

Form ADV Part 2A: Firm Brochure

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Halcyon Long Duration Recoveries Management LP

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

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

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

Material Changes

This is an annual update of our brochure. Since our last filing, we have obtained the regulatory assets under management and are providing more specific information relating to our advisory client throughout this brochure.

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1. Advisory Business

Halcyon Long Duration Recoveries Management LP is an investment advisory services firm formed in May 2013 that focuses on investments in claims, litigation-oriented investments and special opportunities with a long-term investment horizon. (The registrant is referred to as “Halcyon” or “we”). Halcyon provides investment advisory services to a closed-end private investment fund, sponsored by an unaffiliated advisory firm. Halcyon is affiliated with Halcyon Asset Management LLC, a leading global asset management firm for private investment funds. Halcyon’s regulatory assets under management are estimated to be \$27,195,000 as of March 18, 2015. Halcyon and its affiliates (referred to as the “Halcyon Group”) manage approximately \$11 billion in client assets as of March 1, 2015, for a diverse group of advisory client funds whose investors include leading public and private pension funds, endowments, foundations, financial institutions, insurance companies, funds of hedge funds, and high-net-worth individuals. The Halcyon Group’s advisory client funds have investors in the United States, Canada, Latin America, the United Kingdom, Continental Europe, the Middle East, Asia, and Australasia.

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

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

We tailor advisory services to the individual needs and specified investment mandate of our advisory client. We adhere to the investment strategy set forth in our client’s operating agreement that contains a description of the investment objective and mandate for our client, as well as investment restrictions (if any) that are agreed upon with the client. Subject to the requirements of the operating agreements, we have full discretionary authority over the investment program of the client.

We do not participate in wrap fee programs.

2. Fees and Compensation

Halcyon receives compensation from its client. This compensation is calculated as a percentage of the capital commitments to the client during the investment period, and afterwards based on net funded capital as determined in accordance with the client’s

operating agreement. Halcyon also receives compensation on performance achieved for the relevant interests in the client. In addition, the client's sponsor is entitled to management fees and incentive compensation from the client. Neither Halcyon nor any Halcyon partners and other Halcyon employees (referred to as "Employees") receives any transaction-based compensation for the sale of securities or other investment products.

An unaffiliated party deducts management fees from our client's account monthly in advance, and any performance-based compensation is deducted upon the realization or other disposition of assets held by the client. The management fees are subject to proration and the prorated portion will be refunded to the client in the event the investment management agreement is terminated prior to the end of a month. Since investors cannot redeem their interests in the client, they do not bear management fees in excess of what they owe for the entire month.

The client bears all costs and expenses directly related to its portfolio investments or prospective investments (whether or not consummated), including brokerage commissions; interest on debit balances or borrowings; custodial fees; bank fees; all due diligence and structuring expenses (including legal expenses and costs of any investment subsidiaries or other alternative investment vehicles used in connection with any investment); fees and profit-sharing payments due to unaffiliated advisors, sub-advisors, consultants, lawyers and finders (which do not offset the management fees or the performance compensation payable to Halcyon); specific expenses incurred in obtaining or maintaining systems, research and other information utilized for portfolio management purposes, including the costs of statistics and pricing services, service contracts for quotation equipment and related hardware and software; and any withholding or transfer taxes. The client also bears all out-of-pocket costs of its administration, including accounting, audit, administrator, offering, licensing, compliance and legal expenses, costs of any litigation or investigation involving the fund's activities, costs associated with reporting and providing information to existing and prospective investors, and partial costs of any regulatory filings (including any filings made in relation to the client, e.g. Form PF) and any liability insurance obtained on behalf of the client, its sponsor, Halcyon or their respective affiliates. When Halcyon and our advisory affiliates incur expenses on behalf of multiple clients, we allocate the expenses among the applicable clients in a fair and equitable manner and consistent with the clients' governing documents. We will typically allocate expenses directly related to a specific investment among clients based on the relative value of the positions being acquired, held or sold, and shared expenses not directly related to a specific investment based on the relative net asset value of client accounts. However, we may apply other expense allocation formulas and methods at our discretion. We cannot guarantee the accuracy of all expense allocations and will not be financially responsible for incorrect allocations in the absence of a breach of the standard of care set forth in the client's governing documents.

