

Strategic Value Partners

ADV Part 2A: Firm Brochure ("Brochure")

Item 1 – Cover Page

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This Brochure provides information about the qualifications and business practices of Strategic Value Partners, LLC ("SVP" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at 203-618-3500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

SVP is a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any level of skill or training. Additional information about SVP also is available on the SEC's website at www.adviserinfo.sec.gov.

BROCHURE DISCLOSURE

In no event should this Brochure be considered to be an offer of interests in any of SVP's private fund clients or relied on in determining whether to invest in any private fund client. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of this Brochure. Rather, this Brochure is designed solely to provide information about SVP for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided to potential investors in the Offering Documents (as defined below). To the extent that there is any conflict between any disclosure in this Brochure and the Offering Documents provided to investors, the Offering Documents provided to such investors will govern.

Strategic Value Partners

Item 2 – Material Changes

Since our last annual update dated March 2014, the following material changes were made to this Brochure:

- The amount of assets under management as set forth under Item 4.
- Throughout this Brochure, we have updated the manner in which information is presented (more specifically in Item 4, Item 11, Item 12 and Item 17) although we do not believe that there have been material changes to the underlying facts or policies which are being described/summarized.

This section of the Brochure addresses only those material changes that have been incorporated since our last delivery or posting of this document on the SEC's public disclosure website (IAPD) www.adviserinfo.sec.gov. Other amendments were made to this Brochure, which are not discussed in our summary, and consequently, we encourage you to read the Brochure in its entirety.

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Item 4 – Advisory Business

Strategic Value Partners, LLC (“SVP”), established in the state of Delaware in 2001, is a privately held firm specializing in alternative investments. SVP provides investment management services to pooled investment vehicles (“Client Funds”) and, to a lesser extent, separately managed accounts on a discretionary basis (collectively with the Client Funds, the “Clients”).

SVP is headquartered in Greenwich, Connecticut. Mr. Victor Khosla is a founder and is the sole member of Midwood Holdings, LLC, which is the sole managing member of SVP. Victor Khosla also controls Midwood, LP, which is a member and the majority owner of SVP.

SVP’s investment strategies are generally focused on investing assets globally (although primarily focused in the United States and Europe) in distressed bank debt and bonds, other distressed loans (including mezzanine debt), par and non-par high yield securities, trade claims, liquid and illiquid distressed assets (including “hard” assets such as real estate), reorganization equities, derivative instruments (primarily credit related, including credit default swaps and total return swaps) and other instruments and assets.

SVP’s investment management activities are conducted in accordance with each respective Client Funds’ confidential private offering memorandum and/or confidential explanatory memorandum and other governing documents, as applicable (“Offering Documents”). With respect to the separately managed account clients, investment management services are made pursuant to the terms and conditions of the investment management agreement, limited partnership agreement and/or other agreement entered into by and between the parties.

SVP does not tailor its advisory services to the needs of any underlying investor in a Client Fund. Since we do not provide individualized advice to the Client Funds’ investors, such investors are encouraged to consider whether the investment objectives of the Client Funds are in accordance with their individual objectives and risk tolerance prior to investing. Information about the Client Funds, including their investment objectives and strategies, are set forth in their respective Offering Documents.

Clients and/or investors may impose restrictions and/or limitations on SVP’s management of such Client. These restrictions and/or limitations are set forth in the applicable Client Fund’s Offering Documents, the investment management agreement between the Client and the Firm or side letters or other similar agreements. Disclosure regarding services, fees, investor suitability standards and other specific terms applicable to a Client Fund are described in such Client Fund’s Offering Documents.

The terms of individual managed accounts are negotiated individually with the applicable Client.

As of December 31, 2014, SVP managed \$5,822,764,156 of Client assets, all of which are being managed on a discretionary basis.

Item 5 – Fees and Compensation

Our fees include asset-based fees generally ranging from annual rates of 1% to 2% of assets under management, plus performance-based fees or allocations (typically a 20% performance/incentive allocation) payable to certain of our affiliates, as well as certain other fees and expense reimbursements, as more fully described in each Client Fund’s Offering Documents.

The fees, performance compensation and other fees, costs and expenses payable by each Client Funds is generally summarized below and is described in more detail in the Offering Documents for the applicable Client Fund.

Restructuring Fund

SVP is generally paid a quarterly management fee in advance computed at an annual rate as detailed in the chart below. The annual management fee is, generally, the indicated annual rate multiplied by the net asset value of the indicated series.

