

**Item 1**  
**Cover Page**

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**Form ADV Part 2A: Firm Brochure**

March 28, 2018

**Perry Corp.**

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*Perry Corp. is an investment adviser that is registered with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC does not imply a certain level of skill or training.*

*This brochure (this "Brochure") provides information about the qualifications and business practices of Perry Corp. If you have any questions about the contents of this brochure, please contact Perry Corp. at (212) 583-4000. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.*

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

## **Item 2**

### **Material Changes**

Perry Corp. is required to identify and discuss any material changes made to this Brochure since the last annual update (which was filed on March 30, 2017).

While this fact was disclosed in Item 2 of our last brochure update, Perry Corp. announced that it had decided to wind down its flagship hedge funds, Perry Partners L.P. and Perry Partners International, Inc. During the wind down process, the assets of these client funds will be liquidated over time. No new investments will be solicited by these client funds.

Perry Corp. recommends that you read this Brochure in its entirety. If Perry Corp. makes any material changes to this Brochure this Item will be revised to include a summary of such changes.

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## **Item 4**

### **Advisory Business**

Perry Corp., a corporation formed under the laws of the State of New York, founded in 1988, is an investment advisory services firm specializing in investment management for private fund clients. All of the references to Perry Corp. in this Brochure are referring to Perry Corp. and/or one or more of its affiliates, including principally the relying advisor Perry Capital L.L.C. The principal owner of Perry Corp. is Richard C. Perry. Richard C. Perry has ultimate responsibility for the management, operations and the investment decisions made by Perry Corp. Perry Corp. has its principal office in New York, New York.

\* \* \*

On September 26, 2016, Perry Corp. announced that it had decided to wind down its flagship hedge funds. During the wind down process, the assets of these client funds will be liquidated over time. No new investments will be solicited by these client funds.

Given that the portfolio is in a state of wind down, the various disclosures and risk factors in Item 8 focus on the wind down process. While some of the risk factors and other disclosures relating to the underlying investment programs that created these positions are included, many of them have been omitted. Copies of earlier brochures are also available on request.

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In providing advisory services, Perry Corp.'s investment program concentrated on opportunistic investing. In other words, Perry Corp. primarily invested in companies and markets that it believed were experiencing significant change. Perry Corp. focused on conducting fundamental research and analysis across industry sectors and sought to tailor its advisory services to the individual needs and specified investment mandates of its clients.

Perry Corp. did not and does not participate in wrap fee programs.

As used herein, the term "client" generally refers to each private fund. The various client funds are set forth below:

- Perry Partners L.P.
- Perry Partners International Master, Inc.
  - The feeder fund for this client is Perry Partners International, Inc.
- Perry Private Opportunities Fund, L.P.
- Perry Private Opportunities Offshore Fund, L.P.

- The feeder fund for this client is Perry Private Opportunities Offshore Feeder L.P.

*This Brochure generally includes information about Perry Corp. and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the client funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Shares or interests in the client funds that are organized under a non-U.S. jurisdiction are offered on a private placement basis pursuant to Section 3(c)(7) and/or 3(c)(1) of the Investment Company Act of 1940, as amended (the "Company Act") to U.S. tax-exempt entities and in certain cases, U.S. persons who are "accredited investors" as defined under the Securities Act and "qualified purchasers" as defined under the Company Act (in the case of the 3(c)(7) client funds), and in accordance with Regulation S of the Securities Act with respect to non-U.S. persons, and subject to certain other conditions, which are fully set forth in the offering documents, as amended from time to time, for these client funds. The interests in the client funds that are organized under the laws of the United States are offered on a private placement basis, pursuant to Section 3(c)(7) and/or 3(c)(1) of the Company Act to persons who are "accredited investors" as defined under the Securities Act and "qualified purchasers" as defined under the Company Act (in the case of the 3(c)(7) client fund), and subject to certain other conditions, which are set forth in the offering documents, as amended from time to time for these client funds. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the client funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

*The investment strategies Perry Corp. has pursued are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

Please see Item 5 below for a description of the investment strategies of Perry Corp.'s clients.

