking the lead on evaluating an investment opportunity. In the case of a debt acquisition, the Investment Committee may authorize the purchase of a small toehold position to allow for further data access in order to develop insights as to whether the investment should be expanded further. Additional analysis by the investment team and incremental third party work by Stellex deal team members would be typical at this stage. Subsequent increases or decreases in the size of a debt investment by the Fund would again be put in front of the Investment Committee for approval. The role of the Investment Committee in buyout and structured transactions is expected to be similar, it being expected that the Investment Committee will be afforded the opportunity to review all of the third-party work commissioned by the Stellex team and to provide significant input into the structuring of the transaction.

Restructuring Process. Financial restructurings are complex undertakings, requiring a specialized understanding of the U.S. Bankruptcy Code and bankruptcy codes of other sovereign nations in Europe, as well as corporate law, generally accepted accounting principles and investment strategies and tactics. An in-depth understanding of the legal issues that may arise in a restructuring—such as absolute priority, fraudulent conveyance, preference, contract rejection, best interests of creditors, fresh start accounting, equitable subordination and cram-down, among others—is vital for maximizing the value of an investment. Stellex believes that better returns

can be achieved by using its knowledge of the workout process to influence the timing and composition of its recoveries in restructuring transactions.

Upon identifying a situation in which it seeks to exert influence or obtain control, Stellex anticipates that it will attempt to accumulate an influential or blocking position and, when possible, play a leading role in the restructuring process. Participation on ad hoc or official creditors' committees will also be considered to further the achievement of these objectives. Stellex expects to utilize its position of influence to negotiate for conversion of the Fund's debt securities into ownership of equity or assets, force a liquidity event through the bankruptcy process (e.g., Section 363 sales, new money investment, etc.), drive a merger/consolidation transaction with a strategic third party or achieve better treatment of its claims in the restructuring or reorganization process. Stellex will seek for the Fund to obtain majority or full control of the company when possible; however, under some circumstances, it may take the lead position in club deals and work constructively with other investors to implement an appropriate recovery strategy.

Investment Management and Exit. Once the Fund has gained control or significant influence over the strategic direction of the underlying business, Stellex will seek to take an active role guarding its investment through various means, including board representation and management installation. Stellex believes that the Stellex team's extensive experience dealing with distressed companies and troubled industries, augmented by their long-standing participation in the capital markets, provides them with a sound basis for formulating investment monetization options to achieve desired outcomes for the Fund. This experience comes from their many years of involvement in recruiting key managers, evaluating corporate strategic opportunities, sponsoring recapitalizations and developing appealing divestiture alternatives.

Risks of Investment

The Fund and its investors bear the risk of loss that Stellex's investment strategy entails. The risks involved with Stellex's investment strategy and an investment in the Fund include, but are not limited to:

Business Risks. The Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The performance of the Managing Partners' prior investments is not necessarily indicative of the Fund's future results. While Stellex intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Fund's investment once made.

Concentration of Investments. The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, the limited partners of the Fund will be required to bear the Management Fees during the Investment Period based on the entire amount of such limited partners' Commitments and other expenses as set forth in the Partnership Agreement.

Dynamic Investment Strategy. While Stellex generally intends to seek attractive returns for the Fund primarily through making private equity investments as described herein, Stellex may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. Stellex may pursue investments outside of the industries and sectors in which the Managing Partners have previously made investments.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable to Stllex) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded Commitments.

Leveraged Investments. The use of leverage may imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. In addition, this leverage could accelerate and magnify declines in the value of a leveraged portfolio company in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, some of the companies in which the Fund may invest may not be rated by a credit rating agency.

Limited Transferability of Fund Interests. There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws.

In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to Stellex with respect to such investment.

Reliance on Stellex and Portfolio Company Management. The Fund has no operating history and will be dependent on Stellex. Control over the operation of the Fund will be vested with Stellex, and the Fund's future profitability will depend largely upon the business and investment acumen of the Managing Partners. The loss or reduction of service of one or more of the Managing Partners could have an adverse effect on the Fund's ability to realize its investment objectives. Limited Partners of the Fund generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend on the actions of Stellex.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Fund's activities, including the ability of the Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Fund will make follow on investments or that the Fund will have sufficient funds to make all or any of such investments.

Non-U.S. Investments. The Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the partners.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon portfolio companies in which the Fund makes investments.