Annual Rate	Series
1.0%	Series H limited partnership interests
	Series H common shares
1.5%	Series A limited partnership interests
	Series G limited partnership interests
	Series R limited partnership interests
	Series C common shares
	Series G common shares
	Series V-2 common shares
	Series Y-2 common shares
2.0%	Series C limited partnership interests
	Series E common shares
	Series V-1 common shares
	Series Y-1 common shares

The Restructuring Fund previously offered Series S shares, which related to special investments (more commonly referred to as “side pockets”) and which were allocated to investors in Series A, C, E, G, H and U partnership interests. Series S shares were linked to Series A, C, E, G, H and U and accordingly, SVP was generally paid a quarterly management fee in advance in respect of such Series S shares of either 1.0%, 1.5% or 2.0%. Since June 30, 2010, SVP has deferred the receipt of its quarterly management fee in respect of Series S shares and will only receive management fees for such Series S shares if, upon realization of the assets relating to such Series S shares, the investor receives an amount equal to or greater than the net asset value of such Series S shares as of June 30, 2010.

The Restructuring Fund’s general partner, generally receives an annual incentive allocation of 20% of net profits, subject to a “loss carryforward”/“high-water mark” and, in some cases, a preferred return measured for the benefit of certain investors in the Client Funds.

SVP generally accrues and calculates the management fee for each series before the accrual of the incentive allocation. The management fee is generally paid quarterly in advance directly from the assets of the applicable Client Fund and is generally pro-rated for any calculation period that is less than a full calendar quarter.

As described more fully below under “Other Considerations” and in the Offering Documents for the Restructuring Fund, the Restructuring Fund will also bear other additional expenses and costs including, without limitation: (a) accounting, audit, valuation, insurance (e.g. “directors and officers” or similar professional liability insurance), software and tax preparation expenses; (b) the cost of administrative, accounting, legal counsel, specialized asset servicing appraisal, and/or back office services provided by third parties (including administrators); (c) the expense of Service Activities (as described below and in the offering documents of the Restructuring Fund); (d) organizational and offering expenses, including travel expenses in connection with the offering of interests/shares, and compensation and expenses relating to the Restructuring Fund’s investment advisory council; and (e) extraordinary expenses as shall be determined by SVP in its sole discretion. “Service Activities”, as described in the Restructuring Fund’s offering materials, generally include, but is not limited to, asset workout, oversight and other support activities provided in respect of existing or proposed investments.

Global Opportunities Funds (SVGO)

Management Fee - Fund I and I-A

During the investment period of Fund I and Fund I-A, SVP is entitled to a management fee, payable in advance from the assets of the fund, in an annual amount equal to 2% of limited partners’ commitments (whether or not yet drawn upon). Thereafter, SVP is entitled to a management fee in an annual amount equal to the lesser of 2% of the limited partners’ commitments and the limited partners’ share of the cost basis of the investments of Fund I and Fund I-A.

Performance Allocation – Funds I and I-A

The general partner, of each of the Global Opportunities Funds is entitled to performance compensation equal to 20% of the net proceeds from the disposition of investments in such Fund plus current income, if any, from interest and dividends with respect to these investments, after:

- A. the limited partners have received distributions equal to their funded commitments plus a compounded annual preferred return of 8% (the “**Preferred Return**”), and
- B. the general partner has received distributions equal to 20% of the sum of:
 - all amounts distributed to the limited partners in respect of the Preferred Return plus
 - amounts distributed under this clause (B).

As further described in “Other Considerations” below, SVP, or an affiliate, is also entitled to reimbursement for certain asset workout, oversight and support services provided on behalf of Funds I and I-A. Such services are also described in more detail in the Offering Documents of the applicable Client Funds.

Special Situations Funds I, II and III

An affiliate of SVP is entitled to a management fee, payable quarterly in advance, calculated as follows:

- during the investment period of the fund, after the fund's initial capital call but prior to the first date on which at least 50% of aggregate commitments has been called by the fund, an amount equal to 2% annually of 50% of aggregate capital commitments (whether or not then drawn);
- during the investment period of the fund, on and after the first date on which at least 50% of the aggregate commitments has been called by the fund, an amount equal to 2% annually of 100% of the aggregate capital commitments (whether or not then drawn); and
- after the investment period of the fund, an annual amount equal to the lesser of 2% (a) of the limited partners' commitments and (b) the limited partners' share of the cost basis of the investments of Fund I, Fund II and Fund III.

It should be noted that in Special Situations Fund II and Fund III, the annual rate at which the management fee described above will be charged will be (i) 2% for limited partners with a capital commitment of less than \$100 million, (ii) 1.75% for limited partners with a capital commitment equal to at least \$100 million but less than \$200 million and (iii) 1.5% for limited partners with a capital commitment equal to \$200 million or greater.