The amount of client assets that Perry Corp. manages on a discretionary basis was approximately \$887,176,385 as of March 1, 2018. Perry Corp.'s Regulatory Assets Under Management are reported in Item 5.F of Part 1 of the Form ADV. Perry Corp. does not manage any client assets on a non-discretionary basis.

## **Item 5**

### **Fees and Compensation**

The compensation applicable to each client fund is set forth in detail in each client fund's offering documents, as amended from time to time. A brief summary of such fees is provided below.

Perry Corp. typically receives compensation from each of its clients (and in the case of its clients that are structured as a master/feeder fund structure, at either the master fund or feeder fund level) based both on a percentage of assets Perry Corp. manages and on a percentage of the performance achieved for the client. Generally, each year, Perry Corp. charges each client a management fee that ranges between 1% and 2% of its assets that Perry Corp. manages, and each client is subject to a performance-based compensation equal to 20% of its net profits, subject to certain limitations and discounts (specifics follow below).

Perry Corp.'s management fees and performance based compensation are usually not negotiable, although Perry Corp. permits all significant investors who are similarly situated to participate at reduced rates in some of the client funds it manages. Perry Corp. (either directly or through one of its affiliates which is the general partner or the investment manager of the client funds) generally does have the discretion to waive all or a portion of the asset-based fee and/or performance-based compensation, but typically only exercises this discretion for investors that are firm employees or their affiliates, including family members. Perry Corp. and its affiliated entities that serve as general partners or investment managers to its client funds do not pay asset-based fees or performance-based compensation with respect to their investments.

In addition, Perry Corp. has occasionally entered into side letter arrangements with certain investors in its client funds, in which Perry Corp. granted them different terms. These terms may include reduced asset-based fees and/or performance-based compensation in addition to favorable withdrawal rights, information rights, key man provisions, provisions allowing investors to pledge their interest in a client fund as collateral and/or "most favored nation" clauses, which require Perry Corp., in the event that it offers better terms to one investor, to offer the same terms to a similarly situated investor with most favored nation status.

Perry Corp.'s performance-based compensation is typically structured as a profit-sharing allocation through a general partner interest held by one of its affiliates.

#### Asset-Based Fees

All clients, on behalf of investors in Perry Corp.'s clients, pay a fee based on a percentage of its assets that Perry Corp. manages.

- Perry Partners L.P.: Effective January 1, 2017, Perry Corp. reduced the asset-based fee to 1% of the value of each investor's assets in the client. Perry Corp. has always charged asset-based fees on special situation investments based on the lower of cost or market value.

- Perry Partners International, Inc.: An asset-based fee on substantially the same terms as those applicable to Perry Partners L.P.
- Perry Private Opportunities Fund, L.P.: An annual rate of 2% of the capital contributed, adjusted for the costs of realized and failed investments. The period in which this client can make new investments has expired.
- Perry Private Opportunities Offshore Fund, L.P.: An asset-based fee on substantially the same terms as those applicable to Perry Private Opportunities Fund, L.P. The period in which this client can make new investments has also expired.

### Performance-Based Compensation

All clients, on behalf of investors in Perry Corp.'s clients, also are subject to the following incentive allocation or fee, based on investment performance:

- Perry Partners L.P.:
  - An annual allocation equal to one of the following, based on each investor's election:
    - 20% of the investor's portion of Perry Partners L.P.'s net realized and unrealized profits for the year, excluding unrealized gains on illiquid investments characterized as special situation investments, subject to a one-year "loss carryforward" limitation,
    - 20% of the investor's portion of Perry Partners L.P.'s net realized and unrealized profits for the year, excluding unrealized gains on special situation investments. If an investor's capital account has sustained net realized or unrealized losses in any previous year, Perry Corp. is generally only allocated 10% (or a higher rate in certain cases) of net realized and unrealized profits allocated to the investor's capital account until two-and-half times the amount of such net realized or unrealized losses are recovered, at which point the allocation becomes 20%; or
    - 20% of the investor's portion of Perry Partners L.P.'s net realized and unrealized profits for the year, excluding unrealized gains on illiquid investments characterized as special situation investments, subject to a perpetual "loss carryforward" limitation.
  - For certain investors (or groups of investors), in Perry Partners L.P. and/or Perry Partners International, Inc., having investments in one or both of these client funds exceeding a threshold amount, the annual performance-based compensation rate is 17.5%, subject to certain exceptions.
  - The performance-based compensation is calculated after deducting the asset-based fee and operating expenses and is calculated separately in respect of each investor.

