

## PART 2A OF FORM ADV: FIRM BROCHURE



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**This Brochure provides information about the qualifications and business practices of Anchorage Capital Group, L.L.C. (“Anchorage” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact David Young at (212) 432-4600 or by email at [david.young@anchoragecap.com](mailto:david.young@anchoragecap.com). 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, and references in this Brochure to Anchorage as a “registered investment adviser” are not intended to imply a certain level of skill or training.**

**Additional information about Anchorage is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2 – MATERIAL CHANGES**

Anchorage is updating its Brochure as of March 31, 2017, as part of its annual amendment filing. Anchorage does not consider any of the changes contained in this annual amendment filing to be material, but for informational purposes has provided below a summary of certain changes made in connection with this filing:

- Anchorage updated this Brochure to incorporate new advisory funds and new structured credit vehicles.
- Anchorage updated its regulatory assets under management (as contained in Item 4.E).
- Anchorage also made certain clarifying amendments to this Brochure.

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## ITEM 4 – ADVISORY BUSINESS

Item 4.A	<p><b>Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).</b></p> <p>Anchorage was founded in 2003 and became registered with the SEC as an investment adviser on January 27, 2006. Anchorage provides discretionary investment advisory services including, but not limited to, managing and directing the investment and reinvestment of assets for private investment funds and serving as investment manager or collateral manager to certain structured credit vehicles (each a “Fund” and together the “Funds”). Anchorage also provides limited discretionary investment advisory services to a separately-managed account (collectively with the Funds, the “Advisory Clients”).</p> <p>In particular, Anchorage provides investment advice to the following entities:</p> <p><b><u>EVERGREEN FUNDS:</u></b></p> <ul style="list-style-type: none"> <li>• Anchorage Capital Partners, L.P. (which invests substantially all of its assets in Anchorage Capital Master Offshore, Ltd.) and Anchorage Capital Partners Offshore, Ltd. (which invests substantially all of its assets in Anchorage Capital Master Offshore, Ltd. through a partnership called ACPO Master, L.P.) (collectively, the “<u>Capital Partners Funds</u>”). ACPO Master, Ltd., a Cayman Islands exempted limited company and an affiliate of Anchorage serves as general partner to ACPO Master, L.P. and Anchorage Capital, L.L.C., a Delaware limited liability company and an affiliate of Anchorage, serves as general partner to Anchorage Capital Partners, L.P.</li> <li>• Anchorage Short Credit Fund, L.P. and Anchorage Short Credit Offshore Fund, Ltd. (each of which makes investments in Anchorage Short Credit Offshore Master Fund, Ltd., through a partnership called Anchorage Short Credit Intermediate Fund, L.P.) (collectively, the “<u>Short Credit Funds</u>”). Anchorage Short Credit GP, L.L.C., a Delaware limited liability company and an affiliate of Anchorage serves as general partner to Anchorage Short Credit Intermediate Fund, L.P. and Anchorage Capital, L.L.C. serves as general partner to Anchorage Short Credit Fund, L.P.</li> </ul> <p><b><u>HARVEST FUNDS:</u></b></p> <ul style="list-style-type: none"> <li>• Anchorage Illiquid Opportunities, L.P. (which invests substantially all of its assets in Anchorage Illiquid Opportunities Offshore Master, L.P.); Anchorage Illiquid Opportunities Offshore, L.P. (which invests substantially all of its assets in Anchorage Illiquid Opportunities Offshore Master, L.P. through a partnership called Anchorage Illiquid Opportunities Intermediate, L.P. (collectively, the “<u>AIO Funds</u>”). Anchorage IO GP, L.L.C., a Delaware limited liability company and affiliate of Anchorage, serves as general partner to the AIO Funds.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Anchorage Illiquid Opportunities II, L.P. (which invests substantially all of its assets in Anchorage Illiquid Opportunities Offshore Master II, L.P.); and Anchorage Illiquid Opportunities Offshore II, L.P. (which invests substantially all of its assets in Anchorage Illiquid Opportunities Offshore Master II, L.P. through a partnership called Anchorage Illiquid Opportunities Intermediate II, L.P. (collectively, the “<u>AIO II Funds</u>”). Anchorage IO GP II, L.L.C., a Delaware limited liability company and affiliate of Anchorage, serves as general partner to the AIO II Funds.</li> <li>• Anchorage Illiquid Opportunities III, L.P. and Anchorage Illiquid Opportunities III (B), L.P. (which invest substantially all of their assets in Anchorage Illiquid Opportunities Offshore Master III, L.P.); and Anchorage Illiquid Opportunities Offshore III, L.P. (which invests most of its assets in Anchorage Illiquid Opportunities Offshore Master III, L.P. through a partnership called Anchorage Illiquid Opportunities Intermediate III, L.P. (collectively, the “<u>AIO III Funds</u>”). Anchorage IO GP III, L.L.C., a Delaware limited liability company and affiliate of Anchorage, serves as general partner to the AIO III Funds.</li> <li>• AIO III AIV, L.P. (“<u>AIO III AIV</u>”), serves as an alternative investment vehicle to make certain investments for investors in Anchorage Illiquid Opportunities Offshore III, L.P. Anchorage IO GP III, L.L.C. also serves as general partner or manager to AIO III AIV.</li> <li>• Anchorage Illiquid Opportunities IV, L.P. and Anchorage Illiquid Opportunities IV (B), L.P. (which invests substantially all of their assets in Anchorage Illiquid Opportunities Offshore Master IV, L.P.); and Anchorage Illiquid Opportunities Offshore IV, L.P. (which invests most of its assets in Anchorage Illiquid Opportunities Offshore Master IV, L.P. through a partnership called Anchorage Illiquid Opportunities Intermediate IV, L.P. (collectively, the “<u>AIO IV Funds</u>”). Anchorage IO GP IV, L.L.C., a Delaware limited liability company and affiliate of Anchorage, serves as general partner to the AIO IV Funds.</li> <li>• AIO IV AIV, L.P. (“<u>AIO IV AIV</u>”), serves as an alternative investment vehicle to make certain investments for investors in Anchorage Illiquid Opportunities Offshore IV, L.P. Anchorage IO GP IV, L.L.C. also serves as general partner or manager to AIO IV AIV.</li> <li>• AIO IV AIV Trust (“<u>AIO IV AIV Trust</u>”), serves as an alternative investment vehicle to make certain investments for investors in Anchorage Illiquid Opportunities Offshore IV, L.P. Anchorage IO GP IV, L.L.C. serves as the trustee of AIO IV AIV Trust.</li> <li>• Anchorage Illiquid Opportunities V, L.P. (which invests substantially all of its assets in Anchorage Illiquid Opportunities Offshore Master V, L.P.); and Anchorage Illiquid Opportunities Offshore V, L.P. (which invests substantially all of its assets in Anchorage Illiquid Opportunities Offshore Master V, L.P. through a partnership called Anchorage Illiquid</li> </ul>
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	<p>Opportunities Intermediate V, L.P. (collectively, the “<u>AIO V Funds</u>”). Anchorage IO GP V, L.L.C., a Delaware limited liability company and affiliate of Anchorage, serves as general partner to the AIO V Funds.</p> <ul style="list-style-type: none"> <li>• AIO V AIV, L.P. (“<u>AIO V AIV</u>”), serves as an alternative investment vehicle to make certain investments for investors in Anchorage Illiquid Opportunities Offshore V, L.P. Anchorage IO GP V, L.L.C. also serves as general partner or manager to AIO V AIV.</li> </ul> <p>The AIO, AIO II, AIO III, AIO III AIV, AIO IV, AIO IV AIV, AIO IV AIV Trust, AIO V, and AIO V AIV Funds are herein collectively referred to as the “<u>Harvest Funds</u>”.</p> <p><b><u>CUSTOMIZED FUNDS:</u></b></p> <p>Anchorage has established customized investment funds (collectively, the “<u>Customized Funds</u>”). The Customized Funds may utilize different trading and/or investment strategies than the other Funds and may be subject to different terms and arrangements (including fees, liquidity rights, transparency rights, termination rights and brokerage) than the other Funds. It should be noted that any such future customized or single-investor fund relationships may be subject to minimum investment size and other possible special requirements. Anchorage LPC-S GP, L.L.C. and Anchorage LPC-V GP, L.L.C., each a Delaware limited liability company and affiliate of Anchorage, serve as general partners to certain funds associated with the Customized Funds. Anchorage Capital, L.L.C. serves as manager of certain Customized Funds.</p> <p><b><u>SEPARATELY-MANAGED ACCOUNT:</u></b></p> <p>Anchorage has entered into a separately-managed account (the “<u>SMA</u>”), which utilizes different trading and/or investment strategies than the Funds and which is subject to different terms and arrangements (including fees, liquidity rights, transparency rights, termination rights and brokerage) than the Funds described above. It should be noted that any future separately-managed account relationships may be subject to minimum investment size and other terms and conditions.</p> <p><b><u>STRUCTURED CREDIT VEHICLES:</u></b></p> <p>Anchorage serves as collateral manager to special purpose vehicles that issue collateralized loan obligations (such vehicles, “CLOs”) or collateralized debt obligations (such vehicles, “CDOs”) as follows:</p> <p><b><u>CLOs:</u></b></p> <ul style="list-style-type: none"> <li>• Anchorage Capital CLO 2012-1, Ltd. and Anchorage Capital CLO 2012-1, LLC (collectively, “Anchorage CLO 2012”),</li> </ul>
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	<ul style="list-style-type: none"> <li>• Anchorage Capital CLO 2013-1, Ltd. and Anchorage Capital CLO 2013-1, LLC (collectively, “Anchorage CLO 2013”),</li> <li>• Anchorage Capital CLO 3, Ltd. and Anchorage Capital CLO 3, LLC (collectively, “ACCLO 3”),</li> <li>• Anchorage Capital CLO 4, Ltd. and Anchorage Capital CLO 4, LLC (collectively, “ACCLO 4”),</li> <li>• Anchorage Capital CLO 5, Ltd. and Anchorage Capital CLO 5, LLC (collectively, “ACCLO 5”),</li> <li>• Anchorage Capital CLO 6, Ltd. and Anchorage Capital CLO 6, LLC (collectively, “ACCLO 6”),</li> <li>• Anchorage Capital CLO 7, Ltd. and Anchorage Capital CLO 7, LLC (collectively, “ACCLO 7”),</li> <li>• Anchorage Capital CLO 8, Ltd. and Anchorage Capital CLO 8, LLC (collectively, “ACCLO 8”),</li> <li>• Anchorage Capital CLO 9, Ltd. and Anchorage Capital CLO 9, LLC (collectively, “ACCLO 9”), and</li> <li>• Anchorage Capital CLO 10, Ltd. (“ACCLO 10”).</li> </ul> <p><u>CDOs:</u></p> <ul style="list-style-type: none"> <li>• Anchorage Credit Funding 1, Ltd. and Anchorage Credit Funding 1, LLC (collectively, “ACF 1”),</li> <li>• Anchorage Credit Funding 2, Ltd. and Anchorage Credit Funding 2, LLC (collectively, “ACF 2”),</li> <li>• Anchorage Credit Funding 3, Ltd. and Anchorage Credit Funding 3, LLC (collectively, “ACF 3”), and</li> <li>• Anchorage Credit Funding 4, Ltd. and Anchorage Credit Funding 4, LLC (collectively, “ACF 4”).</li> </ul> <p>The CLOs and CDOs, (collectively, the “<u>Structured Credit Vehicles</u>”), invest primarily in senior secured bank loans or bonds, with an allowance for certain other obligations and for which Anchorage serves as collateral manager. ACCLO 10 has not offered notes as of the date of this ADV.</p> <p>Kevin Ulrich is the majority owner of Anchorage through his ownership of interests in Anchorage Advisors Management, L.L.C.</p>
<b>Item 4.B</b>	<p><b>Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.</b></p> <p>Anchorage generally has broad and flexible investment authority with respect to the Funds. Anchorage has limited discretion to implement and administer investments made by the SMA.</p> <p>The Funds managed by Anchorage employ various directional and hedged strategies which are specifically described in each Fund’s respective confidential private placement memorandum or the Customized Funds’ respective governing</p>