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

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

Halcyon receives performance-based compensation from all of its clients.

4. Types of Clients

We provide advisory services to a closed-end private investment fund, sponsored by an unaffiliated advisory firm. Each investor in the client fund is an institutional investor or other highly sophisticated investor for which Halcyon's investment strategy is suitable and is also an "accredited investor" (as defined in applicable federal securities laws and regulations).

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

- A. Our investment strategy is to seek investment opportunities predominantly within privately negotiated litigation claims, claims in liquidating entities, and special opportunities relating to these strategies with a longer-term investment horizon. Investments can include private common equity, private preferred equity, private debt, and other instruments that Halcyon deems appropriate for the client's mandate.
- B. Our investment process has its foundation in a research paradigm and a dynamic approach to risk management that serves to put different types of positions within different strategies on equal footing for evaluation purposes. In our opinion, this approach results in better situation comparison and selection and better portfolio construction. The Halcyon partners are incentivized based on overall fund performance rather than the performance of a particular strategy.

Halcyon builds the portfolios largely on a "bottom-up" basis, choosing individual positions based on their absolute downside risk and their probabilistic relative attractiveness.

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

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

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

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

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

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

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

the acquisition of any assets having any residual value, an unfavorable outcome typically will result in a complete loss of the investment.

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

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

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

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

Fund Structure; Limited Liability and Indemnification. An investor's investment in the client fund is subject to the structure and terms of the fund. The fund's operating agreements limit the instances in which Halcyon or the sponsor may be held liable and provide that, in the absence of bad faith, gross negligence or willful misconduct, neither of Halcyon or the sponsor shall be liable unless otherwise required by law. In addition, Halcyon, the sponsor and their respective affiliates are entitled to full indemnification by each client with respect to their services in the absence of a breach of the standard of care which can result in significant financial burden borne by the investors in the fund.

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

The summary of risk factors included in our client's offering documents contains a discussion of various risk considerations that is more extensive in scope and depth than the foregoing summary.

6. Disciplinary Information

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

7. Other Financial Industry Activities and Affiliates

Halcyon is affiliated with the following management companies, which are Halcyon's related persons: Halcyon Asset Management LLC, Halcyon Asset-Backed Advisors LP, Halcyon Loan Management LLC, Halcyon Long/Short Management LP and Halcyon Liquid Strategies IC Management LP. Each of these entities is separately registered with the SEC as an investment adviser, and information concerning each of these entities and its relying advisers (if any) is included in its own Form ADV Part 1 and Part 2. In addition, Halcyon is affiliated with Halcyon Loan Advisors (UK) LLP, which is authorized and regulated by the Financial Conduct Authority of the United Kingdom. Halcyon is also affiliated with Halcyon Structured Asset Management L.P. and HJS Management LP. Our investment professionals may participate in managing the portfolios of more than one advisory client and, in many instances, on behalf of more than one investment advisory entity. As a result, they do not devote their exclusive attention to any single advisory client or any single management company.

The potential to earn performance-based compensation with respect to the client could provide an incentive to invest assets in an aggressive or speculative manner. Halcyon seeks to minimize this potential conflict by taking a disciplined approach to portfolio construction and risk management. A potential conflict of interest may also exist regarding the allocation of investment opportunities suitable to our client and our advisory affiliates' clients, which may include an incentive to favor clients with the highest performance compensation payable to Halcyon. Mindful of the presence of these potential conflicts of interest, Halcyon seeks to act fairly when allocating investment opportunities, and the Halcyon Group's policy prevents us from taking into account fee or other compensatory differences in allocating an investment opportunity.

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

companies, and requirements imposed by the Investment Company Act with respect to such affiliated management companies may indirectly result in some prohibitions and restrictions on the investment activities of Halcyon's client. Halcyon seeks to minimize restrictions when possible, consistent with applicable law and its internal policies, but our efforts may not be successful, and, as a result, restrictions may occur.