In addition, the general partner of each of the Special Situations Funds is entitled to performance compensation equal to 20% of the net proceeds from the disposition of investments plus current income, if any, from interest and dividends with respect to these investments, after:

- A. the limited partners have received distributions equal to their funded commitments plus a compounded annual preferred return of 8% (the "Preferred Return"), and
- B. the general partner has received distributions equal to 20% of the sum of:
 - all amounts distributed to the limited partners in respect of the Preferred Return plus
 - amounts distributed under this clause (B).

As described more fully below in "Other Considerations", SVP, or an affiliate, is also entitled to reimbursement for certain asset workout, oversight and support services provided on behalf of each of the Special Situations Funds. Such services are also described in more detail in the Offering Documents of the applicable Client Funds.

Managed Accounts/Funds-of-one

With respect to any managed account or fund-of-one, our fees are determined on a negotiated basis based on various factors and strategies. Management fees due from managed account and fund-of-one clients are typically billed on a monthly basis in arrears. However, other arrangements may be made. SVP may also manage separate accounts under performance-based fee arrangements.

Additionally, SVP may from time to time form and/or manage other funds or accounts designed to invest fully or partially in parallel with the Special Situations Funds and/or the Restructuring Fund. The precise amount of and the manner and calculation of the management fee and/or incentive allocation for each such fund or account are established by SVP, and are set forth in such funds' investment advisory agreement and/or organizational documents.

Other Considerations

SVP has discretion to agree with investors in the Client Funds to waive or modify any of the investment terms above--in a "side letter" or any other manner--without obtaining the consent of any other investor in the Funds (except an investor (1) whose rights would be materially and adversely changed by the waiver or modification or (2) which has a side letter which permits the affected investor to elect to have such waiver or modification to be applied to them).

Generally, SVP deducts fees from Clients' assets rather than invoice Clients for fees incurred.

The costs and expenses to be borne by each Client Fund relating to its investment activity are described in the Client Fund's Offering Documents and the following provides a brief summary of those costs and expenses.

SVP or its affiliates are entitled to receive certain fees pertaining to asset servicing activities that it performs for the Client Funds. The Client Funds also typically bear the organizational expenses related to such entities. The Restructuring Fund, the Global Opportunities Funds and the Special Situations Funds have used, and will likely in the future use, SVP affiliates to perform certain other service activities and real estate asset management activities (where real estate is part of the investment strategy). These affiliates will generally receive reasonable and customary compensation for their services, payable by the Restructuring Fund, the Global Opportunities Funds or the Special Situations Funds (as applicable) and, in certain instances, subject to the approval of the relevant Client Fund's Advisory Committee.

We expect that our relationship with Clients will be terminable only upon:

- expiration of the term of the applicable Client Funds/accounts or their dissolution, based upon the Client's Offering Documents, or
- SVP (or its affiliate's) withdrawal as manager or general partner of the applicable Client Fund/account.
- For managed accounts, pursuant to the terms of the agreement between such managed account client and SVP.

Employees, advisory consultants and former employees of SVP may maintain (directly or indirectly) investments in the Client Funds and generally, management fees and performance compensation are waived in whole or in part for such investments. In addition, when an SVP affiliate acts as the general partner of a Client Fund, fixed fees and performance compensation typically are not charged against the general partner's investments.

SVP's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the Client. Clients incur certain charges imposed by custodians, brokers and

other third parties such as, but not limited to, fees charged by auditors, attorneys, administrators or custodians, deferred sales charges, odd-lot differentials, transfer taxes, wire transfers and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of, and are in addition to the fees and other costs described above, and SVP does not receive any portion of these commissions, fees or costs.

Item 6—Performance-Based Fees and Side-By-Side Management

SVP and/or its affiliates, and/or the general partner of each of the Client Funds and their respective affiliates, accept performance-based fees and/or incentive allocations as described in Item 5. Performance compensation/incentive allocations create an incentive for SVP to make investments that are riskier or more speculative than would be the case in the absence of such performance compensation/incentive allocations. As performance-based fees and allocations for the Restructuring Fund are calculated on an annual basis, which includes unrealized appreciation of a Client's assets, the fees may be greater than if based solely on realized gains. A conflict of interest could therefore arise in that SVP could be incentivized to favor an account which pays performance-based fees or allocations, or higher rates for performance-based fees or allocations.

To address this potential conflict, SVP maintains policies that intend to allocate resources and investments fairly among accounts and Client Funds (including with respect to trade allocations and valuation of assets). SVP has adopted an allocation policy for all the Client Funds directly and indirectly advised by it.

Item 7 – Types of Clients

SVP provides investment advice to pooled investment vehicles which include both a hedge fund and private equity funds as well as managed accounts and funds-of-one.