Market Conditions. Any material change in the economic environment, including a slowdown in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. The Fund's performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

Distressed Securities Generally. Distressed debt securities are subject to the significant risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk) and also may be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). Distressed securities may react to developments affecting market and credit risk more than non-distressed securities. A wide variety of other 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 the access of Stellex 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 Stellex 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 the Fund invests, the Fund may lose its

entire investment or may be required to accept cash or securities with a value less than the Fund's original investment.

“Blocking Positions”. In connection with the Fund's distressed investment strategy, the Fund expects to acquire plan of reorganization “blocking positions” in securities of portfolio companies. This strategy entails significant risks. If Stellex's evaluation of the anticipated outcome of such a blocking position or any investment situation should prove incorrect, the Fund could experience substantial losses.

Investment in Restructurings. The Fund may make investments in restructurings which involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome and may cause a portfolio company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Fund and distributions by the Fund to the limited partners of the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment or a similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Public Company Holdings. The Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including Stellex's principals, and increased costs associated with each of the aforementioned risks.

Conflicts of Interest

During the Investment Period, all appropriate investment opportunities will be pursued by Stellex principals through the Fund, subject to certain limited exceptions. Without limitation, Stellex principals may in the future manage several other investments similar to those in which the Fund will be investing, and may direct certain relevant investment opportunities to those investments. Stellex's principals and Stellex's investment staff will manage and monitor such investments until their realization. Such other investments that Stellex principals may control may potentially compete with companies acquired by the Fund. Following the Investment Period, Stellex principals may and likely will focus their investment activities on other opportunities and areas unrelated to the Fund's investments.

From time to time, Stellex may be presented with investment opportunities that would be suitable not only for the Fund, but also for other Private Investment Funds and other investment vehicles operated by advisory affiliates of Stellex. In determining which investment vehicles should participate in such investment opportunities, Stellex and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Stellex will attempt to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by Stellex's advisory affiliates to investors in investment vehicles managed by them, and will attempt to allocate investment opportunities among the Fund, other Private Investment Funds and such investment vehicles in a fair and equitable manner. Where necessary in the future, Stellex expects to consult and receive consent to conflicts from an advisory committee consisting of limited partners of the Fund and such other investment vehicles.

Because Stellex's carried interest is based on a percentage of net realized profits, it may create an incentive for Stellex to cause the Fund to make riskier or more speculative investments than would otherwise be the case. Since Stellex expects to be permitted to retain certain fees (as described under "Fees and Compensation") in connection with the Fund's investments, a conflict of interest may arise in connection with approving transactions and setting such compensation.

As a result of the Private Investment Funds' controlling interests in portfolio companies, Stellex and/or its affiliates will typically have the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members may approve compensation and/or other amounts payable to Stellex and/or its affiliates. Stellex and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Private Investment Funds or other investment vehicles advised by Stellex and/or its affiliates. Additionally, Stellex, its affiliates and/or personnel may maintain relationships with (or may invest in) financial institutions or other service providers, some of which may invest (or will be affiliated with an Investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Stellex and/or its affiliates, and/or the Private Investment Funds or other investment vehicles they advise. In addition, portfolio companies may from time to time pay certain fees to third party consultants (including consultants introduced or arranged by Stellex and/or its affiliates that may regularly provide services to one or more Private Investment Fund portfolio companies), and such fees may not offset the Management Fee as described herein. Any of these situations could subject Stellex and/or its affiliates to potential conflicts of interest.

DISCIPLINARY INFORMATION

Stellex and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Stellex Capital Management is affiliated with other Stellex investment advisers registered with the SEC under the Advisers Act pursuant to Stellex Capital Management's registration in accordance with SEC guidance. These advisers are Stellex Management LP and Stellex Partners

LP. These affiliated investment advisers operate as a single advisory business together with Stellex Capital Management and serve as managers or general partners of private investment funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Stellex Capital Management is also affiliated with Stellex Capital Management UK LLP (“**Stellex UK**”), a UK limited liability partnership. Stellex UK advises Stellex’s registered investment adviser entities with regard to both U.S. and non-U.S. based clients. Stellex UK is not required to be registered under the Advisers Act, but operates in compliance with certain related requirements and undertakings as prescribed by the SEC.

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

Stellex has adopted a Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Stellex’s principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Stellex personnel to report their personal securities transactions, prohibits or requires pre-clearance by the Chief Compliance Officer (“**CCO**”) for Stellex personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Stellex personnel from directly or indirectly acquiring beneficial ownership of certain securities with limited exceptions. A copy of the Code will be provided to any investor or prospective investor upon request to the CCO, at (212) 710-2323. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

Stellex and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, Stellex and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Stellex.