	<p>documents. The SMA pursues an investment strategy as described in the agreement governing the SMA.</p> <p>Anchorage primarily offers advice on leveraged debt and equity, distressed debt, credit default swaps, structured credit instruments, corporate-backed collateralized debt obligations, corporate and sovereign fixed income securities, publicly traded and private equities, exchange traded funds, preferred equities, convertible securities, warrants, options, trade claims, lease paper, mortgage and asset-backed securities, total return and equity swaps, contracts for differences, direct loans, private investment funds and foreign exchange, commodities and interest rate swaps (for hedging purposes).</p>
<b>Item 4.C</b>	<p><b>Explain whether (and, if so, how) you tailor your advisory services to the individual needs of <i>clients</i>. Explain whether <i>clients</i> may impose restrictions on investing in certain securities or types of securities.</b></p> <p>As a general matter, Anchorage neither tailors its advisory services to the individual needs of investors in the Funds (“Investors”), nor accepts Investor-imposed investment restrictions. When deemed appropriate, Anchorage has in the past and may in the future establish one or more customized investment funds or separately managed accounts, which (i) tailor their investment objectives and/or (ii) are subject to different terms (including fees and liquidity) than those of the Funds. Such investment objectives and terms will be individually negotiated, and it should be noted that any such future separately managed account relationships would generally be expected to be subject to significant account minimums.</p> <p>As noted above, Anchorage has established Customized Funds. These entities and any separately managed accounts may utilize different trading and/or investment strategies than the Evergreen Funds and Harvest Funds and may be subject to different terms and arrangements (including fees, liquidity rights, transparency rights, termination rights and brokerage) than the Evergreen Funds and Harvest Funds described above. Any such future relationships may be subject to minimum investment size and other possible requirements.</p> <p>Anchorage has entered into an agreement with Reservoir Capital Group, L.L.C. (“<u>Reservoir</u>”), which is a non-affiliated investment adviser that provided the seed investment for the Capital Partners Funds. Under this arrangement, Anchorage has granted Reservoir certain economic and other rights including but not limited to withdrawal/redemption rights, reduced fees and certain consent rights. Anchorage may (in the future) enter into additional side letters with certain Investors that provide such Investors with different terms as to fees, redemption rights or transparency rights.</p>
<b>Item 4.D</b>	<p><b>If you participate in <i>wrap fee programs</i> by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.</b></p> <p>Anchorage does not participate in wrap fee programs.</p>



Item 4.E	<p><b>If you manage <i>client</i> assets, disclose the amount of <i>client</i> assets you manage on a <i>discretionary basis</i> and the amount of <i>client</i> assets you manage on a <i>non-discretionary basis</i>. Disclose the date “as of” which you calculated the amounts.</b></p> <p>As of December 31, 2016, Anchorage manages approximately \$27.1 billion of regulatory assets under management on a discretionary basis. Anchorage does not currently manage any client assets on a non-discretionary basis.</p>
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## ITEM 5 – FEES AND COMPENSATION

Item 5.A	<p><b>Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.</b></p> <p>Anchorage typically charges fees that are based upon a set percentage of assets under management and performance. Set forth below are summaries of the fees payable by Investors in the Funds. It should be noted that detailed disclosure about the fees and other expenses applicable to an investment in the Evergreen Funds and Harvest Funds is provided in the relevant Fund's confidential private placement memorandum, including any supplements, which are provided to prospective investors. Those operative documents should be carefully reviewed prior to making an investment in the Funds. Fee and related information for the Customized Funds are disclosed in their respective governing documents.</p> <p>Asset-based fees are generally charged monthly/quarterly in advance based on the value of the relevant assets as of the first day of the month/quarter. The range of annual asset-based fees is generally from 1.0% to 2.0% of each Investor's assets with the applicable Evergreen Funds and Harvest Fund. With respect to the Capital Partners Funds and Short Credit Funds, if Anchorage does not manage an Investor for a full month/quarter, the asset-based fee charged to such Investor will be pro-rated for such period.</p> <p>In addition, consistent with the Investment Advisers Act of 1940, as amended ("Advisers Act") and Rule 205-3 thereunder to the extent applicable, Anchorage receives incentive allocations or performance fees from certain Advisory Clients generally based upon net profits allocable to each Investor. The performance allocation or performance fee payable to Anchorage generally ranges from 15% to 20% of the net profits allocable to a particular Investor. For certain Funds, the performance allocation is subject to a hurdle or preferred return rate.</p> <p>Fee arrangements for the Customized Funds and the SMA are individually negotiated.</p> <p>With respect to the Structured Credit Vehicles, collateral management fees are generally 0.50% per annum of the Fee Basis Amount as described in the vehicle's Offering Circular. Anchorage has waived any collateral management fees with respect to investments made by the Funds in instruments/notes issued by the Structured Credit Vehicles. Anchorage may also be entitled to receive an incentive collateral management fee which is payable only after an incentive management fee threshold has been met. Please see each vehicle's Offering Circular for a description of the applicable incentive collateral management fee and incentive management fee threshold.</p> <p>The fees and performance allocations detailed above are negotiable in that Anchorage reserves the right to reduce, waive or calculate differently such fees and performance allocations for certain Investors. Partners, employees and certain affiliates of Anchorage currently invested in the Funds are not charged such fees or performance allocations.</p>
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	<p>Please also refer to Item 14 regarding Other Compensation.</p> <p><b>It is critical that Investors refer to their respective Fund’s governing documents for a complete understanding of how Anchorage is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund governing documents.</b></p>
<b>Item 5.B</b>	<p><b>Describe whether you deduct fees from <i>clients</i>’ assets or bill <i>clients</i> for fees incurred. If <i>clients</i> may select either method, disclose this fact. Explain how often you bill <i>clients</i> or deduct your fees.</b></p> <p>Anchorage (or an affiliate) deducts fees from Investors’ assets invested in the Funds. Investors do not have the ability to choose to be billed directly for fees incurred.</p> <p><b>It is critical that Investors refer to their respective Fund’s governing documents for a complete understanding of how fees are deducted from their assets. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund governing documents.</b></p>
<b>Item 5.C</b>	<p><b>Describe any other types of fees or expenses <i>clients</i> may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that <i>clients</i> will incur brokerage and other transaction costs, and direct <i>clients</i> to the section(s) of your <i>brochure</i> that discuss brokerage.</b></p> <p>In addition to management/performance fees payable to Anchorage, Advisory Clients (and, therefore, investors therein) are also subject to other costs and expenses related to their respective activities as further summarized below:</p> <p><b>The Capital Partners and Short Credit Funds generally pay the following expenses:</b></p> <ul style="list-style-type: none"> <li>• organizational expenses;</li> <li>• pro rata share of the relevant master fund’s expenses;</li> <li>• all costs and expenses directly related to investments or prospective investments (whether or not consummated) such as external research and transaction costs (including travel, legal and other advisory fees and expenses); all deal and access fees, whether paid to third-party managers or brokers, for transactions in which the Funds participate;</li> <li>• legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against the Funds or Anchorage, each in its capacity as such (whether incurred by the Funds or by Anchorage or the Board on the Funds’ behalf);</li> <li>• the costs of any outside appraisers, accountants, attorneys, due diligence experts or other experts or advisers engaged by the Funds or Anchorage, including public relations professionals retained to assist in maintaining the confidentiality of Fund business;</li> <li>• legal and accounting fees, including expenses associated with the Funds’ financial statements and reports, tax returns and schedule K-1s;</li> </ul>

	<ul style="list-style-type: none"> <li>• all (or such <i>pro rata</i> portion, as determined by the Advisor, of) fees and expenses related to any investment vehicle or subsidiaries utilized to facilitate the Funds transactions (including legal, administrative, custodial, audit, registered office and other fees, rent, overhead and salary);</li> <li>• litigation and indemnification expenses;</li> <li>• offering expenses, including external legal and accounting expenses, placement fees and printing costs;</li> <li>• investment expenses such as commissions, clearing fees, research fees, interest and costs on margin accounts or other financings or re-financings, borrowing charges on securities sold short, custodial fees, and bank service fees;</li> <li>• any withholding or transfer taxes imposed on the Funds or any of their Investors;</li> <li>• any governmental, regulatory, licensing, filing or registration fees or taxes incurred by the Funds or Anchorage in compliance with the rules of any self-regulatory organization or any federal, state or local laws;</li> <li>• the Administrator's fees;</li> <li>• expenses incurred in connection with the admission of Investors or the acceptance of additional subscriptions;</li> <li>• expenses in connection with transactions directed to broker-dealers in part in recognition of investment research and information furnished or expenses for services rendered by broker-dealers in the execution of such orders and the use of such research and other services provided by such broker-dealers;</li> <li>• specific expenses incurred in obtaining systems, research and other information utilized for portfolio management purposes that facilitate portfolio management decisions, valuations and accounting, including the costs of statistics and pricing services, independent securities valuation services, service contracts for quotation equipment and related hardware and software;</li> <li>• the costs of any insurance obtained on behalf of the Funds, Anchorage, the principal, the affiliates of any of them, directors, officers and any other indemnified person;</li> <li>• all costs and expenses associated with reporting and providing information to existing and prospective Investors;</li> <li>• costs of communications with prospective investors and shareholders and costs of meetings of investors; and</li> <li>• any other reasonable expenses related to the purchase, sale, holding or transmittal of Fund assets or liabilities.</li> <li>• For the avoidance of doubt and without limitation, "research" as used in this section includes communication with advisors, counsel, experts and consultants; research services; reports; publications; data; analysis; advice; conferences; management and shareholder meetings, in each case relating to, without limitation, general or specific research topics relating to macroeconomic factors, trends, markets, geographic sectors, industries and particular companies, transactions and investments, regardless of whether an such transaction or investment is ultimately closed, acquired or completed.</li> </ul>
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	<p><b>The Harvest Funds generally pay the following expenses:</b></p> <ul style="list-style-type: none"> <li>• organizational expenses;</li> <li>• pro rata share of the relevant master fund's expenses including all costs and expenses directly related to investments or prospective investments (whether or not consummated) such as external research fees and transaction costs (including travel, legal and other advisory fees and expenses), interest and commitment fees on debit balances or borrowings, borrowing charges on investments sold short, custody fees, bank fees;</li> <li>• any amounts for taxes that are attributable to all any of its investors and are paid by, withheld by, or withheld from payments to, the applicable Harvest Fund;</li> <li>• any governmental, regulatory, licensing, filing or registration fees or taxes incurred by the Funds or Anchorage in compliance with the rules of any self-regulatory organization or any U.S. federal, state or local laws;</li> <li>• any legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against the Funds, the General Partner or Anchorage;</li> <li>• fees and expenses related to any investment vehicle or wholly owned subsidiaries utilized to facilitate Fund investments (including legal, administrative, custodial, audit, registered office and other fees, rent, overhead and salary);</li> <li>• fees and expenses (if any) associated with the Conflicts Advisory Board;</li> <li>• the cost of the audit of the Funds' financial statements and the preparation of its tax returns;</li> <li>• fees and expenses for financial and tax accounting and reporting services;</li> <li>• the fees and expenses of the Funds' counsel in connection with advice directly relating to the Funds' legal affairs (including lenders' counsel for any credit facility);</li> <li>• administration expenses;</li> <li>• the costs of any outside appraisers, accountants, attorneys, due diligence experts, or other experts or advisers engaged including public relations professionals retained to assist in maintaining the confidentiality of the Funds;</li> <li>• specific expenses incurred in obtaining systems, research and other information utilized for portfolio management purposes that facilitate portfolio management decisions, valuations and accounting, including the costs of statistics and pricing services, independent securities valuation services, service contracts for quotation equipment and related hardware and software;</li> <li>• the costs and expenses of holding any meetings of Investors;</li> <li>• the costs of any liability insurance obtained on behalf of the Funds, the General Partner, Anchorage, the principal, the senior portfolio managers, the affiliates of any of them and any other Indemnified Person;</li> <li>• all costs and expenses associated with reporting and providing information to existing and prospective investors;</li> </ul>
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- offering expenses, including legal and accounting expenses, placement fees, printing costs, travel and out-of-pocket expenses; and
- other expenses associated with the operation of the Funds as well as other expenses directly related to the Fund's investment program, including any extraordinary expenses (such as litigation and indemnification).