We do not impose any minimum requirements on our Client Funds. The Client Funds, however, generally impose minimum investment commitments on investors and require such investors to satisfy certain suitability standards. However, SVP, as the investment manager for the Client Funds, reserves the right to adjust account size minimums as deemed appropriate in light of the overall facts and circumstances and may agree with investors in any Client Fund to alter the terms and conditions applicable to such investor without the consent of any other investor in a “side letter” or similar agreement.

We may impose certain account minimums on managed account and funds-of-one clients. Any such minimums would be described in the written agreement between SVP and the client. Any other requirements or restrictions would be specified in detail in the specific agreement between SVP and such managed account and fund-of-one client.

Item 8—Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

We seek to employ a rigorous, disciplined and organized investment process, with the goal of creating value through proactive proprietary sourcing, intensive analysis, execution, and portfolio monitoring and management. The particular investment strategies, methods of analysis, and material risks applicable to each Client Fund, managed account, or fund-of-one are set forth in detail in each of the Client Fund's respective Offering Documents, constituent document of any fund of one or managed account agreement, as applicable. A brief summary of those investment strategies, methods of analysis, and material risks are provided below. The summary provided below is qualified in its entirety by reference to the applicable Client Funds' Offering Documents or the constituent document of any fund of one or managed account agreement.

Idea Generation

Traditional distressed investing is often reactive: investment opportunities arise based on what debt is available for sale and which companies are distressed. In contrast, SVP seeks to take a more proactive approach, and we expect every member of our team (from our CIO to our junior analysts) to generate ideas.

Investment ideas typically come together as a result of two parallel and integrated processes: (i) our investment team as they study sectors in detail; and (ii) our origination team as they communicate with various intermediaries or direct sources of opportunities.

Due Diligence/Evaluation/Execution

- **Fundamental Research** - Primary research is at the heart of our due diligence process. We are data and experientially driven, and supplement our views by drawing upon our proprietary network of relationships (management teams, industry experts, specialists) to calibrate our analyses. In certain circumstances, such as areas of due diligence that have unique aspects or require specialized skills, we may engage third parties such as accountants, lawyers or consultants as appropriate. In all cases where third parties are used, however, their diligence is based upon our direction: we do not rely on third parties to make conclusions, but rather use them to help us confirm or disprove a hypothesis, or seek facts.

Sell-side research plays a very limited role in our due diligence. We may use sell-side research on occasion, but it is usually only at the start of our research process to familiarize ourselves with situations more quickly, or to understand how the market may be viewing opportunities.

- **Industry** - We seek to understand industries, their key drivers and how companies compete within them: historic and prospective industry trends, growth potential, cyclicity, barriers to entry, end-market customers, regulatory frameworks, secular threats, value propositions, market shares and fragmentation.

Then, based on the information we compile and aggregate, we may develop our own proprietary databases or analyses to evaluate companies within an industry, and will tap our

industry relationships to help calibrate our thoughts. As part of this process, we will also determine the relative value of companies within the target industry.

- **Company** - We seek to identify the key value drivers and risks that a company may face. In doing so, we may evaluate a number of factors, such as, but not limited to, a company's management team, its operations and financial performance, and the circumstances that led to its distress. Our diligence typically include: analyzing customer and product concentration, product profitability, cost structure, market position and unit economics; understanding a company's competitive advantages, operational excellence, business model and customer switching costs; and conducting channel and vendor checks, and interviews with management.
- **Capital Structure** - We generally prefer making investments through the debt of a target portfolio company and consider the following: the relative priorities, rights, controls and risks each security may have, intercreditor rights, guarantees, intercompany claims, waterfalls, and structures. We may also make investments through other securities in the capital structure based on the aforementioned and other considerations.
- **Restructuring** - Because our investments may be centered on a restructuring event, we seek to identify the key capital structure or bankruptcy issues, and develop a restructuring strategy prior to making an investment.
- **Operations / Strategy** - With respect to our control strategy, our operating professionals are involved from the onset of our due diligence, though their involvement may vary depending on the degree of turnaround complexity. We draw upon their experiences at the company-, industry- and geographic-levels to help us identify issues and enact solutions to improve operations. Our operating partners may determine the nature and depth of any issues, whether they are fixable and the plans to address them.
- **Exit** - Before executing an investment, we seek to explore various exit options and determine the viability of each one. We consider the attractiveness of an industry and the prospects for various exit opportunities to identify the most viable exit options. Traditional exit strategies include, but are not limited to: recapitalizations, sales to strategic or financial buyers, public offerings, private offerings through the over-the-counter market, refinancings prior to a debt-for-equity swap, liquidations or assetsales.
- **Trading** - Throughout our diligence, we are in regular communication with our origination team to understand potential supply, timing and who is selling or buying and why. Understanding who is part of the lender constituency and their motivations is essential to determining timing and level of our investment. Collateralized Loan Obligations, banks, high yield funds and hedge funds all have different objectives, and will behave differently in restructurings. The intelligence generated by our team, we believe, is helpful not only for originating and timing already identified prospects, but also for targeting proactively identified opportunities from our research process. This approach allows us to call upon potential sellers directly, engage preferred broker-dealers, or work through other channels on a negotiated basis or with limited competition.