- Perry Partners International Master, Inc.: An annual allocation, based on each investor's election, on substantially the same terms as those applicable to Perry Partners L.P.
- Perry Private Opportunities Fund, L.P.: A 20% profits interest only after returning investors' capital contributions (calculation of profits interest excludes expenses and management fees).
- Perry Private Opportunities Offshore Fund, L.P.: A profits allocation on substantially the same terms as those applicable to Perry Private Opportunities Fund, L.P.

Perry Corp. automatically deducts the asset-based fees described above from its clients' accounts.

- Perry Private Opportunities Fund, L.P. and Perry Private Opportunities Offshore Fund, L.P.: These client funds pay these fees at the beginning of each quarter, if applicable.
- Perry Partners L.P. and Perry Partners International Master, Inc.: These client funds pay these fees at the end of each quarter.

Perry Corp. also automatically deducts the performance-based compensation described above from its clients' accounts.

- Perry Partners L.P. and Perry Partners International, Inc.: These client funds allocate any performance-based compensation at the end of each year, if applicable. If an investor in one of these clients withdraws or redeems before the end of a year, the performance allocation will be due at the time of its withdrawal or redemption, but only on the withdrawn or redeemed amount.
- Perry Private Opportunities Fund, L.P. and Perry Private Opportunities Offshore Fund, L.P.: Perry Corp. receives distributions of performance-based compensation from these client funds when these client funds make distributions to their investors, if applicable, and not on a fixed periodic basis.

In certain cases, Perry Corp.'s client funds also pay the asset-based fees and are subject to the annual performance-based compensation by certain unaffiliated blind pool investment partnerships in which Perry Corp. invests assets of these client funds. In such cases, the asset-based fees and performance-based compensation of the unaffiliated investment partnerships are reimbursed by Perry Corp. to its applicable client funds through the issuance to the client funds of a corresponding credit against the asset-based fees or other reimbursement obligations payable by the client funds to Perry Corp. Perry Corp., from time to time, may own a minority equity interest in the general partner or investment manager of these unaffiliated blind pool investment partnerships. Such equity interest entitles Perry Corp. to receive a share of the fees paid or allocations made by all investors in the relevant unaffiliated blind pool investment partnership to the general partner or investment manager. Due to the credit arrangement described above, such equity interest does not result in a participation by Perry Corp. in the fees paid or allocations



made from Perry Corp.'s client funds to such unaffiliated general partners or investment managers.

### Expenses

Each client of Perry Corp. generally bears all of its own expenses, including, but not limited to, expenses related to its operations and the investment of its assets. The enumerated lists below are detailed but do not contemplate every possible expense a client may incur. Also given the wind down process described above, some of the general expense provisions may be waived or modified for specific clients.