#### **Structured Credit Vehicles:**

The Structured Credit Vehicles generally pay or reimburse Anchorage as the collateral manager the following expenses: all expenses incurred in connection with the operation of the Issuer, including, without limitation, (i) organizational and offering expenses, (ii) costs and expenses incurred in connection with the acquisition or disposition of assets, (iii) costs and expenses incurred in carrying or management of assets, (iv) any and all costs and expense incurred in connection with the vehicle's notes, including, without limitation, fees and expenses of the rating agencies, (v) any and all attorneys', accountants' and other experts' fees and disbursements relating to the vehicle and (vi) other expenses identified in the applicable collateral management agreement.

#### **Customized Funds:**

Anchorage Customized Funds will generally pay or reimburse Anchorage for expenses similar to the other Funds as described above. The fees and expenses that will be borne by each Investor or Anchorage Client with respect to the Anchorage Customized Funds are described in the relevant governing documents for such Funds.

#### **SMA:**

The client under the SMA generally pays or reimburses Anchorage for expenses similar to the Funds as described above. The fees and expenses that will be borne by that client with respect to the SMA are described in the agreement governing the SMA. Anchorage is responsible for its own general operating and overhead costs including salaries, employee benefits, office rent and other general overhead costs.

Please note that Investors will indirectly incur brokerage and other transaction costs related to their investment in the Funds. Please see Item 12 of this brochure for a more detailed discussion of Anchorage's brokerage practices.

**It is critical that Investors refer to the relevant governing documents for a complete understanding of fees and expenses they may pay. The information contained herein is a summary only and is qualified in its entirety by such documents.**

<p><b>Item 5.D</b></p>	<p><b>If your <i>clients</i> either may or must pay your fees in advance, disclose this fact. Explain how a <i>client</i> may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.</b></p> <p>As noted in Item 5.A, above, asset-based fees are generally charged monthly/quarterly in advance based on the value of the relevant assets as of the first day of the month/quarter.</p> <p>With respect to the Capital Partners Funds and Short Credit Funds, Investors generally may withdraw/redeem from a Fund by providing a certain number of days' advance written notice to Anchorage, as set forth in the relevant Fund's confidential private placement memorandum. In general, if an Investor redeems prior to the end of a calendar quarter, the Investor will be entitled to reimbursement for a pro rata portion of any management fees for the period remaining in such quarter subsequent to the date of redemption. The Fund's governing documents will specify how soon an Investor's withdrawal/redemption may take effect after notice is received (e.g. 45 days after notice is received). In each case, withdrawals/redemptions will be subject to significant conditions and restrictions, which are also set forth in the relevant Fund's governing documents. Such conditions, restrictions, and limitations may include, without limitation:</p> <ul style="list-style-type: none"> <li>○ The condition that withdrawal/redemption requests be properly submitted in accordance with the relevant Fund documents and in a timely manner;</li> <li>○ The condition that any relevant holding period applicable to the shares or interests has expired or relevant withdrawal/redemption fee has been paid;</li> <li>○ The condition that withdrawals/redemptions, the calculation of net asset value, or the ability of Investors to withdraw/redeem have not been suspended (in whole or in part);</li> <li>○ Restrictions on the amount that may be withdrawn/redeemed;</li> <li>○ Restrictions on the timing of withdrawal/redemption payments;</li> <li>○ Limitations on the amount paid to a withdrawing/redeeming Investor due to hold backs or reserves for certain expenses, Fund liabilities, and contingencies, among others; and</li> <li>○ Limitations on the method of withdrawal/redemption payments (i.e., in cash or in kind).</li> </ul> <p>Anchorage has the discretion to waive certain of the above-listed withdrawal/redemption terms, including the notice period.</p> <p>The Harvest Funds, Customized Funds, and SMA are subject to their own termination provisions.</p> <p><b>It is critical that Investors refer to the relevant offering documents and other governing documents for a complete understanding of how they can obtain a refund and withdraw or redeem. The information contained herein is a summary only and is qualified in its entirety by such documents.</b></p>
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<b>Item 5.E</b>	<p><b>If you or any of your <i>supervised persons</i> accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.</b></p> <p>Not applicable to Anchorage.</p>
<b>Item 5.E.1</b>	<p><b>Explain that this practice presents a conflict of interest and gives you or your <i>supervised persons</i> an incentive to recommend investment products based on the compensation received, rather than on a <i>client's</i> needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to <i>clients</i>. If you primarily recommend mutual funds, disclose whether you will recommend “no-load” funds.</b></p> <p>Not applicable to Anchorage.</p>
<b>Item 5.E.2</b>	<p><b>Explain that <i>clients</i> have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.</b></p> <p>Not applicable to Anchorage.</p>
<b>Item 5.3.3</b>	<p><b>If more than 50% of your revenue from advisory <i>clients</i> results from commissions and other compensation for the sale of investment products you recommend to your <i>clients</i>, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.</b></p> <p>Not applicable to Anchorage.</p>
<b>Item 5.E.4</b>	<p><b>If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.</b></p> <p>Not applicable to Anchorage.</p>



## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

**If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.**

As described in Item 5.A above, Anchorage (or an affiliate) receives performance-based compensation from certain Advisory Clients. While each Fund managed by Anchorage pays performance-based compensation, it should be noted that Anchorage reserves the right to reduce, waive or calculate differently such fees for certain Investors.

In addition, it should be noted that the possibility that Anchorage (or an affiliate of Anchorage) may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such a performance-based fee. Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment.

In addition, in situations where the assets of Funds are used to purchase the equity and other securities issued by Structured Credit Vehicles that Anchorage (or its affiliate) manages in return for fees for acting as collateral manager, Anchorage would waive, rebate, pay over or otherwise transfer to the particular investing Anchorage Fund any fees to which it would otherwise be entitled as collateral manager with respect to the portion of the Structured Credit Vehicle's equity or other securities purchased by the Fund, but will be reimbursed for any of its out-of-pocket expenses incurred in the establishment of the Structured Credit Vehicle and in its on-going operations, and may be indemnified for certain losses in connection with its role as collateral manager. Nevertheless, such investments involve conflicts of interest inasmuch as such investments by the Anchorage Fund may enable Anchorage to act as collateral manager of a Structured Credit Vehicle and earn fees from investments in such vehicle.

Anchorage recognizes that it is a fiduciary and as such must act in the best interests of the Funds and Investors. Further, Anchorage recognizes that it must treat all clients fairly and must refrain from favoring one client's interests over another's.

## ITEM 7 – TYPES OF CLIENTS

**Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Anchorage provides investment advisory services to private investment funds, a separately managed account and structured credit vehicles.

Investors in Anchorage Capital Partners, L.P., Anchorage Short Credit Fund, L.P., Anchorage Illiquid Opportunities, L.P., Anchorage Illiquid Opportunities II, L.P., Anchorage Illiquid Opportunities III (B), L.P., Anchorage Illiquid Opportunities III, L.P., Anchorage Illiquid Opportunities IV, L.P. Anchorage Illiquid Opportunities IV (B), L.P. and Anchorage Illiquid Opportunities V, L.P. and all U.S. investors in Anchorage Capital Partners Offshore, Ltd., Anchorage Short Credit Offshore Fund, Ltd., Anchorage Illiquid Opportunities Offshore, L.P., Anchorage Illiquid Opportunities Offshore II, L.P., Anchorage Illiquid Opportunities Offshore III, L.P. Anchorage Illiquid Opportunities Offshore IV, L.P. and Anchorage Illiquid Opportunities Offshore V, L.P. must generally be “accredited investors” within the meaning of Regulation D under the Securities Act of 1933, as amended and “qualified purchasers” or “knowledgeable employees” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

The following funds each have a minimum initial investment amount of \$1,000,000, which may be waived at the discretion of the general partner/Board of Directors: Anchorage Short Credit Fund, L.P., and Anchorage Short Credit Offshore Fund, Ltd.

The following funds each have (or had) a minimum initial investment or commitment amount of \$10,000,000, which may be reduced at the discretion of the respective general partner/Board of Directors: Anchorage Capital Partners, L.P., Anchorage Capital Partners Offshore, Ltd., Anchorage Illiquid Opportunities, L.P., Anchorage Illiquid Opportunities Offshore, L.P., Anchorage Illiquid Opportunities II, L.P., Anchorage Illiquid Opportunities Offshore II, L.P., Anchorage Illiquid Opportunities III, L.P., Anchorage Illiquid Opportunities Offshore III, L.P., Anchorage Illiquid Opportunities III (B), L.P., Anchorage Illiquid Opportunities IV, L.P., Anchorage Illiquid Opportunities (B) IV, L.P., Anchorage Illiquid Opportunities Offshore IV, L.P., Anchorage Illiquid Opportunities V, L.P., and Anchorage Illiquid Opportunities Offshore V, L.P. These Harvest Funds are no longer being offered to new purchasers.

Customized Funds may be set up for certain investors at Anchorage’s sole discretion and will be subject to individually negotiated terms.

Anchorage CLO 2012, Anchorage CLO 2013, ACCLO 3 and ACCLO 4 each had minimum offering sizes of \$250,000 for the secured notes and \$200,000 for the subordinated notes. ACCLO 4 also had one class of secured notes with a minimum offering size of \$150,000. ACCLO 5, ACCLO 6, ACCLO 7, ACCLO 8, ACCLO 9, ACF 1, ACF 2, ACF 3, and ACF 4 each had a minimum offering size of \$250,000 for both the secured notes and subordinated notes. These structured credit vehicles are no longer being offered to new purchasers. As of the date of this Brochure, ACCLO 10 has not offered notes.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Item 8.A	<p><b>Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that <i>clients</i> should be prepared to bear.</b></p> <p><b><u>METHODS OF ANALYSIS</u></b></p> <p>Anchorage utilizes a variety of resources or services to form an investment idea or strategy. In general, Anchorage assesses investment opportunities by employing a rigorous research process that may include, among others, fundamental credit analysis, portfolio analytics, detailed analysis of historical financial statements and development of financial projections, meetings with company management, industry research (including use of outside experts), consultation with customers, suppliers and competitors, and analysis of documents (including credit agreements, bond indentures, intercreditor agreements, court filings) and use of outside legal counsel to determine validity and ranking of various claims.</p> <p><b><u>INVESTMENT STRATEGIES</u></b></p> <p><b><u>Evergreen Funds:</u></b>  <b><u>Capital Partners Funds:</u></b> The Capital Partners Funds employ hedged investment strategies, such as capital structure arbitrage, curve and paired trades, and directional investment strategies such as total return, reorganization, liquidation and direct loan investments. These Funds primarily invest in the leveraged issuer and distressed debt markets of North America and Europe, in addition to other markets including Australia and New Zealand, where they seek to capitalize on relative and absolute value investment opportunities using hedged and directional investment strategies.</p> <p><b><u>Short Credit Funds:</u></b> The Short Credit Funds employ an investment strategy that focuses on short debt risk trades primarily through the purchase of credit default swaps (“CDS”) and selling short bonds of issuers which have current spread levels that Anchorage believes are not supported by underlying credit fundamentals and economic factors, or where Anchorage believes a catalyst will cause credit spreads to widen. While the Funds focus primarily on purchasing CDS and selling short bonds, the Funds’ strategy can be applied to, and the Funds may invest in, other instruments, including but not limited to CDS curves, short trades on sovereign issuers, certain CDS indices, credit ETFs, options on credit ETFs, TRS on cash bond indices, and equities (selling short). The Short Credit Funds focus primarily on corporate and sovereign issuers in North America and Europe, in addition to other markets including Asia.</p> <p><b><u>Harvest Funds:</u></b>  The Harvest Funds primarily invest on a long-only basis principally in the illiquid credit and asset markets of North America and Europe, in addition to other markets including Australia and New Zealand. Such Funds may also make investments in debt (including dislocated debt), equity (including post-</p>
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	<p>restructured equity) illiquid claims, structured credit and other assets that appear to present a favorable risk-adjusted return profile based on fundamental credit research, structural review and analysis, differentiated asset sourcing, and assessment of managers/servicers. The Harvest Funds may also invest in other cash and derivative instruments that are structured products predominantly linked to corporate and asset-backed credit risk. These Funds may also employ hedged investment and other strategies.</p> <p><b><u>Customized Funds:</u></b> The Customized Funds and the SMA may utilize different trading and/or investment strategies than the other Funds.</p> <p><b><u>Structured Credit Vehicles:</u></b> These vehicles consist primarily of a portfolio of senior secured bank loans, with an allowance for second lien loans, bonds, senior unsecured loans, floating rate notes and other obligations listed in the concentration limitations.</p> <p><b>Investing in securities involves significant risks, including the risk of loss of some or all of an investment. Prospective investors should speak with their legal, tax, and financial advisors prior to making an investment with Anchorage.</b></p> <p><b>It is critical that Investors refer to the relevant governing documents for a complete understanding of Anchorage's methods of analysis and investment strategies. The information contained herein is a summary only and is qualified in its entirety by such documents.</b></p>
<b>Item 8.B</b>	<p><b>For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.</b></p> <p><b><u>Use of Leverage</u></b> Anchorage may utilize leverage for certain of the Funds. This may result in a Fund controlling substantially more assets than such Fund has equity. Leverage increases returns if a Fund earns a greater return on investments purchased with borrowed funds than the cost of borrowing such funds. However, the use of leverage exposes the Funds to additional levels of risk, including (i) greater losses from investment than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying losses.</p>