Investment Strategies

SVP manages investments across a distressed and deep value strategy. Although we have several vehicles, our efforts are concentrated on distressed opportunities in middle-market companies where we can typically exert significant influence or obtain outright control. The Restructuring Fund typically invests in large-cap restructurings, middle-market restructurings and event-driven / trading-oriented opportunities. The Special Situations Funds will generally target investments in middle-market opportunities where it can exert meaningful influence.

Risk of Loss

All of our Client's investments risk the loss of capital. There can be no assurance that the Clients' investment programs will be successful or that investments purchased by the Clients will increase in value. Clients and investors in the Client Funds could lose their entire investment. All Clients and investors in the Client Funds should consult their own legal, tax and financial advisors prior to investing.

The Clients will invest a portion of their assets in securities and other assets and liabilities/debt of U.S. and non-U.S. companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments involve a substantial degree of risk. In any reorganization or liquidation proceeding relating to a company in which a Client invests, such Client may lose its entire investment, may be required to accept cash or securities with a lesser value, or which has less liquidity, than that of the Client's original investment, and/or may be required to accept payment over an extended period of time.

Each Client Fund's Offering Documents describe in detail the risk factors and potential conflicts of interest associated with an investment in such Client. The information included herein does not include every potential risk associated with each investment strategy or security. Set forth below in a non-exhaustive summary of such risks:

Risks Applicable to Investment in any of our Clients

- The Clients' strategies rely, in part, upon general economic forces that are outside the control of the Clients or SVP and the Clients may become subject to market risks that SVP is not able to plan for or mitigate.
- There is no public market for interests in the Clients and one is not expected to develop.
- Investors in the Client Funds will have no opportunity to control the day-to-day operation of the Client Funds.
- General fluctuations in interest rates and market prices of securities and other assets could adversely affect the value of a Client's investments.
- The success of the Clients depends, to a significant extent, on the experience of SVP's senior professionals, whose continued services cannot be guaranteed.
- Legal and regulatory changes could adversely affect the ability of the Clients and SVP to carry out the investment strategies described in Item 8.
- SVP, on behalf of the Clients, may agree to abide by certain social, environmental or similar investment policies which may restrict the scope of a Client's stated investment policy.

- The existence of performance-based compensation creates an incentive for SVP to make riskier or more speculative investments on behalf of the Clients than would be the case in the absence of these arrangements.
- Certain Client Funds and/or Clients invest together in certain assets (or classes of assets) through one or more aggregating vehicles which may cause those Client Funds or Clients to be subject to risks or expenses which might not be present if they had invested in the assets directly (for example, if the aggregating vehicle is subject to litigation).
- The Offering Documents of each Client Fund and the investment management agreement and other documents between SVP and each managed account and funds-of-one limit the circumstances under which SVP can be held liable to such Client.
- Instances of fraud and other deceptive practices committed by senior management of certain companies or by sellers of assets in which a Client invests may undermine SVP's due diligence efforts and if such fraud is uncovered, may adversely affect the valuation of such assets.
- A Client may exercise influence or control over an investment which could impose additional risks of liability for environmental damage, failure to supervise management, violation of governmental regulations (including securities laws), joint employer or other types of liability in which the limited liability characteristics of business ownership may be ignored.
- Board participation by SVP professionals may prevent a Client from purchasing additional investments, which may be attractive or from freely disposing of its investments.
- A Client may use special purpose vehicles in jurisdictions in which SVP has less familiarity and may provide additional informational and operational uncertainty or difficulties to SVP.
- A Client may incur contingent liabilities which could increase the risk for the Client and adversely impact the results of an investment.
- In order to take advantage of displacements in the markets, investment analyses and decisions by SVP may be undertaken on an expedited basis and material information may be limited or unavailable.
- In connection with certain investments, a Client may be required to post deposits, which may not be refundable in the event the transaction is not ultimately consummated.
- SVP may rely on a third party advisor to supply, from time to time, advice as to business valuation, tax, legal, financial, accounting and other issues and such advice could prove to be ineffective or erroneous and consequently, the Client may suffer investment losses and/or unanticipated expenses or taxes.
- Interests/shares in all the Client Funds are subject to strict limitations on transfers and assignments.