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

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

Officer or her designee approves all relevant proposed transactions involving personal accounts prior to execution. The Chief Compliance Officer or her designee also conducts a quarterly review of personal accounts to examine relevant trades executed during the previous quarter and related statements to determine whether all the accounts are maintained in compliance with the requirements and restrictions described above. To the extent there is any finding relating to personal trading activity that is inconsistent with this policy, Halcyon will investigate and, as with any breach of the firm's policies, a violation is subject to disciplinary action, including dismissal.

9. Brokerage Practices

In selecting broker-dealers and determining the reasonableness of their commissions for our client's transactions, Halcyon takes into account a number of factors, including the following: ability to secure future investment opportunities; quality and reliability of brokerage services; commissions or other fees for executing the orders; price; the broker's or dealer's facilities; financial responsibility; the ability of the broker or dealer to effect transactions, particularly with regard to aspects such as timing, order size and execution of orders; and the research and other investment-related services provided by the broker or dealer to Halcyon in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended (or in the case of certain instruments for which the "safe harbor" is not available, Halcyon will evaluate the amount of spread charged in relation to the value of the research and other brokerage services provided) to enhance its general portfolio management capabilities, notwithstanding the fact that our client may not be direct or exclusive beneficiary of these services. Halcyon executes trades for our advisory client with broker-dealers with which Halcyon has other business relationships, including prime brokerage, credit relationships and capital introduction or investments by affiliates of the broker-dealers in advisory client entities. We do not take client or investor referrals into account in selecting broker-dealers.

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

The Halcyon Group's Broker Review Committee meets quarterly to ensure that our obligation to seek best execution in trading activities for the benefit of all Halcyon Group advisory clients is being met. The Broker Review Committee, the members of which include various officers and Employees, review internally generated records and externally prepared reports bearing on the selection of broker-dealers, including: the

approved list of executing brokers; best execution worksheets completed by traders; commission reports; gift and entertainment logs; purchase and sale activity and fair value of portfolios related to each executing broker; reports analyzing the Halcyon Group's use of broker-dealers and; a report containing the results of a broker vote by certain Halcyon Group investment professionals. The research services that broker-dealers might provide include written information and analyses concerning specific investments, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. In some cases, research services that are generated by third parties may be provided by or through the brokerage firm to which commissions are paid. Using client transactions to obtain research and other benefits which Halcyon does not have to buy or produce on its own may create incentives that could result in conflicts of interest. When Halcyon uses client markups or markdowns to obtain research products and services, it receives a benefit because it does not have to produce or pay for the research products and services. The availability of these benefits creates the potential that we might be influenced to select one broker-dealer rather than another to perform services for our client based on our interest in receiving the products and services rather than on our client's interest in receiving the best execution prices. Obtaining these benefits may cause our client to pay higher fees than those charged by other broker-dealers. To mitigate risks of conflicts of interest, Halcyon does not permit our client to direct us to execute transactions through a specified broker-dealer.

Trade Aggregation and Allocation

Halcyon has adopted policies regarding trade aggregation and allocations of investments. Where appropriate, transactions for our advisory client may be aggregated for execution purposes with transactions of our advisory affiliates' clients, so long as Halcyon determines in good faith that aggregation is likely to result in relatively better prices, lower commission expenses, beneficial transaction timing or a combination of these and other factors, provided that Halcyon is not required to aggregate any trades. If purchases or sales of assets for multiple clients are effected simultaneously, and to the extent aggregate transactions are executed at slightly different prices, the average transaction price is used instead.

The client will be allocated investment opportunities suitable in light of its investment mandate, investment restrictions and guidelines (if any), available capital and other relevant factors pursuant to the Halcyon Group's allocation policy. Halcyon and its affiliated management companies, in their discretion, make investment decisions with respect to each client that may be the same as or different from those made for other advisory clients. The Halcyon Group's allocation policy requires Halcyon and its affiliated management companies to act fairly and equitably over time in allocating limited investment (and divestment) opportunities that may be suitable for multiple clients and to ensure that no client is intentionally or systematically favored at the expense of other clients, including as a result of better compensation arrangements or the level of proprietary capital invested in a client. The Halcyon Group determines trade allocation prior to the execution and, in the absence of other considerations, generally