- To the extent permitted under the applicable offering documents, as amended from time to time, one or more of Perry Corp.'s client funds may bear some or all of the following expenses: expenses related to their operations, including, without limitation, external legal, accounting (including the cost of accounting and portfolio reconciliation software packages), audit and tax preparation expenses (including expenses incurred for the annual audit to satisfy Perry Corp.'s obligations under the Custody Rule), fees to the Administrator, investment-related expenses (e.g., interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, brokerage commissions (see Item 12 for more information on brokerage expenses), clearing and settlement charges, interest expenses, investment-related consulting and other professional fees, expenses related to: identifying, evaluating, acquiring, owning, selling or financing investments, including travel and other out-of-pocket expenses Perry Corp. may incur, appraisal and valuation expenses, servicing fees, hedging costs (for a more detailed explanation of hedging, please see Item 8), accounting and data processing expenses (including software), legal and auditing costs, real estate and other taxes, recording fees and taxes, costs of obtaining credit reports on borrowers, title, casualty and liability insurance, leasing commissions, costs of tenant and capital improvements, operating expenses, financing costs, brokerage fees, environmental, engineering and other studies, interpretive or translation fees, research and trade-related expenses, including, without limitation, subscriptions, news and quotation services (including fees for data and software providers), expenses relating to all market data and related software used by Perry Corp. and its employees, investment and trading-related computer hardware and software, including data processing, backup and storage, software development and trade order management software (i.e., software Perry Corp. uses to route and process trade orders), derivative modeling software, and expenses associated with installing, maintaining and utilizing computers, internet, telephone (including telephone conferencing and video conferencing), wireless email devices and other telecommunications lines and equipment Perry Corp. uses for investment and trading purposes)), expenses related to software used to prepare regulatory filings on behalf of client funds, expenses related to any investment entity or special purpose vehicle owned or controlled by Perry Corp's client funds (including, without limitation, administrative, overhead, operational, and personnel expenses related thereto) whether incurred at the client fund level or within such entity or vehicle, disaster recovery and business continuity expenses, valuation and pricing services, fees for the unaffiliated outside directors of certain client funds, cybersecurity and information

security expenses, expenses related to research and proxy voting services and class action management services, risk management software and related services and expenses, corporate licensing fees, bank service fees, withholding and transfer fees, taxes, regulatory expenses, costs of printing and mailing reports and notices, organizational expenses, expenses relating to the offering and sale of interests in the respective fund, other expenses related to the purchase, sale or transmittal of client assets, any insurance (including a portion of premiums for D&O and E&O insurance), indemnity or litigation expenses, other investment related expenses and any extraordinary expenses as will be determined by Perry Corp. in its sole discretion.

- In addition, if an investor (or group of investors having a common advisor), in Perry Partners L.P. and/or Perry Partners International, Inc. has investments in one or both of these client funds exceeding a threshold amount, such investor will be reimbursed by Perry Corp. for reasonable travel expenses actually incurred that are related to its (or their) investment in Perry Partners L.P. and/or Perry Partners International, Inc. if such investor (or group of investors having a common advisor) is (or are) prohibited from incurring such expenses directly for legal or regulatory reasons. Such reimbursable travel expenses for any investor (or group of investors having a common advisor) shall not exceed a total of \$10,000 in respect of investments in both Perry Partners L.P. and Perry Partners International, Inc. in any fiscal year.
- Each client of Perry Corp. may share any of the above expenses with certain Perry Corp.-affiliated or third party co-investors.

When Perry Corp. incurs expenses on behalf of multiple client accounts and/or its affiliated entities, it will allocate the expenses among the applicable clients and/or affiliated entities in a fair and reasonable manner; however, it is possible that not all expenses will be allocated ratably across all client accounts. For more information on brokerage transactions and costs, please see Item 12.

Finally, Perry Corp.'s affiliates can choose to take advances of their profits interest distributions from Perry Private Opportunities Fund, L.P. and Perry Private Opportunities Offshore Fund, L.P. if the distributions its affiliates actually received are not sufficient for its affiliates or their owners to pay their related income taxes (including estimated tax payments) for the relevant year.

Neither Perry Corp. nor any of its principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

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

Perry Corp., or one of its affiliates, receives performance-based compensation from each of its clients. Perry Corp. does not manage any client accounts that are not subject to performance-based compensation. As a result, Perry Corp. and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees or compensation from some clients, but not from other clients.

**Item 7**  
**Types of Clients**

Perry Corp. provides advice only to private fund clients.