Risks Associated with the Investment Strategies of the Clients

- SVP, on behalf of the Clients, will focus on companies which it believes have an intrinsic value that can be realized through a restructuring, however, companies undergoing a reorganization are unusually vulnerable to adverse industry developments such as new regulations, increased competition, increased bargaining power of suppliers and overall macro-economic changes.
- A Client may extend loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization proceedings and such loans involve a substantial degree of risk, including the risk of loss of the entire amount of the loan.

- In connection with an investment, a Client may employ leverage by borrowing money with recourse to the assets of the Client, including a credit facility or investment-level financing with cross-collateralized recourse to the assets of the Client. In the event of a default, all assets of a Client may be available to satisfy the applicable obligations.
- Because of the nature of a Client's investments, such Client may be subject to allegations of lender liability, which is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.
- Certain debt instruments that may be acquired by a Client or its affiliates are intended to be over-collateralized and such Client may be exposed to losses resulting from default and foreclosure.
- A Client may invest in fixed and floating-rate loans, which generally will be in the form of loan participations and assignments of portions of those loans which involve special types of risk, such as credit risk, interest-rate risk, liquidity risk, currency risk and the risks of being a lender.
- There are special risks associated with investments in bank loans and participations, including possible invalidation of an investment transaction as a fraudulent conveyance, lender liability claims, environmental liabilities, and limitations of a Client to enforce its rights.
- There are specific risks associated with investments in companies involved in reorganization proceedings, such as the possibility of litigation between the participants, or unforeseen delays in timing and information availability, and the risks associated with serving on a creditors' committee.
- To the extent a Client invests in over-the-counter instruments, such Client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default.
- The Clients may invest in securities issued by companies in weak financial condition, experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems or even out-of-court workouts or in-court insolvency or bankruptcy proceedings. Investing in distressed securities may be unusually complicated and may involve an unusually high degree of risk and illiquidity. Additionally, bankruptcy courts are unpredictable and could result in the complete loss of such Client's investment.
- A Client may engage in various derivatives instruments which may be volatile and speculative and which may be subject to wide and sudden fluctuations in market value with a resulting fluctuation in the amount of profits and losses.
- Investments outside of the U.S. could expose a Client to increased risk due to political, social and economic uncertainty affecting a country or region.
- There are risks inherent in the ownership and operation of real estate assets, including, but not limited to, adverse changes in national and international economic conditions, adverse local market conditions, the financial conditions of tenants, buyers and sellers of properties, changes in availability of debt financing, changes in interest rates, real estate taxes and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, energy prices, changes in the relative popularity of certain property types, risks associated with operating problems related to the presence of certain construction materials, uninsurable losses and other factors which are beyond the control of SVP.

- A Client may make substantial investments in non-performing or other troubled real estate assets which involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never be overcome, regardless of SVP's efforts.
- A Client may acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may be non-income producing and subject to development risks, including but not limited to, risks relating to the availability and timely receipt of zoning and other regulatory approvals and entitlements, the cost and timely completion of construction (including risks beyond the control of SVP, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and possibly non-completion.
- Clients may acquire securities across different parts of a portfolio company's capital structure, which could result in conflicts of interest between Clients, including but not limited to conflicts related to proxy voting.
- A Client may acquire real estate loans which may become non-performing and require a substantial amount of workout negotiations or restructuring which may not be successful and could result in a substantial reduction in the interest rate and/or substantial write-down of the principal of such loan.
- A Client may invest in the securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation than is generally assumed or expected by an investor.
- A Client may invest in post-reorganization securities, which generally entail a higher degree of risk than investments in securities of other companies and could face heavy selling or downward pricing pressure.
- A Client may invest in high yield bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities) and which are subject to greater risk of loss of principal and interest.
- A Client may sell securities short, thereby increasing the possibility of profit and the risk of losses.
- A Client's successful use of options depends on the ability of SVP to forecast interest rate and market movements correctly and errors could cause the Client to lose part or all of its investment in the option.

Certain Risks Specifically Applicable to an Investment in the Restructuring Fund

- A substantial amount of redemptions poses a risk for those investors who remain in the Restructuring Fund.
- There are limited redemption and transfer rights attached to the interests in the Restructuring Fund.

Item 9—Disciplinary Information

Neither SVP nor any of its supervised persons have been the subject of any legal or disciplinary events that would be material to your evaluation of SVP or the integrity of SVP's management.

Item 10—Other Financial Industry Activities and Affiliations

SVP has an affiliate -- Strategic Value Partners (UK) LLP -- which is registered with the UK Financial Conduct Authority and researches investment opportunities in Europe for the benefit of our Client Funds. Strategic Investments KK, an affiliate of SVP, is registered as a type 1 and type 2 financial instruments business (“FIB”) with the Financial Services Agency in Japan. Neither affiliate provides investment advice or similar support to the registrant nor does either affiliate have any investment discretion with respect to investing Client assets or receive any form of compensation for any of SVP’s Clients. SVP also has a branch office that is registered in the Dubai International Financial Centre.