**Analysis and Risk**

The investment strategy to be utilized by Anchorage may require accurate and detailed analysis of issuers. There can be no assurance that Anchorage's analysis will be accurate or complete. The Funds may be subject to substantial losses in the event of credit deterioration or bankruptcy of one or more issuers in their portfolios. While the Funds generally intend to hedge credit risk, there can be no assurance that such hedges will be established or, if established, that the hedges will offset losses.

**Government Intervention in the Credit Markets**

The central banks and, in particular, the U.S. Federal Reserve, have taken unprecedented steps since the financial crises of 2008-2009. It is impossible to predict if, how, and to what extent the United States and other governments may further intervene in the credit markets. Such intervention is prompted by politically sensitive issues involving family homes, student loans, real estate speculation, credit card receivables, etc., and may, as a result, be contrary to what Anchorage would predict from an "economically rational" perspective.

**Illiquidity of Investments**

Many of the markets and instruments traded by the Funds may experience significant changes to liquidity and potential illiquidity at any given time during an economic cycle. Certain Funds may invest in investments for which no, or only a limited, liquid market exists. The market prices, if any, of such investments tend to be more volatile, and it may be impossible to sell such investments when desired or to realize their fair value in the event of a sale. Moreover, instruments in which the Funds invest may include those that are not listed on a stock exchange or traded in an over-the-counter market. There may be substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. Further, companies whose securities are not registered or publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were registered or publicly traded.

**Concentration Risk**

Although certain Funds' governing documents may limit their investment in any one position, issuer or group of affiliated issuers, certain of the Funds generally do not have specific industry concentration limits. Therefore, to the extent that Anchorage concentrates a Fund's investments in a particular position, issuer or sector, such Fund's portfolio may experience greater volatility resulting from adverse economic or business conditions affecting that particular issuer or sector than would be the case if the Fund's investments were more diversified.

**Short Sales**

Anchorage utilizes short sales as part of its investment program. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Fund's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically

unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase. There is also the risk that the securities borrowed by a Fund in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. A Fund’s inability to continue to borrow securities previously sold short may also force it to unwind other elements of an investment position, possibly at a loss. Short selling is continually the subject of regulatory scrutiny, and regulatory restrictions in one or more markets in which Anchorage trades, like the Short Selling Regulation adopted in the European Union. National regulators, and in certain circumstances the European Securities and Markets Authority (“ESMA”), are able to take certain additional emergency measures (including complete bans on short-selling activities) if certain conditions are met. Such restrictions and regulations may be imposed with little or no warning, which could result in substantial losses.

**Participation on Creditors’ Committees**

The Funds may participate on committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. The Funds may also seek to negotiate directly with debtors with respect to restructuring issues. When a Fund chooses to join a creditors’ committee, such Fund would likely be only one of many participants, each of whom would be interested in obtaining an outcome that is in its individual best interests. There can be no assurance that the Fund would be successful in obtaining results most favorable to it in such proceedings, although the Fund may incur significant legal fees and other expenses in attempting to do so. As a result of participation by a Fund on such committees, such Fund may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Fund to liability to such other creditors who disagree with the Fund’s actions.

**Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act**

The global financial markets have gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, given the complexities of the financial markets and the limited time frame within which governments felt compelled to take action, these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. The Funds may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against

which the markets are moving. The financing available to the Funds from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Funds. Market disruptions may from time to time cause dramatic losses for the Funds, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

In response to the financial crises of 2008-2009, the U.S. government passed Dodd-Frank into law in July 2010. Dodd-Frank established a comprehensive framework for the regulation of markets, market participants and financial instruments that were previously unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. Because many provisions of Dodd-Frank require rulemaking by applicable regulators before becoming fully effective and Dodd-Frank mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the ultimate impact of Dodd-Frank on the Funds, Anchorage, and the markets in which they trade and invest. Dodd-Frank could result in certain investment strategies in which the Funds engage or may have otherwise engaged becoming non-viable or non-economic to implement. Dodd-Frank and regulations adopted pursuant to Dodd-Frank could have a material adverse impact on the profit potential of the Funds.

The “Volcker Rule” component of Dodd-Frank materially restricts proprietary speculative trading by banks, “bank holding companies” and other regulated entities. As a result, there has been a significant influx of new portfolio managers into private investment funds who had previously traded institutional proprietary accounts. Such influx can only increase the competition for the Funds from other talented portfolio managers trading in the Funds’ respective investment sectors.

#### **Additional Government or Market Regulation**

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the “hedge fund” and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as Dodd-Frank, is considered periodically by the U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Funds, Anchorage, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such laws or regulations could have a material adverse impact on the profit potential of the Funds, as well as require increased transparency as to the identity of investors.

#### **Over-the-Counter Derivatives Markets**

Dodd-Frank will ultimately require that a substantial portion of over-the-counter (“OTC”) derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as margin requirements mandated by the CFTC, SEC and/or federal prudential regulators. OTC derivatives dealers also typically demand the unilateral ability to increase the collateral requirements for cleared over-the-counter trades beyond any regulatory and clearinghouse minimums.

	<p>The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements apply to the holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral the Funds are required to provide and the costs associated with providing it. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before Dodd-Frank. This has and will continue to increase the OTC derivative dealers' costs, and these increased costs are generally passed through to other market participants in the form of higher upfront and mark-to-mark margin, less favorable pricing, and the imposition of new or increased fees, including clearing account maintenance fees.</p> <p>With respect to cleared over-the-counter derivatives, the Funds will not face a clearinghouse directly but rather will do so through an over-the-counter derivatives dealer that is registered with the CFTC or SEC and that acts as a clearing member. The Funds may face the indirect risk of the failure of another clearing member customer to meet its obligations to its clearing member. Such scenario could arise due to a default by the clearing member on its obligations to the clearinghouse triggered by a customer's failure to meet its obligations to the clearing member.</p> <p>The CFTC also now requires certain derivative transactions that were previously executed on a bi-lateral basis in the over-the-counter markets to be executed through a regulated futures or swap exchange or execution facility. The SEC is also expected to impose similar requirements on certain security-based derivatives in the near future, though it is not yet clear when these parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for investment funds, including the Funds, to enter into highly tailored or customized transactions. They may also render certain strategies in which the Funds might otherwise engage impossible or so costly that they will no longer be economical to implement. If one or more of the Funds decide to execute derivatives transactions through such exchanges or execution facilities—and especially if the Funds decide to become a direct member of one or more of these exchanges or execution facilities—such Funds would be subject to the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential requirements under applicable regulations and under rules of the relevant exchange or execution facility.</p> <p>OTC derivative dealers are required to register with the CFTC and will ultimately be required to register with the SEC. Registered swap dealers will also be subject to new minimum capital and are subject to margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivative dealers which costs may be passed along, at least partially, to market participants as market changes continue to be implemented. The overall impact of Dodd-Frank on the Funds remains highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.</p>
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Although Dodd-Frank will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearinghouse, certain of the derivatives that may be traded by the Funds may not be centrally cleared. The risk of counterparty nonperformance can be significant in the case of these OTC instruments, and “bid-ask” spreads may be unusually wide in these heretofore substantially unregulated markets. While Dodd-Frank is intended in part to reduce these risks, its success in this respect may not be evident for some time after Dodd-Frank is fully implemented, a process that may take several more years. To the extent not mitigated by implementation of Dodd-Frank, if at all, the risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Funds’ assets, include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset or commodity); (3) legal risks (the characterization of a transaction or a party’s legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty). The European Parliament has implemented a regulation (known as “EMIR”) that also requires regulated clearing of certain derivatives and has other requirements.

#### **Risk of Portfolio Investments**

The Funds may invest in a diversified portfolio of distressed debt investments (e.g., investments in defaulted, out-of-favor or distressed bank loans and securities). Certain of the Funds’ investments will be in specific securities or other instruments of companies that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk. The Funds may also make investments in companies that are experiencing financial or operational difficulties or are otherwise out-of-favor. Such companies’ instruments may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks. The Funds may invest in private debt, equity and warrants. These instruments may be acquired with or without registration rights. Unregistered securities are highly illiquid and may not be freely traded.

**Board Membership**

Employees of Anchorage serve on boards of directors or executive committees or in other management capacities at certain companies in which the Funds invest, either directly or indirectly. Serving in such a capacity may expose such employee, and by association Anchorage and the Funds, to certain limitations on the ability to trade the securities of the issuer company and certain conflicts of interest. As a result of such service, an employee may become aware, from time to time, of material non-public information about the company in which the Funds invest, and the employee's knowledge is likely to be attributed to Anchorage and the Funds; therefore, the Funds' ability to trade the securities of such company may become substantially restricted. The Funds' ability to buy and sell such securities may be limited to such times as company insiders are permitted to do so. Such limitations may cause the Funds to forgo sales that it would otherwise make, thereby exposing the Funds to losses, or to forgo purchases, thereby exposing the Funds to lost opportunities. Anchorage and the Funds may also be subject to Section 16 of the Securities Exchange Act of 1934, as amended, including the disclosure requirements, the restrictions on purchases and sales, and the disgorgement of profits in certain circumstances. An employee serving as a director of a company owned, directly or indirectly, by the Funds may also face a conflict between the fiduciary duties owed by such employee to the Funds and the duties owed to such company. In such circumstances, an employee may act in ways that are in the best interests of such company but not the Funds. Anchorage maintains internal compliance policies that are intended to minimize the negative effects of such conflicts if they arise, and intends to prevent employees from taking such positions when, in Anchorage's determination, the potential risks to the Funds outweigh the potential benefits. However, there can be no assurance that permitting the board membership of an employee will result in more favorable results for the Funds than if the employee was not permitted to serve in such capacity.

**Event-Driven Analysis**

The success of strategies employing event-driven analysis depends on the successful prediction of whether various corporate events will occur or be consummated. The Funds may invest in issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems or issuers that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial business risks that can result in substantial or total losses. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked price of such instruments may be greater than normally expected.

**Marketability of Portfolio Investments**

The marketability and liquidity of the Funds' investments cannot be assured. A Fund's ability to acquire and dispose of its investments will be dependent upon factors outside such Fund's control, including the health of the market for specific securities and the financial condition of a security's issuer as well as general economic conditions. The markets for the Funds' various investments have from time to time experienced periods of substantial illiquidity.