allocates each trade pro rata among all clients for which such trade is appropriate on the basis of the monthly opening capital balance of each participating client (factoring in redemptions, subscriptions and unused capital commitments, as applicable). The Halcyon Group makes non pro-rata allocations in light of a variety of relevant factors affecting client accounts, including account liquidity (including cash availability, other liquidity obligations in light of investor redemptions, commitments to other investments, and availability of leverage); written investment restrictions contained in applicable investment management or other relevant operating agreements; investment strategies and time horizons; applicable legal and regulatory restrictions, including whether or not an account is deemed to be “plan assets” under ERISA; risk tolerance; advisory client approval (in the case of clients that retain a degree of investment discretion); tax considerations; applicable limitations on credit, clearing and custody; rounding to multiples of trading lot sizes or the avoidance of creating odd-lots; adjustments for accounts in ramp-up or wind-down phases; priority afforded to the clients of the management company generating the investment idea; and extraordinary corporate actions or corporate events impacting a proposed allocation. To the extent our client and the clients of our advisory affiliates participate in an investment, they can do so through the same operating subsidiary.

10. Review of Accounts

- A. Halcyon has adopted policies regarding the review of the advisory client’s portfolio. The Risk Management Committee of Halcyon consists of the Portfolio Managers or their designees and certain other senior members of the Halcyon Group. The Risk Management Committee regularly reviews the portfolio of our client and generally meets to review and recommend policy strategies that are consistent with the advisory client’s investment objectives and policies. The members of the Risk Management Committee consider macro-level economic and market trends and assess the advisory client portfolio, seeking to manage risk in a manner consistent with our client’s operating agreement. This committee reviews and adjusts limits to position size, industry exposure, capital structure, and other risk/reward metrics. The committee also considers the strategy mix and the biggest risks among the holdings, taking into account macro-economic conditions, the regulatory framework, the political climate, and the potential for decline within companies and/or specific industries. Additionally, the Portfolio Managers review the advisory client’s portfolio on a regular basis and make recommendations as necessary on behalf of the portfolio.

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

- B. We provide our client with financial information and reporting as may be agreed with it pursuant to the operating agreement.

11. Client Referrals and Other Compensation

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

12. Custody

We do not have actual or constructive custody of the client's assets. The client established accounts with its own qualified custodian and receives account statements directly from the qualified custodian. We urge our clients to carefully review the statements they receive from their qualified custodians and compare them with the periodic reports we may issue. The unaffiliated general partner of our client complies with the requirements of Rule 206(4)-2 with respect to the annual audit of customer accounts (performed in accordance with generally accepted accounting principles by an independent auditor), and the distribution of audited financial statements to investors in the client within 120 days of the end of the client's fiscal year.

13. Investment Discretion

Scope of Authority

Halcyon accepts discretionary authority to manage the client's portfolio. We have the authority to determine, without obtaining specific client consent, which securities or other investments to buy or sell, the amount of securities or other investments to buy or sell, the broker through which we effect trades, if any, and the commission rates at which we effect trades. By executing the governing document and subscription agreement of the client, each investor consents to the terms and conditions in the operating agreements that give Halcyon complete authority, subject to the requirements set forth in these documents, to manage the client's investment program. While we have been given this broad authority, Halcyon is committed to adhering to the investment strategy and program set forth in the investment management agreement with the client and the client's operating agreement. Halcyon has processes and procedures in place to verify that it is complying with any client-imposed restrictions and adhering to the client's investment strategy and objectives. In particular, as discussed in more detail in Section 10, the Risk Management Committee reviews our client's account regularly to ensure that we are observing our client's investment strategies and objectives.

Procedures for Assuming Authority

Prior to providing investment advice to our client, we required the client to appoint us as discretionary agent and attorney-in-fact of the portfolio that we manage for the client. This gives us discretionary authority to buy and sell any securities and other instruments in the amounts and at the prices that we determine, subject to the terms of the client's operating agreement.

14. Voting Client Securities

Proxy Voting Policy

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

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

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

Recordkeeping

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

15. Financial Information

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