In addition, we have a series of affiliates who serve as the general partners and investment advisors of our various Client Funds, managed accounts and funds of one. Such affiliates are entitled to receive performance-based compensation, if earned, for the services provided to Clients. Each Client Fund, and their respective general partners, is identified in Schedule D of Part 1 of SVP’s Form ADV, available on the SEC’s website at www.adviserinfo.sec.gov or upon request from us at (203) 618-3500. SVP Special Situations LLC, a wholly-owned affiliate of SVP, provides services to the Special Situations Fund I entities. SVP Special Situations II LLC, a wholly-owned affiliate of SVP, provides services to the Special Situations Fund II entities. SVP Special Situations III LLC and SVP Special Situations III-A LLC, each wholly-owned affiliates of SVP, provide services to Special Situations Fund III and Special Situations Fund III-A, respectively. We do not believe that our relationships with these entities cause a conflict of interest with Clients.

From time to time, advisory personnel of SVP, on behalf of the Firm or a Client, serve on a portfolio company’s board of directors or otherwise act to influence the management of portfolio companies.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

SVP has adopted a Code of Ethics (“**Code**”) pursuant to Rule 204 A-1 that governs a number of potential conflicts of interest SVP does have or may have when providing advisory services to Clients. The Code is designed to encourage a culture of compliance within SVP through ethical practices and conduct. The Code covers a variety of guidelines and requirements concerning, among other topics:

- the prohibition of trading of securities while in possession of material non-public information;
- pre-clearance and reporting of securities transactions by employees;
- restrictions or prohibitions on acquisitions of certain kinds of securities;
- the monitoring of employee outside business affiliations;
- reporting of the giving and receiving of gifts and entertainment;
- monitoring and restricting political contributions, when and as required; and
- the maintenance of confidentiality of investment, investor, and employee information.

The Code is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with SVP making decisions in the best interest of our Clients. The Code requires pre-clearance of non-exempt transactions and personal securities transactions of SVP employees, and restricts trading in securities of issuers who are either rated below investment grade by one or more Nationally Recognized Statistical Rating Organizations or have equity values equal to or below \$2.00 per share (or foreign equivalent) (to prevent employees from trading for their personal accounts any securities SVP might be contemplating for Clients). Employee trading is reported and reviewed under the Code.

Employees are also permitted to invest in the same securities as Clients. This creates potential conflicts of interest because SVP and its employees have an incentive not to recommend sales of those securities to Clients in order to protect the value of their personal investment, and may have an incentive to place their orders before those of the client in order to obtain a better price. In order to address this, SVP has instituted certain policies and procedures intended to prevent any conflicts of interest, such as prohibiting employees from directly or indirectly trading for their personal accounts in a security within seven calendar days after a Client trades in the same security. SVP and its employees may not trade for Clients or themselves or recommend to others trading in securities of a company while in possession of material, non-public information (“Information”) or disclose such Information to any person not entitled to receive it. By reason of its various investment activities, SVP may have access to Information or be restricted from effecting transactions in certain investments that might have otherwise been initiated. While SVP has designed and implemented policies and procedures reasonably designed to limit those situations, there can be no assurance that such policies and procedures will be successful or that violations will not occur.

New employees receive training in the policies of the Code upon their arrival at SVP, and all employees must acknowledge the terms of the Code and update their personal trading account information and other required disclosures on an annual basis or as required by law.

Copies of the Code are available upon request by contacting us at 203-618-3500.

Item 12—Brokerage Practices

It is SVP's policy to obtain best execution when effecting transactions on behalf of our Clients. In light of this policy, we seek to execute securities transactions for Clients in such a manner that the Client's total cost or proceeds in each transaction is the most favorable under the circumstances. When selecting broker-dealers, we do not focus on specific factors; rather, we will consider the full range and quality of the services of a broker-dealer.

When seeking best execution, the determinative factor in the selection of a broker-dealer will not be the lowest possible transaction cost but whether the transaction represents the best qualitative execution for the Client account.

SVP's Best Execution Committee generally meets on a quarterly basis to analyze and assess the quality of trade execution and other brokerage services received from brokers during the preceding quarter.