**Availability of Suitable Investments**

There can be no assurance that attractive investments will be available for the Funds' investment activities, or that available investments will meet the Funds' investment criteria. The Funds will compete with other potential investors to acquire interests in their respective targeted investments. Certain of the Funds' competitors may have greater financial and other resources and may have better access to suitable investment opportunities. Whether or not suitable investment opportunities are available to the Funds, the Funds will bear fees and expenses, subject to and as defined in such Fund's governing documents.

**Risk in Short Credit Positions**

Anchorage anticipates that Funds that invest primarily in short credit positions will pay CDS premiums and/or interest on short bond positions in excess of any interest received on cash balances or from any offsetting long credit positions (e.g. will have "negative carry"). Furthermore, the value of such Fund's portfolio may be negatively affected in the event credit spreads tighten. Short positions in the securities of a company also may decline in value where such company is acquired by a more creditworthy company or if the market perceives the company's prospects to be improving.

**Directional Investing**

The Funds are designed to profit, to a significant extent, from forecasting absolute price movements. Predicting future prices is inherently uncertain and the losses incurred if the market moves against a position generally will not be hedged against by the Funds. The speculative aspect of attempting to predict absolute price movements, especially in the disrupted markets in which the Funds will invest, is generally perceived to exceed that involved in attempting to predict relative price fluctuations. Often these price movements will be determined by unanticipated factors, and Anchorage's analysis of known factors may prove inaccurate, in each case potentially leading to substantial losses. The Funds may be subject to substantial losses in the event the overall economy or credit conditions of its issuers deteriorates.

**Tax Considerations**

Each Fund's income and gain for each taxable year may be allocated to, and includible in, an investor's taxable income whether or not cash or other property is actually distributed. Furthermore, since a Fund may not ordinarily make current distributions, each investor should have alternative sources from which to pay its U.S. federal income tax liability. The Funds may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the Internal Revenue Service or another applicable taxing authority, an Investor might be found to have a different tax liability for that year than that reported on his or its federal income tax return. In addition, an audit of the Funds could result in adjustments to the tax consequences initially reported by the Funds and may result in an audit of the returns of some or all of the Investors, which examination could affect items not related to an Investor's investment in the Funds. If audit adjustments result in an increase in an Investor's federal income tax liability for any year, such Investor may also be liable for interest and penalties with respect

to the amount of underpayment. The cost of any audit of an Investor's tax return will be borne solely by such Investor.

In connection with the investment strategies detailed above, please find below a list of the primary types of securities that may be invested in by certain of Anchorage's Funds (as well as the attendant risks associated with each such security):

**Equities**

Equities may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. In particular, equity prices are directly affected by issuer specific events, as well as general market conditions. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

**Distressed Instruments**

Investment in the instruments of financially troubled issuers and operationally troubled issuers involves a high degree of credit and market risk. The Funds may invest in select companies that, in the view of Anchorage, have the potential over the long-term for capital growth. There can be no assurance that such financially troubled issuers or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Funds may incur substantial or total losses on their investments or that such investments may not show any return for a considerable period of time. Under such circumstances, the returns generated from the Funds' investments may not compensate investors adequately for the risks assumed. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There can be no assurance that Anchorage will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. During an economic downturn or recession, instruments of financially troubled or operationally troubled issuers are more likely to go into default than instruments of other issuers. In addition, it may be difficult to obtain information about financially troubled issuers and operationally troubled issuers. Instruments of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than instruments of companies not experiencing financial difficulties. The market prices of such instruments are subject to erratic and abrupt market movements, and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Funds' portfolio investments may not be widely traded. As a result, the Funds may experience delays and incur losses and other costs in connection with the sale of such portfolio instruments. Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by Anchorage or the Funds. To the extent that Anchorage or the Funds become involved in such proceedings, Anchorage or such Funds may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by Anchorage or the Funds in an issuer's reorganization proceedings could result in the imposition of restrictions limiting such Funds' ability to liquidate its

position in the issuer or increase the likelihood of such Funds being involved in litigation.

**Defaulted Instruments**

The Funds may invest in the securities and other instruments of companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject the Funds to litigation risks or prevent the Funds from disposing of instruments. In a bankruptcy or other proceeding, the Funds may be unable to enforce their rights in any collateral or may have their security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While the Funds will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that the Funds will be able to successfully defend against them. The Funds interests may differ from the interests of these other investors in an entity. Such other investors may be in a position to exercise control or management of the entity in a manner that Anchorage believes is adverse to the interests of the Funds.

**Structured Credit Products**

Structured credit products are subject to prepayment, credit, liquidity, market, structural, legal and interest (among other) risks. The performance of a structured credit product is affected by a variety of factors, including the level and timing of the payments and recoveries on the underlying assets and the adequacy of the related collateral.

**Credit Default Swaps**

The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Credit default swaps (“CDS”) involve greater risks than if a Fund had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should a credit event not occur. If a credit event does occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to a Fund.

The regulation of CDS transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. Events during 2008-2009 (including market volatility and disruptions and the bankruptcy, failure, improper practices and adverse financial results of certain financial institutions, trading firms and private investment funds) focused attention on the need for firms engaging in the trading of CDS to maintain adequate risk controls and compliance procedures, and caused heightened scrutiny of CDS transactions by the regulators and by the U.S. Congress. Dodd-Frank imposes substantial new regulation on all over-the-counter derivatives markets in the United States, including the market for CDS, and parties, including the Funds, that are active in these markets. Regulators and legislative bodies outside the United States have also brought increased scrutiny to these markets

and have focused particular attention on CDS. Regulations adopted under Dodd-Frank seek to increase the transparency of these markets by requiring exchange-trading, clearing and reporting of many types of over-the-counter derivative trades. The regulators will also have enhanced tools to monitor trading in these markets in real time. In addition, the EU Regulation on Short Selling and Certain Aspects of Credit Default Swaps imposes restrictions on an investor's ability to enter into a CDS transaction where the reference entity is an EU sovereign issuer, such as an EU Member State, the EU itself and certain other supranational organizations within the EU.

#### **Corporate Debt Obligations and High Yield Securities**

Debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations, i.e., credit risk. Because "high yield" bonds and securities are rated in the lower rating categories by the various credit rating agencies, such securities result in greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative. They are also generally considered to be subject to greater risk than securities with higher ratings because the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities and the market for lower-rated securities is thinner and less active. Anchorage may actively expose the Funds to credit risk.

#### **Derivative Instruments**

Anchorage uses, directly or indirectly, various derivative 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. Use of derivative instruments presents various risks, including the following:

- *Tracking* – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent Anchorage from achieving the intended hedging effect or expose a Fund to the risk of loss.
- *Liquidity* – Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Anchorage may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Anchorage may conduct its transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting a Fund to the potential of greater losses.
- *Leverage* – Trading in derivative instruments can result in large amounts of synthetic leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by a Fund and could cause a Fund's net asset value to be subject to wider fluctuations than would be the case if Anchorage did not use derivative instruments that provide leverage.

- *Over-the-Counter-Trading* – Over-the-counter options, unlike exchange-traded options, are bilateral contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which Anchorage can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. For over-the-counter derivatives that are cleared through a clearing house, there is the additional risk that the clearing house may become insolvent or lack the financial resources to assure performance in the event of a clearing house member’s default.
- *Counterparty and Credit Risk* – To the extent that contracts for investment will be entered into between the Funds and a market counterparty as principal (and not as agent), the Funds are exposed to the risk that the market counterparty may, in an insolvency or similar event, be unable or unwilling to meet its contractual obligations to the Funds. Because certain purchases, sales, hedging, financing arrangements (including the lending of portfolio securities) and derivative instruments in which the Funds will engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Funds are subject to the risk that a counterparty will not perform its obligations under the related contracts.

### **Options**

The Funds may engage in options trading, which is speculative and involves a high degree of risk. If a Fund purchases a put or a call option, it may lose the entire premium paid. If a Fund writes or sells a put or call option, its loss is potentially unlimited.

### **Loans and Participations**

Anchorage intends to invest a portion of the Funds’ assets in bank loans and participations. These investments may include highly leveraged loans to borrowers whose credit is rated below investment grade. The special risks associated with these obligations include, but are not limited to (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws, (ii) so called “lender liability” claims by the issuers of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, (iv) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality and (v) with respect to participations, limitations on the ability of the Funds or Anchorage to directly enforce their rights, as well as an assumption of credit risk of the borrower and the grantor of the participation. Anchorage may also trade in the secondary markets for loans. Such loans may be privately negotiated

transactions, each of which has individualized terms. These positions may be illiquid and difficult to value. In addition, in the case of such trading, Anchorage may come into possession of material non-public information relating to the borrower, preventing the Funds from trading in any securities of such issuer. In addition, loans may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the borrower and general market liquidity.

#### **Futures**

Futures markets are highly volatile and a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses. Moreover, most commodity exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Such regulations could prevent a Fund from promptly liquidating unfavorable positions and thus subject Anchorage to substantial losses.

#### **Foreign Securities**

Investing in the securities of companies (and, from time to time, governments) in foreign countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including, among other things, political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion, imposition of withholdings and other taxes and certain government policies that may restrict a Fund’s investment opportunities. In addition, accounting and financial reporting standards that prevail in many foreign countries are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the U.S. There is also generally less regulation of the securities markets in many foreign countries than there is in the U.S. It may also be more difficult to enforce the legal rights in a foreign jurisdiction and there may be uncertainties as to the status, interpretation and application of laws.

#### **Credit Default Swaps on Loans and LCDX Transactions**

The Funds may invest in various types of loan credit default swaps (“LCDS”) and loan credit default swap index (“LCDX”) transactions, a tradable index comprising 100 equally-weighted underlying single-name loan-only credit default swaps. Loan credit default swaps are similar to credit default swaps on bonds, except that the underlying protection is sold on syndicated secured loans of a reference entity rather than a broader category of bonds. Buyers of protection pay a fixed coupon agreed at time of trade, and receive compensation on the principal if the entity named on the contract defaults on its secured debt. The compensation will be par minus recovery either via the protection seller paying par in return for gaining possession of the loan or via cash settlement. Loan credit default swaps may be on single names or on baskets of loans, both tranching and untranching. A Fund may also invest in LCDX, which is the buying or selling of protection on 100 names that comprise the LCDX portfolio (i.e., the buying and



selling of 100 single-name LCDS). Buying and selling the LCDX can be compared to buying and selling a loan portfolio. When the index is bought, the buyer is taking on the credit exposure to the loans, and is exposed to defaults similar to when a loan portfolio is bought. If the index is sold, this exposure is passed on to someone else. The index has a fixed coupon, which is paid when the index is sold, or received if the index is bought. The credit events that generally trigger a payout from the buyer (protection seller) of the index are bankruptcy or failure to pay a scheduled payment on any debt (after a grace period), for any of the constituents of the index. Credit events can be settled by physical or cash settlement. Physical settlement entails delivering the loan and receiving par. The protection seller who took delivery of the loan holds the defaulted asset. Although this method is the traditional method of settlement, there are risks that the notional of the outstanding loans is less than the LCDS outstanding and that the LCDX counterparty will be unable to take receipt of the loans.

#### **Private Equity Investments**

Certain of the Funds' investments may consist of securities that are subject to restrictions on resale because they were acquired from the issuer in private placement transactions. Generally, these securities cannot be sold publicly unless and until the issuer is a public company and then only with the expense and time required to register the sale transaction under the Securities Act, or pursuant to rules under the Securities Act, which permit only limited sales under specified conditions. In addition, other legal, contractual or practical limitations may limit the ability to sell private equity investments. For example, the issuers may be privately held, the Funds may own a relatively large percentage of the issuer's outstanding securities or may have agreed to contractual restrictions on resale, or other investors, financial institutions or management may be relying on the Funds' continued investment. Sales also may be limited by financial market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular markets. These limitations on liquidity of private equity investments could prevent a successful sale or result in the delay of any sale or reduction in the amount of proceeds that might otherwise be realized.