## **Item 8**

### **Method of Analysis, Investment Strategies and Risk of Loss**

The descriptions set forth in this Brochure of specific advisory services that Perry Corp. has offered to clients, and investment strategies pursued and investments made by it on behalf of its clients, should not be understood to limit or to have limited in any way its investment activities. Perry Corp. has and has always had the ability to offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Perry Corp. considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Perry Corp. pursues and has pursued are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

Perry Corp. has generally been considered an opportunistic event driven, "multi-strategy" hedge fund manager. Opportunistic investing involves deploying capital where it is needed most, predominantly in complex, deep value situations that are misunderstood by the markets. Event driven investing involves the purchase or sale of securities of companies and/or governments which are undergoing substantial changes. Among other opportunities, Perry Corp.'s clients have invested in securities of companies that are selling assets, leaving or entering new businesses, changing their capital structures or that are the subject of a publicly announced acquisition, merger, tender offer, exchange offer, liquidation, spin-off or other corporate reorganization. These clients may also have made investments in futures and options on futures and in loans, real estate related investments and private equity investments as well as "tail risk" trading.

Perry Corp. also manages clients comprised primarily of a portfolio of investments in private equity and illiquid investments, and debt securities that have the potential for private equity-like returns or an equity component, or are otherwise related to private equity investments. Since the investment periods for these clients has expired, Perry Corp. will not allocate new investment opportunities, other than follow on investments, to these clients.

#### Certain Risks During the Wind Down Process

As previously described, on September 26, 2016, Perry Corp. announced that it had decided to wind down its flagship hedge funds, Perry Partners L.P. and Perry Partners International, Inc. During the wind down process, the assets of these client funds will be liquidated over time. No new investments will be solicited by these client funds.

In light of the September 26, 2016 announcement, Perry Corp. intends to prudently manage the remaining investment held by Perry Partners L.P. and Perry Partners International, Inc. over time. The remaining short term and medium term investments held by Perry Partners L.P. and Perry Partners International, Inc. will be sold opportunistically but efficiently so as to not move markets or harm investment value.

Longer term investments held by Perry Partners L.P. and Perry Partners International, Inc. will take time and energy to successfully realize an appropriate value. During the wind down

process, Perry Corp. may execute sales in market conditions that are less favorable than the conditions Perry Corp. may have executed prior thereto.

Perry Corp. will seek to balance any negative price impact against the need to liquidate the flagship hedge funds' portfolios. In some cases, Perry Corp. may execute transactions to exit its clients' portfolios sooner, or in market conditions that are less favorable, than might have occurred or existed had Perry Corp. not been in a process of liquidating its clients' portfolios.

As Perry Corp. exits its clients' portfolios, the portfolios may become less diverse, less liquid and have a different risk profile than previously expected and as a result Perry Corp.'s clients may incur losses that are disproportionate to market movements in general.

In addition, the remaining investments held by Perry Partners L.P. and Perry Partners International, Inc. during the wind down process may generate additional carrying costs, and the clients' counterparties (such as prime brokers or other service providers) may also require additional collateral or impose less favorable transaction terms. For instance, counterparties that perceive a potential for an ongoing business relationship are often incentivized to provide certain intangible benefits; accordingly, Perry Corp.'s clients may lose these intangible benefits.

Market awareness of Perry Corp.'s liquidation also creates the potential for front-running by other market participants, especially for securities in markets with limited depth and/or liquidity. This may lead to market conditions that are less favorable than might otherwise have existed.

Perry Corp. operates with a smaller number of professionals as it exits its clients' portfolios than was previously the case, and such number may further decline during the wind down process.

Perry Corp. may not be able to predict all the costs and repercussions associated with exiting the portfolios and winding down its clients' portfolios, which could adversely affect the ultimate amount received by investors.

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Until all such capital has been returned and such private funds have been formally liquidated, the disclosures in the remainder of this Item 8 will continue to apply to the remaining private fund portfolios managed by Perry Corp., notwithstanding the fact that many of the actions that are presented in the current tense are no longer conducted or are no longer conducted at the same level of activity.