Soft Dollars

SVP does not currently use soft dollars or directed brokerage in connection with any of the Clients we advise. To the extent SVP does use soft dollars in the future, we expect that such use will fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Aggregation of Orders

In some circumstances it may be appropriate to buy or sell an investment on behalf of more than one Client account at one time or over a period of time. In these circumstances, and as a general matter, we believe that the aggregation of orders for multiple advisory clients is consistent with our duty to seek best execution for our clients. Aggregation of trades generally facilitates more efficient and less costly execution by enabling us to negotiate transactions on a consolidated basis rather than dealing with multiple smaller lots in investment types that normally trade in significant and/or pre-set blocks.

In deciding whether aggregation is appropriate, SVP will consider, among other things, the appropriateness of the investment based on the diversity of objectives and risk tolerances among Clients. Other factors that may be considered include, but are not limited to, Client-imposed limitations, differences in the timing of capital contributions and withdrawals to and from each Client, available capital, liquidity needs of a Client, and domicile of a Client.

Item 13 – Review of Accounts

Periodic Reviews

SVP's investment personnel monitor, on an ongoing basis, the investments made on behalf of the Client Funds and accounts we advise. Victor Khosla, SVP's chief investment officer, oversees the review process. These reviews are designed, in part, to monitor and analyze securities and other asset holdings as well as desired risk levels.

Regular Reports

Investors in the Restructuring Fund receive regular monthly account statements as well as monthly and quarterly letters and annual audited financial statements. Investors in the Global Opportunities Funds and the Special Situations Funds receive regular quarterly account statements, a quarterly letter and annual audited financial statements. Managed account and funds-of-one reporting is negotiated on an account -by- account basis.

Item 14 – Client Referrals and Other Compensation

SVP pays certain third party solicitors for fund investor referrals. These fees may be based on a percentage of the management fees and/or incentive compensation earned by SVP or its affiliates, or they may be fixed payments, or they may be derived by some other calculation. Compensation to third parties for investor referrals is disclosed to investors in the Client Funds' offering documents or other disclosure documents delivered to such investors. These arrangements typically do not result in an investor paying any fees to SVP in excess of those that would be charged by SVP in the absence of the services by the third party solicitor.

Item 15 – Custody

All of SVP's Client Funds' are audited annually by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board and audited financial statements prepared in accordance with generally accepted accounting principles in the United States of America are sent to all investors within 120 days of the end of the respective Client Fund's fiscal year. Investors are urged to carefully review such audited financial statements and to compare them to any reports received from SVP.

Item 16 – Investment Discretion

SVP has discretionary authority, pursuant to its investment management agreements with Clients, to select the identity to be bought or sold, amount of securities or other instruments to be bought or sold, the brokers or dealers through which transactions will be executed, and the amount of commissions or mark ups or mark downs paid.

Item 17 – Voting Client Securities

SVP has adopted proxy voting policies and procedures that are designed so that, where SVP votes proxies regarding portfolio securities, such proxies will be voted in the best interests of our Clients. These procedures also require that we identify and address conflicts of interest between our Clients and us. Note that because we rarely hold public equity shares in the Clients' portfolios, proxy voting is a very rare occurrence.

General Proxy Voting Policy

Our general policy is to vote proxies individually, in a manner that serves the interests of the Clients, taking into account all factors that we deem, in good faith, to be relevant for purposes of voting such proxies.

Specific Proxy Voting Policies

Routine Matters

Routine matters are typically proposed by the issuer's management, directors, general partners, managing members or trustees (collectively, "**Management**") and meet the following criteria:

- they do not measurably change the structure, Management, control or operation of the company;
- they do not measurably and directly change the terms of, or fees or expenses associated with, an investment in the company; and
- they are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company.

For routine matters, we will generally vote in accordance with the recommendation of Management, as applicable, unless, in our opinion, such recommendation is not in the best interests of the relevant Client.

Non-Routine Matters

Non-routine matters involve a variety of issues and may be proposed by a company's Management or beneficial owners (i.e., shareholders, members, partners, etc.). These proxies may involve one or more of the following:

- a measurable change in the structure, Management, control or operation of the company;
- a measurable change in the terms of, or fees or expenses associated with, an investment in the company; or
- a change that is inconsistent with industry standards and/or the laws of the state of incorporation applicable to the company.

All non-routine matters will be voted on a case-by-case basis pursuant to the general policy noted above.

All Other Matters

All other decisions regarding proxies will be determined on a case-by-case basis taking into account the general policy. When SVP is faced with a potential conflict of interest in the context of proxy voting because it holds securities or other investments in different segments of an issuer's capital structure it will attempt to resolve any such potential conflict in a manner which is fair and equitable to each Client affected.

Investors may obtain a copy of these procedures and information about how SVP voted on Clients' proxies by contacting us at 203-618-3500.

Item 18 – Financial Information

SVP does not require or solicit prepayment of fees six months or more in advance. SVP has no financial commitment that might impair its ability to meet contractual and fiduciary commitments to its Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.