In addition, in some cases, the Funds may be prohibited or limited by contract from selling certain portfolio investments for a period of time, and as a result, may not be permitted to sell an investment at a time it might otherwise desire to do so. The Funds may have access to non-public information regarding certain portfolio investments, the possession of which also could limit the Funds' ability to sell such investments. Investment in the Funds requires the ability and the willingness to accept such lack of liquidity as well as a high degree of risk. The securities in which the Funds will invest may be among the most junior in a portfolio company's structure, and thus subject to the greatest risk of loss.

Private equity investments involve risks associated with investment in companies in an early stage of development or with little or no operating history, companies operating at a loss or with substantial variation in operating results from period to period, companies with the need for substantial additional capital to support expansion or to maintain a competitive position, or companies with significant financial leverage. These companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and stronger

	<p>management teams. There is no assurance that the companies in which the Funds invest will be able to successfully implement any growth plans or hire and retain successful management teams. Also, portfolio companies may be highly leveraged and, as a consequence, subject to restrictive financial and operating covenants. The leverage may impair the ability of these companies to finance their future operations and capital needs. As a result, these companies may lack the flexibility to respond to changing business and economic conditions, or to take advantage of business opportunities.</p> <p><b><u>Venture Capital Investments</u></b></p> <p>Venture capital investments involve a high degree of business, financial and technological risk that can result in substantial or total losses. These risks include investing in companies at an early stage of development or with little or no operating history; investing in companies operating at a loss or with substantial variations in operating results from period to period; and investing in companies with the need for substantial additional capital to support research and development of products or services, expansion, or to achieve and/or maintain a competitive position.</p> <p>Early stage portfolio companies are likely to face intense competition, including competition from companies with greater financial resources, more extensive research, development, production, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable.</p> <p>Early stage portfolio companies may be unseasoned, unprofitable and/or have no established operating history or earnings. These companies may also lack technical, marketing, financial and other resources or may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of a manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established entities.</p> <p><b><u>Minority Investments</u></b></p> <p>The Funds may make minority investments. In these situations, there is the possibility that the company in which the Funds invest or other investors in such company may have economic or business interests or goals that are inconsistent with those of the Funds, and the Funds may have a limited ability to protect or influence the value of or exit the Funds' investment in the entity.</p> <p><b><u>Control Investments</u></b></p> <p>The Funds may be a lead, control or a significant investor in the companies in which they invest. The Funds may not, however, have the right to participate in the day-to-day management, control or operations of the companies in which they invest, nor may they have the right to remove the managers thereof. Nonetheless, the Funds (alone, or together with other investors) may be deemed to have a control position with respect to companies in which the Funds invest, which could expose them to liabilities not normally associated with minority equity investments, such as</p>
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	<p>additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.</p> <p><b><u>Real Estate</u></b></p> <p>Investments in real estate are subject to various risks, including without limitation: (i) the cyclical nature of the real estate market and changes in national or local economic or market conditions; (ii) the financial condition of tenants, buyers and sellers of properties, (iii) changes in supply of, or demand for, properties in an area; (iv) various forms of competition; (v) the ability to manage real estate properties and execute development plans; (vi) fluctuations in lease rates; (vii) changes in interest rates and in the availability, cost and terms of financing; (viii) promulgation and enforcement of governmental regulations, including rules relating to zoning, land use and environmental protection; (ix) changes in real estate tax rates, energy prices and other operating expenses; (x) risks due to leverage and dependence on cash flow; (xi) changes in applicable laws; (xii) various uninsured or uninsurable risks and losses; (xiii) acts of God and natural disasters; and (xiv) civil unrest, acts of war or terrorism. The marketability and value of the Funds' investments, and the revenues generated by such investments, will depend on many of these factors, which are beyond the control of the Funds and Anchorage. In addition, real estate investments are relatively illiquid and may subject the owner to various liabilities typical of real estate generally. Investments may also be subject to limitations on transfer or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon disposition thereof.</p> <p><b><u>Co-Investment Opportunities</u></b></p> <p>Anchorage may determine that certain investment opportunities appropriate for the Funds should not or cannot be allocated in their entirety to the Funds based on such factors as the size or composition of a Fund's overall portfolio, concentration limits or other reasons deemed relevant by Anchorage. In such instances, Anchorage may (but is not required to) allocate any unallocated portions of such opportunities to one or more investors in the Funds or accounts managed by Anchorage, Anchorage or one of its affiliates, the Principal or their respective affiliates, or such other parties as are selected by Anchorage. Anchorage has no obligation to offer any such co-investment opportunity to any Investor by virtue of its investment in a Fund. Investors participating in such co-investment opportunities may either invest directly in such co-investment opportunities or through vehicles managed by or otherwise affiliated with Anchorage ("Co-Investment Vehicles"). Further, such investors, including, without limitation any Co-Investment Vehicles, may invest directly in a particular co-investment opportunity alongside the Funds, or such investors, including, without limitation the Co-Investment Vehicles or the Funds, may invest together in a vehicle which in turn, invests in the co-investment opportunity. The fees, other compensation, and terms of any investment in a Co-Investment Vehicle may differ from the fees, other compensation, or terms of an investment in either Fund. Those participating in such a co-investment opportunity, including those participating through a Co-Investment Vehicle, may liquidate a co-investment at</p>
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	<p>a different time or times, and in different amounts than the Funds, which may have an adverse effect on the Funds.</p> <p>In general, the Funds will bear all out of pocket expenses (including, without limitation, legal and accounting costs and travel expenses) associated with any co-investment opportunity that is unconsummated, including any portion thereof that may or would have been allocated to potential investors had such co-investment been consummated. Notwithstanding the foregoing, Anchorage will seek to allocate broken deal expenses to investors of the co-investment where it is appropriate and reasonable to do so.</p> <p><b><u>Other Strategies</u></b></p> <p>The Funds may employ strategies for which no specific risks are provided. Nevertheless, such strategies should be considered to be speculative, volatile, and, in general, no less risky than other strategies described herein and in the Funds' governing documents.</p> <p><b>It is critical that Investors refer to the relevant governing documents for a complete understanding of Anchorage's methods of analysis and investment strategies. The information contained herein is a summary only and is qualified in its entirety by such documents.</b></p>
<b>Item 8.C</b>	<p><b>If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.</b></p> <p>Please see the responses provided in Item 8.B. above.</p>

## ITEM 9 – DISCIPLINARY INFORMATION

If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a *management person* has been *involved* in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the *management person's* favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material. For purposes of calculating this ten-year period, the “date” of an event is the date that the final *order*, judgment, or decree was entered, or the date that any rights of appeal from preliminary *orders*, judgments or decrees lapsed.

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a *client's* or prospective *client's* evaluation.

<b>Item 9.A</b>	<p><b>A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a <i>management person</i></b></p> <ol style="list-style-type: none"> <li><b>1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any <i>felony</i>; (b) a <i>misdemeanor</i> that involved investments or an <i>investment-related</i> business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;</b></li> <li><b>2. is the named subject of a pending criminal <i>proceeding</i> that involves an <i>investment-related</i> business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;</b></li> <li><b>3. was <i>found</i> to have been involved in a violation of an <i>investment-related</i> statute or regulation; or</b></li> <li><b>4. was the subject of any <i>order</i>, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a <i>management person</i> from engaging in any <i>investment-related</i> activity, or from violating any <i>investment-related</i> statute, rule, or <i>order</i></b></li> </ol> <p>Not applicable to Anchorage.</p>
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Item 9.B	<p>An administrative <i>proceeding</i> before the SEC, any other federal regulatory agency, any state regulatory agency, or any <i>foreign financial regulatory authority</i> in which your firm or a <i>management person</i></p> <ol style="list-style-type: none"> <li>1. was <i>found</i> to have caused an <i>investment-related</i> business to lose its authorization to do business; or</li> <li>2. was <i>found</i> to have been <i>involved</i> in a violation of an <i>investment-related</i> statute or regulation and was the subject of an <i>order</i> by the agency or authority <ol style="list-style-type: none"> <li>(a) denying, suspending, or revoking the authorization of your firm or a <i>management person</i> to act in an <i>investment-related</i> business;</li> <li>(b) barring or suspending your firm's or a <i>management person's</i> association with an <i>investment-related</i> business;</li> <li>(c) otherwise significantly limiting your firm's or a <i>management person's</i> <i>investment-related</i> activities; or</li> <li>(d) imposing a civil money penalty of more than \$2,500 on your firm or a <i>management person</i>.</li> </ol> </li> </ol> <p>Not applicable to Anchorage.</p>
Item 9.C	<p>A self-regulatory organization (SRO) proceeding in which your firm or a management person</p> <ol style="list-style-type: none"> <li>1. was <i>found</i> to have caused an <i>investment-related</i> business to lose its authorization to do business; or</li> <li>2. was <i>found</i> to have been <i>involved</i> in a violation of the <i>SRO's</i> rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from <i>investment-related</i> activities; or (iii) fined more than \$2,500.</li> </ol> <p>Not applicable to Anchorage.</p>

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Item 10.A	<p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.</p> <p>Not applicable to Anchorage.</p>
Item 10.B	<p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.</p> <p>Not applicable to Anchorage.</p>
Item 10.C	<p>Describe any relationship or arrangement that is material to your advisory business or to your <i>clients</i> that you or any of your <i>management persons</i> have with any <i>related person</i> listed below. Identify the <i>related person</i> and if the relationship or arrangement creates a material conflict of interest with <i>clients</i>, describe the nature of the conflict and how you address it.</p> <ol style="list-style-type: none"> <li>1. broker-dealer, municipal securities dealer, or government securities dealer or broker</li> <li>2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)</li> <li>3. other investment adviser or financial planner</li> <li>4. futures commission merchant, commodity pool operator, or commodity trading advisor</li> <li>5. banking or thrift institution</li> <li>6. accountant or accounting firm</li> <li>7. lawyer or law firm</li> <li>8. insurance company or agency</li> <li>9. pension consultant</li> <li>10. real estate broker or dealer</li> <li>11. sponsor or syndicator of limited partnerships</li> </ol> <p>Certain Anchorage entities have filed 4.13(a)(3) notices with the National Futures Association act as exempt commodity pool operators, respectively, to certain Funds in the implementation of their investment strategies.</p> <p>Anchorage Capital Europe, LLP, is a majority-owned subsidiary of Anchorage and is a London-based investment manager focused on European investment capabilities. Anchorage Capital Europe, LLP was granted authorization by the UK Financial Conduct Authority to carry on its investment management business on December 22, 2009. Anchorage Capital Europe, LLP exercises discretion in its sub-adviser activities for the Funds.</p>