Accordingly, should Stellex or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, Stellex would be prohibited from communicating such information to clients, and Stellex will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Stellex personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Fund.

Principals and employees of Stellex and its affiliates may directly or indirectly own an interest in Private Investment Funds, including the Fund or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Fund. Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio

company. Additionally, the Fund and other Private Investment Funds may invest together with other private investment funds advised by an affiliated adviser of Stellex in the manner set forth in the Partnership Agreement and the Adviser's Investment Allocations/Co-Investment Policy. Stellex expects to typically allocate investment opportunities to the Fund and other Private Investment Funds up to an amount of the transaction deemed prudent by Stellex, taking into account conflicts provisions in the relevant fund's operating documents, investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk (the "**Allocation Factors**"). Any excess amount over that allocated to the Fund or the applicable other Private Investment Fund(s) may be allocated to other clients and other parties with a relationship with Stellex, including single investor vehicles, as determined by Stellex, up to the maximum remaining amount of the investment opportunity, subject to the above-named Allocation Factors.

Stellex and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain vehicles sponsored by Stellex (the "**Reference Funds**") may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by investors (or their representatives) in such Reference Funds.

From time to time, Stellex may borrow funds on behalf of the Fund or the Private Investment Funds and contribute such borrowed amounts to the Fund (or relevant Private Investment Fund, as applicable) as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the Fund (or the relevant Private Investment Fund, as applicable) as a Fund expense, consistent with the Partnership Agreement (or other governing document) and the expense policy described under "Fees and Compensation." In borrowing on behalf of the Fund or a Private Investment Fund, Stellex is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund or Private Investment Fund, as applicable. Stellex will effect such borrowings in a manner it believes to be fair and equitable to the Fund or Private Investment Fund, as applicable, and consistent with Stellex's obligations to the Fund and the Partnership Agreement (or other governing document).

BROKERAGE PRACTICES

Stellex expects to focus on securities transactions of private companies and generally to purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Stellex may also distribute securities to investors in the Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. To the extent Stellex engages in public securities transactions, it will follow the brokerage practices described below.

If Stellex sells publicly traded securities for the Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Stellex. In such event, Stellex will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Stellex may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered and responsiveness to requests for trade data and other financial information; and (iv) other factors suggested by the SEC from time-to-time.

Stellex has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although Stellex generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Stellex seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Stellex generally does not make use of such services at the current time and has not made use of such services since its inception. To the extent that Stellex allocates brokerage business on the basis of research services in the future, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds’ interest in receiving most favorable execution.

To the extent that Stellex engages in any public securities transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, Stellex may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, Stellex may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of Stellex is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Private Investment Funds are expected to generally be private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Stellex intends to closely monitor companies in which the Private Investment Funds invest, and the CCO intends to periodically check to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Fund will provide to its limited partners (i) audited financial statements annually commencing with the first year in which it either is in operation for the full year or makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company annually.

CLIENT REFERRALS AND OTHER COMPENSATION

Stellex and/or its affiliates may provide certain business or consulting services to companies in the Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

Stellex may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in the Fund or other Private Investment Fund. Any fees payable to any such placement agents will borne by Stellex indirectly through an offset against the Management Fee.

CUSTODY

Stellex maintains custody of Stellex's assets held in in Stellex's name with the following qualified custodians: [_____]

INVESTMENT DISCRETION

Stellex has discretionary authority to manage investments on behalf of the Fund. As a general policy, Stellex does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, Stellex may enter into "side letter" arrangements with certain limited partners of the Fund whereby the terms applicable to such limited partner's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Stellex assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of the Fund.

VOTING CLIENT SECURITIES

Stellex has adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for the Fund’s (and any Private Investment Fund’s) portfolio investments. The Proxy Policy seeks to ensure that Stellex votes proxies (or similar instruments) in the best interest of the Fund, including where there may be material conflicts of interest in voting proxies. Stellex generally believes its interests are aligned with those of the Fund’s investors through the principals’ beneficial ownership interests in the Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Stellex may address the conflict using several alternatives set forth in the Proxy Policy, which may include seeking the approval or concurrence of the Fund’s advisory board. Additionally, the Fund’s advisory board may approve Stellex’s vote in a particular solicitation. Stellex does not consider service on portfolio company boards by Stellex personnel or Stellex’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Stellex when voting proxies on behalf of the Fund. If you would like a copy of Stellex’s complete Proxy Policy or information regarding how Stellex voted proxies for particular portfolio companies, please contact the CCO, at (212) 710-2323, and it will be provided to you at no charge.

FINANCIAL INFORMATION

Stellex does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.