	<p>Anchorage Advisors Service, L.L.C., a Delaware limited liability company and affiliate of Anchorage, has a service agreement with Anchorage Capital Europe, LLP whereby Anchorage Advisors Service, L.L.C. provides Anchorage Capital Europe, LLP with services relating to the organization and administration of Anchorage Capital Europe, LLP.</p> <p>ACPA Pty Ltd, an Australian proprietary company and affiliate of Anchorage, provides investment research and certain administrative and support services to Anchorage and its affiliates.</p> <p>Each of Anchorage Capital Europe, LLP and ACPA Pty Ltd are registered with the Securities and Exchange Commission as an Exempt Reporting Adviser.</p> <p>Anchorage Capital Luxembourg S.à.r.l., a Luxembourg <i>société à responsabilité limitée</i> and affiliate of Anchorage, provides certain administrative and support services (e.g., documentation, accounting, tax) to Anchorage and its affiliates in connection with European trading activity conducted by Luxembourg trading vehicles.</p> <p>Anchorage has a relationship with Reservoir Capital Group, L.L.C. (“<u>Reservoir</u>”), which is a non-affiliated investment adviser. In 2003, funds managed by Reservoir provided the seed investment to a fund managed by Anchorage and, as a result of such seed investment, a number of investment funds managed by Reservoir serve as non-managing members of Anchorage and Anchorage Capital, L.L.C., but such funds do not exercise any control over investment or management decisions of the Funds. Reservoir managed funds contributed and maintain an investment in certain of the Funds. As noted in Item 4.C, Anchorage has granted Reservoir certain economic and other rights including but not limited to withdrawal/redemption rights, reduced fees and certain consent rights.</p> <p>Anchorage has entered into an agreement with a non-affiliated investment adviser that controls the client under the SMA. Under this arrangement, Anchorage implements and administers certain investments made by the SMA, and the non-affiliated investment advisor provides certain investment research and monitoring services. Anchorage and other Advisory Clients may benefit from such services. The Funds may hold investments that are the same as investments held by the SMA.</p> <p>Anchorage and its affiliates act on behalf of the Funds and carry on investment activities for other clients (including any other investment funds sponsored by Anchorage or its affiliates) in which the Funds will have no interest. In particular, employees of Anchorage may serve on boards of directors or executive committees or in other capacities at companies in which the Funds invest, either directly or indirectly. Serving in such a capacity may expose such employee, and by association Anchorage and the Funds, to certain limitations on the ability to trade the securities of the issuer company and certain conflicts of interest. As a result of such service, an employee may become aware, from time to time, of material non-public information about the company in which the Funds invest, and the employee’s knowledge is likely to be attributed to Anchorage and the Funds; therefore, the Funds’ ability to trade the securities of such company may</p>
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	<p>become substantially restricted. The Funds' ability to buy and sell such securities may be limited to such times as company insiders are permitted to do so. Such limitations may cause the Funds to forgo sales that it would otherwise make, thereby exposing the Funds to losses, or to forgo purchases, thereby exposing the Funds to lost opportunities. Anchorage and the Funds may also be subject to Section 16 of the Securities Exchange Act of 1934, as amended, including the disclosure requirements, the restrictions on purchases and sales, and the disgorgement of profits in certain circumstances. An employee serving as a director of a company owned, directly or indirectly, by the Funds may also face a conflict between the fiduciary duties owed by such employee to the Funds and the duties owed to such company. In such circumstances, an employee may act in ways that are in the best interests of such company but not the Funds. Anchorage maintains internal compliance policies that are intended to minimize the negative effects of such conflicts if they arise, and intends to prevent employees from taking such positions when, in Anchorage's determination, the potential risks to the Funds outweigh the potential benefits. However, there can be no assurance that permitting the board membership of an employee will not result in less favorable results for the Funds than if the employee was not permitted to serve in such capacity.</p> <p>Advisory agreements between Anchorage and the Funds require Anchorage and its affiliates to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Funds but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Funds or any restrictions on the nature or timing of investments for the proprietary account of Anchorage, its affiliates or their respective principals or for other accounts which Anchorage or its affiliates may manage. Anchorage professionals are not obligated to devote any specific amount of time to the affairs of the Funds, and Anchorage and its affiliates are not required to accord exclusivity or priority to the Funds in the event of limited investment opportunities.</p> <p>It is possible that one Fund may from time to time make an investment in one part of a company's capital structure while another Fund makes an investment in another part of the company's capital structure and that the interests of such Funds differ or conflict.</p>
<b>Item 10.D</b>	<p><b>If you recommend or select other investment advisers for your <i>clients</i> and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.</b></p> <p>Not applicable to Anchorage.</p>

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

<p><b>Item 11.A</b></p>	<p><b>If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any <i>client</i> or prospective <i>client</i> upon request.</b></p> <p>Anchorage’s Code of Ethics (the “Code”) is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (“Advisers Act”). The Code applies to Anchorage’s access persons (which term includes all employees of Anchorage) and sets forth a standard of business conduct that takes into account Anchorage’s status as a fiduciary and requires access persons to place the interests of Advisory Clients and Investors above their own interests. The Code requires access persons to comply with applicable federal securities laws. Further, access persons are required to promptly bring violations of the Code to the attention of Anchorage’s Chief Compliance Officer. All access persons are provided with a copy of the Code and are required to acknowledge receipt of the Code on at least an annual basis.</p> <p>The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by access persons. Anchorage’s access persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an access person. In addition, Anchorage’s access persons must provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1.</p> <p>In addition, the Code of Ethics ensures the protection of nonpublic information about the activities of the Funds. Investors or prospective investors may obtain a copy of Anchorage’s Code of Ethics by contacting the Chief Compliance Officer, David Young at (212) 432-4600 or by email at <a href="mailto:david.young@anchoragecap.com">david.young@anchoragecap.com</a>.</p>
<p><b>Item 11.B</b></p>	<p><b>If you or a <i>related person</i> recommends to <i>clients</i>, or buys or sells for <i>client</i> accounts, securities in which you or a <i>related person</i> has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</b></p> <p>As explained in Item 10 above, Anchorage serves as the investment manager to the Funds and as such recommends interests in the Funds to prospective investors. Anchorage (or its affiliates) has a material financial interest with respect to fees paid by Investors. Management fees are payable without regard to the overall success or income earned by the Advisory Clients and therefore may create an incentive on the part of Anchorage to raise or otherwise increase assets under management to a higher level than would be the case if Anchorage were receiving a lower or no management fee. Performance-based fees may create an incentive for Anchorage to make investments that are riskier or more speculative than in the absence of such performance-based compensation. Advisory Clients and Investors are provided with clear disclosure as to how performance-based compensation is charged and the risks associated with such performance-based compensation prior to making an investment.</p>

Anchorage, its employees or their related persons may also invest directly in any one, some or all of the Funds. It should be noted that investments in the Funds made by such parties may not be subject to the asset or performance-based fees described above. The fact that Anchorage's partners and employees have financial ownership interests in the Funds also creates a potential conflict in that it could cause Anchorage to make different investment decisions than if such parties did not have such financial ownership interests.

Anchorage acts as collateral manager to the Structured Credit Vehicles. Certain Funds, as well as Anchorage partners, officers and employees have purchased all of the equity or subordinated debt of the Anchorage CLO 2012. Certain Funds have purchased and as of the date of this Brochure, hold an interest in the majority of the equity or subordinated debt of Anchorage CLO 2013, ACCLO 3, ACCLO 4, ACCLO 5, ACCLO 6, ACCLO 7, ACCLO 8, ACCLO 9, and all the equity or subordinated debt of ACF 1, ACF 2, ACF 3, and ACF 4. With respect to such investments by the Funds, Anchorage has waived the collateral management fees due to Anchorage; however Anchorage does charge such fees to equity or subordinated debt investors which are not Funds or affiliates. Nevertheless, such investments involve conflicts of interest inasmuch as such investments by an Anchorage Fund may enable Anchorage to act as collateral manager of a Structured Credit Vehicle and earn fees from investments in such vehicle.

In addition, the principals, officers and employees of Anchorage and its affiliates may buy and sell, for their own account or for the account of other clients, securities and other financial instruments, in each case of the same or a similar type to those bought or sold on behalf of the Funds.

It should also be noted that Anchorage and its affiliates may give advice and recommend the purchase or sale of securities and other financial instruments, or buy or sell such securities, and instruments for their own account or that of other clients, which advice or instruments may differ from advice given to, or instruments recommended or bought or sold for, the Funds, even though their investment objectives may be the same or similar. Potential conflicts of interest may arise in connection with the personal trading activities of Anchorage's employees.

As stated in Item 11 herein, in order to address these potential conflicts and in recognition of Anchorage's fiduciary obligations to its Advisory Clients and Anchorage's desire to maintain its high ethical standards, Anchorage has adopted a Code of Ethics containing provisions designed to: (i) prevent improper personal trading by Anchorage's "Access Persons"; (ii) prevent improper use of material, non-public information about securities recommendations made by Anchorage or securities holdings of the Funds; (iii) identify conflicts of interest; and (iv) provide a means to resolve any actual or potential conflict in favor of the Funds.

<p><b>Item 11.C</b></p>	<p><b>If you or a <i>related person</i> invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a <i>related person</i> recommends to <i>clients</i>, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.</b></p> <p>Anchorage believes that high ethical standards are essential for the success of Anchorage and to maintain the confidence of its Advisory Clients. The Code is designed to ensure that the personal securities transactions of Anchorage and its affiliates, officers and employees (and members of their household) do not conflict with transactions effected on behalf of the Advisory Clients. Employees of Anchorage must (i) place the interests of Advisory Clients and, in the case of the Funds, Investors, first, (ii) avoid taking inappropriate advantage of their positions within the firm, and (iii) conduct their personal securities transactions in full compliance with the Code. As required by Rule 204A-1 of the Advisers Act, Anchorage requires its Access Persons to report their securities transactions on a quarterly basis and disclose their securities holdings upon employment and on an annual basis thereafter. Anchorage also restricts the personal trading of its Access Persons. In particular, Anchorage maintains a Restricted List containing the names of securities which Access Persons are generally prohibited from trading and requires each of its Access Persons to pre-clear transactions in all reportable securities.</p> <p>Anchorage also maintains policies and procedures to prevent insider trading that are designed to prevent the misuse of material, non-public information. Anchorage's personnel are required to certify on an annual basis their compliance with such policies and procedures as well as the Code of Ethics.</p>
<p><b>Item 11.D</b></p>	<p><b>If you or a <i>related person</i> recommends securities to <i>clients</i>, or buys or sells securities for <i>client</i> accounts, at or about the same time that you or a <i>related person</i> buys or sells the same securities for your own (or the <i>related person's</i> own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</b></p> <p>Please refer to the responses in Items 11.A, 11.B, and 11.C.</p>

## ITEM 12 – BROKERAGE PRACTICES

Item 12.A.1	<p><b>Describe the factors that you consider in selecting or recommending broker-dealers for <i>client</i> transactions and determining the reasonableness of their compensation (e.g., commissions).</b></p> <p style="padding-left: 40px;"><b>1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.</b></p> <p>Anchorage recognizes its duty to obtain “best execution” in effecting transactions on behalf of its Advisory Clients. In selecting brokers or dealers to execute transactions, Anchorage is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission. In selecting the counterparties to execute a particular transaction, Anchorage uses its best judgment in evaluating the terms of the transaction, and gives consideration to various relevant factors, which generally will include the size and type of the transaction; the nature and character of the market for the financial instrument; execution capabilities including the ability to handle trades and answer calls in a volatile market; commission rates; financial responsibility; value of research or brokerage provided; technology provided; willingness, ability, facilities and infrastructure to work with investment advisor firms; administrative resources; responsiveness; and pricing for services provided. Therefore, Anchorage may not necessarily negotiate “execution only” commission rates and may “pay up” for research and other services provided by the broker through the commission rate (“soft dollars”). However, since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may result in higher transaction costs than would be otherwise obtainable.</p> <p>Research and other services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; conferences or trade shows; statistical and pricing services, along with software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Each of the Funds’ respective agreements with Anchorage authorizes the use of “soft dollars” to the extent permitted by applicable law. Notwithstanding this authorization, Anchorage currently does not accrue or intend to accrue soft dollar credits or obtain products or services from third parties from soft dollar credits. Anchorage has and will receive research services from brokers.</p> <p>Brokers may sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker may be less than the suggested allocations or may exceed the suggestions because total brokerage is allocated on the basis of all the considerations described above. A broker will not be excluded from</p>
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	<p>receiving business simply because it has not been identified as providing research services.</p>
Item 12.A.2	<p><b><u>Brokerage for Client Referrals.</u></b> If you consider, in selecting or recommending broker-dealers, whether you or a <i>related person</i> receives <i>client</i> referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.</p> <ul style="list-style-type: none"> <li>a. <b>Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving <i>client</i> referrals, rather than on your <i>clients</i>' interest in receiving most favorable execution.</b></li> <li>b. <b>Explain the procedures you used during your last fiscal year to direct <i>client</i> transactions to a particular broker-dealer in return for <i>client</i> referrals.</b></li> </ul> <p>From time to time, Anchorage may participate in capital introduction events. However, Anchorage does not consider whether it receives investor referrals in deciding (i) whether to participate in such events or (ii) the manner in which it selects broker-dealers. In addition, it should be noted that Anchorage will not allocate Fund brokerage business to a broker-dealer unless Anchorage determines in good faith that the commissions payable to such broker are consistent with seeking best execution.</p>
Item 12.A.3	<p><b><u>Directed Brokerage.</u></b></p> <ul style="list-style-type: none"> <li>a. <b>If you routinely recommend, request or require that a <i>client</i> direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their <i>clients</i> to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of <i>client</i> transactions, and that this practice may cost <i>clients</i> more money.</b></li> <li>b. <b>If you permit a <i>client</i> to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of <i>client</i> transactions. Explain that directing brokerage may cost <i>clients</i> more money. For example, in a directed brokerage account, the <i>client</i> may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the <i>client</i> may receive less favorable prices.</b></li> </ul> <p>Anchorage does not have directed brokerage arrangements.</p>

<p><b>Item 12.B</b></p>	<p><b>Discuss whether and under what conditions you aggregate the purchase or sale of securities for various <i>client</i> accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to <i>clients</i> of not aggregating.</b></p> <p>When appropriate, Anchorage may, but is not required to, aggregate Advisory Client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Advisory Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.</p> <p>Anchorage will act in a fair and equitable manner in allocating investment and trading opportunities, including private placements, among the Advisory Clients. In furtherance of the foregoing, Anchorage will consider participation in all appropriate opportunities within the purpose and scope of each Advisory Client’s objectives, and Anchorage will evaluate such factors as it considers relevant in determining whether a particular situation or strategy is suitable and feasible for each Advisory Client (which factors may include the investment restrictions and objectives of each Advisory Client, whether the Advisory Client is fully exposed to the issuer, the Advisory Client’s risk tolerance and liquidity requirements, the nature of the opportunity in the context of the Advisory Client’s other positions at the time, and available cash flow).</p> <p>It should be noted that Anchorage (for a variety of reasons) may allocate trades solely to one Advisory Client and/or may allocate trades on a non-pro rata basis.</p> <p>In the event that an investment opportunity is appropriate for more than one Advisory Client but is not allocated between such Advisory Clients on a pro rata basis, trading personnel are required, at the time of such trade entry, to complete a “Non-Pro Rata Trade Allocation Report” in the Trade Blotter which is subject to operational and compliance review and approval.</p>
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## ITEM 13 – REVIEW OF ACCOUNTS

<p><b>Item 13.A</b></p>	<p><b>Indicate whether you periodically review <i>client</i> accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the <i>supervised persons</i> who conduct the review.</b></p> <p>Kevin Ulrich, Chief Executive Officer of Anchorage, and Dan Allen, President of Anchorage, serve as Senior Portfolio Managers for the Funds and are responsible for selecting investments, reviewing accounts and orders on a daily basis to ensure that certain account restrictions are being followed, and that the accounts have sufficient available cash to trade. The portfolio managers may designate other Anchorage employees assist with these responsibilities and to review accounts and orders.</p> <p>In addition, the Chief Compliance Officer will periodically review the trade policies and procedures to ensure that it represents Anchorage’s current practices and (to the best of its reasonable knowledge and belief) is in conformity with applicable law and regulations. Anchorage has written trade allocation procedures in place which were designed to seek to ensure that all investors and Funds are treated fairly.</p> <p>To assist Anchorage with implementing and monitoring its trade allocation policies and procedures (and to seek to ensure that all investors and Funds are treated fairly), Anchorage utilizes certain proprietary software systems for trade entry and allocations. The software systems were designed to incorporate Anchorage’s trade allocation rules, pro rata allocation thresholds, and Fund trading restrictions directly into Anchorage’s real time trading process.</p>
<p><b>Item 13.B</b></p>	<p><b>If you review <i>client</i> accounts on other than a periodic basis, describe the factors that trigger a review.</b></p> <p>Please see Item 13.A. The accounts are under continuous review.</p>
<p><b>Item 13.C</b></p>	<p><b>Describe the content and indicate the frequency of regular reports you provide to <i>clients</i> regarding their accounts. State whether these reports are written.</b></p> <p>Generally, Investors will receive monthly or quarterly account statements, as applicable, from the respective Fund’s administrator as well as monthly or quarterly letters detailing among other things Fund performance and assets under management by Anchorage. Lastly, Investors will receive annual audited financial statements.</p> <p>Investors in the Structured Credit Vehicles do not receive annual audited financial statements, but do receive periodic statements from the vehicles’ Trustee.</p>



## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

<p><b>Item 14.A</b></p>	<p><b>If someone who is not a <i>client</i> provides an economic benefit to you for providing investment advice or other advisory services to your <i>clients</i>, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.</b></p> <p>Anchorage has entered into an agreement with a non-affiliated investment adviser that controls the client under the SMA. Under this arrangement, Anchorage implements and administers certain investments made by the SMA, and the non-affiliated investment advisor provides certain investment research and monitoring services. Anchorage and other Advisory Clients may benefit from such services. The Funds may hold investments that are the same as investments held by the SMA.</p>
<p><b>Item 14.B</b></p>	<p><b>If you or a <i>related person</i> directly or indirectly compensates any <i>person</i> who is not your <i>supervised person</i> for <i>client</i> referrals, describe the arrangement and the compensation.</b></p> <p>Anchorage has entered into a third party solicitation arrangement with Goldman, Sachs &amp; Co. in connection with the offering of interests in the Harvest Funds. As such, Goldman, Sachs &amp; Co. will receive a significant placement fee with respect to capital commitments of certain investors. Any placement fee paid with respect to the Harvest Funds is paid by Anchorage and not by the respective Harvest Fund or by any Investor in a Harvest Fund.</p> <p>To the extent applicable (taking into account current SEC guidance), such third party solicitation arrangement will be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.</p>

## ITEM 15 – CUSTODY

If you have *custody of client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.

Anchorage will maintain the assets of the Funds in accounts with a “qualified custodian” pursuant to Rule 206(4)-2 under the Advisers Act and notify clients in writing of the qualified custodian’s name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. The qualified custodians presently utilized by Anchorage (as of the date of this ADV) are:

<b>Allied Irish Banks plc.</b> Tuam Road Galway, Ireland	<b>Bank of America Merrill Lynch</b> 540 W. Madison, 21 <sup>st</sup> Floor Chicago, IL 60661	<b>Bank of Ireland</b> Bank of Ireland Corporate Banking 2 Burlington Plaza Burlington Road, Dublin 4
<b>The Bank of New York Mellon</b> 1 Wall Street New York, NY 10286	<b>Barclays Capital Inc.</b> 745 Seventh Avenue, 6 <sup>th</sup> Floor New York, NY 10019	<b>Citigroup Global Markets Inc.</b> Commodities Division 111 Wall Street, 4 <sup>th</sup> Floor New York, NY 1001
<b>Goldman Sachs &amp; Co.</b> 200 West Street, 3rd Floor New York, New York 10004	<b>HSBC plc.</b> 26 Upper Pembroke Street Dublin 2, Ireland	<b>ING Luxembourg</b> 1, rue Jean Piret L-2965 Luxembourg
<b>JP Morgan Securities LLC</b> 277 Park Avenue New York, New York 10172	<b>Landsbanki</b> Kirkjusandur 2 155 Reykjavik, Iceland	<b>State Street Bank &amp; Trust Co. Boston</b> One Lincoln Street Boston, MA 02111
<b>State Street Bank Custodial Services (Ireland) Ltd.</b> Kilkenny Business & Technology Park Loughboy, Ring Road, Kilkenny Ireland	<b>State Street Bank GmbH</b> 49 Avenue John Fitzgerald Kennedy L-1855 Luxembourg	<b>State Street Bank Luxembourg S.A.</b> 49 Avenue John Fitzgerald Kennedy L-1855 Luxembourg
<b>U.S. Bank National Association</b> 214 N. Tryon Street, 26 <sup>th</sup> Floor Charlotte, NC 28202	<b>Wells Fargo Securities, LLC</b> c/o Wells Fargo Prime Services 64o Fifth Ave, 7th Floor New York, NY 10019	

To ensure compliance with Rule 206(4)-2 under the Advisers Act, Anchorage is required to reasonably believe that all Investors will be provided with audited financial statements for their respective Fund prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of such Fund's fiscal years (i.e., generally by April 30). Investors should carefully review the audited financial statements of the Funds. Anchorage does not have actual or constructive custody with respect to the Structured Credit Vehicles, so investors in these products do not receive annual audited financial statements.

## ITEM 16 – INVESTMENT DISCRETION

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

Anchorage has discretionary authority to manage securities accounts on behalf of the Funds. Anchorage has limited discretionary authority over the investments of the SMA. Anchorage is authorized to make transaction recommendations for the Advisory Clients. As explained in Item 4.C above, each Fund's investment strategy is set forth in detail in the respective Fund's private offering memorandum. Investors do not have the ability to impose limitations on Anchorage's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool, and Investors in the domestic limited partnerships must execute a limited partnership agreement that contains a limited power of attorney.

As noted in Item 4, Anchorage has established certain customized funds. These entities may utilize different trading and/or investment strategies than the other Funds and may be subject to different terms and arrangements than the other Funds described above. It should be noted that any such future relationships may be subject to minimum investment size and other possible special requirements.

## ITEM 17 – VOTING CLIENT SECURITIES

<p><b>Item 17.A</b></p>	<p><b>If you have, or will accept, authority to vote <i>client</i> securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your <i>clients</i> can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your <i>clients</i> with respect to voting their securities. Describe how <i>clients</i> may obtain information from you about how you voted their securities. Explain to <i>clients</i> that they may obtain a copy of your proxy voting policies and procedures upon request.</b></p> <p>Anchorage understands and appreciates the importance of proxy voting and will generally manage the receipt of incoming proxies, maintain a log of all proxies, and place votes based on established policies and guidelines. In the course of exercising discretion to vote a proxy, Anchorage will vote any such proxies in the best interests of Funds and in accordance with the procedures outlined below (as applicable).</p> <p>Prior to voting any proxies, Anchorage’s Proxy Voting Committee will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Proxy Voting Committee will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. If no material conflict is identified pursuant to its set procedures, the Proxy Voting Committee will, following discussion with Anchorage’s investment personnel, make a decision on how to vote the proxy in question. Anchorage also has the flexibility to abstain from a particular proxy vote when it is determined to be in the best interest of investors.</p> <p>As applicable, the Chief Compliance Officer, or his designee, will ensure delivery of the proxy, in accordance with instructions related to such proxy, in a timely and appropriate manner. Anchorage keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Anchorage’s response for the previous five years.</p> <p>If you have any questions about Anchorage’s proxy policy, its proxy record-keeping procedures or if you would like any detailed information about how proxies are actually voted, please contact David Young at (212) 432-4600 or by email at <a href="mailto:david.young@anchoragecap.com">david.young@anchoragecap.com</a>.</p>
<p><b>Item 17.B</b></p>	<p><b>If you do not have authority to vote <i>client</i> securities, disclose this fact. Explain whether <i>clients</i> will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) <i>clients</i> can contact you with questions about a particular solicitation.</b></p> <p>Not applicable to Anchorage.</p>

## ITEM 18 – FINANCIAL INFORMATION

Item 18.A	<p><b>If you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, include a balance sheet for your most recent fiscal year.</b></p> <ol style="list-style-type: none"> <li><b>1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.</b></li> <li><b>2. Show parenthetically the market or fair value of securities included at cost.</b></li> <li><b>3. Qualifications of the independent public accountant and any accompanying independent public accountant’s report must conform to Article 2 of SEC Regulation S-X.</b></li> </ol> <p>Not applicable to Anchorage.</p>
Item 18.B	<p><b>If you have <i>discretionary authority</i> or <i>custody</i> of <i>client</i> funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to <i>clients</i>.</b></p> <p><b><u>Note:</u> With respect to Items 18.A and 18.B, if you are registered or are registering with one or more of the state securities authorities, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per client, six months or more in advance.</b></p> <p>Anchorage is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.</p>
Item 18.C	<p><b>If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.</b></p> <p>Not applicable to Anchorage.</p>