#### Certain Risks Related to Perry Corp.'s Historical Investment Strategy and Methods of Analysis

In managing its clients' accounts, Perry Corp. conducts fundamental research across all asset classes, sectors and geographies. Perry Corp.'s investment professionals reviews companies' published reports, general economic data and government publications and data compilations. Perry Corp. also obtains research information from third parties. Despite Perry Corp.'s research and analysis, investing in any securities involves a risk of loss that any clients and investors in its clients must be prepared to bear.

More specifically, Perry Corp. regularly sought and seeks advice from attorneys, accountants, consultants and other experts to assist in its analysis of arbitrage, bankruptcy/restructuring, private and special situations equity and real estate opportunities. When evaluating direct or indirect potential illiquid, private equity or real property investments, Perry Corp. engaged in site inspections and typically reviewed reports and other pertinent information.

Perry Corp. engaged in a wide variety of investment programs that varied from client to client. Below, Perry Corp. describes some of the most significant and prevalent strategies that Perry Corp. utilized in advising its clients and some important risks associated with those strategies. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Perry Corp. These risk factors include only those risks Perry Corp. believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis Perry Corp. employed.

The following risk factors may not be applicable to all of the clients. Investments in a client fund are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment. Below is a high level simplified summary of the risk factors and does not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Perry Corp.

The below-enumerated risk factors relate to investments currently held in Perry Corp.'s clients' portfolios, which they are in the process of winding down. While some of the risk factors and other disclosures relating to the underlying investment programs that created these positions are included, many of them have been omitted. For a complete explanation of all relevant investment strategies and their associated risks, investors in Perry Corp.'s client funds should also review the applicable offering documents, as amended from time to time, which may contain explanations of additional strategies and corresponding risks not discussed below. Copies of earlier brochures are also available on request.

- *Event-Driven Investing.* Event-driven investing involves buying or selling securities of companies that are going through substantial changes. The fact that certain of the companies in whose securities Perry Corp.'s clients are invested are in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions (for example, a merger or a tender offer), restructurings, bankruptcy or reorganization, means that their securities are likely to be particularly risky investments although they also may have the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within such companies.

Event-driven investing requires making predictions about (1) the likelihood that an event will occur and (2) the impact such event will have on the value of a company's securities. If the event fails to occur or its effect was not foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by

the market as anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors. In liquidations and other forms of corporate reorganizations, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than what Perry Corp. paid for it.

Because of the inherently speculative nature of event-driven investing, Perry Corp.'s clients' results may fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that Perry Corp. expects to obtain in future periods.

- *Illiquid Investments.* The clients that Perry Corp. advises have made, from time to time, very illiquid investments. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash. If any of Perry Corp.'s clients requires cash and Perry Corp. must sell illiquid investments at an inopportune time, Perry Corp. might not be able to sell illiquid investments at prices that reflect Perry Corp.'s assessment of their value or the amount paid for them. Selling illiquid investments often requires substantially more time and results in higher transaction costs than does selling more liquid securities that are traded on national securities exchanges or in over-the-counter markets. As a result, Perry Corp. may decide to satisfy investor redemptions requests in certain client funds through in-kind distributions rather than in cash if Perry Corp. determines it is not in the best interests of the client funds to satisfy redemptions entirely in cash. In-kind distributions may be comprised of, among other things, distributions of securities or other assets directly to a redeeming investor; participation interests or other derivative instruments tied to certain securities or other assets that would continue to be held by the client funds; interests in special purpose vehicles or trading vehicles holding securities or other assets both for the benefit of redeeming investors and the client funds; or participations or other derivatives instruments referring to such special purpose vehicles or trading vehicles.

A client may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the clients may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A client may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. In addition, in certain circumstances, governmental or regulatory approvals may be required for the clients to dispose of an investment. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly traded securities, nor is the trading of such non-publicly traded securities



regulated by any government agency. Accordingly, the protections accorded by such regulation will not be available in making such investments. When Perry Corp. deems it appropriate, such investments may constitute a material portion of a client's assets.

- *Opportunistic Investing.* Opportunistic investing entails utilizing capital where it is needed most, mostly in complex, deep value situations. For example, it might be opportunistic to invest in companies that are in distress, selling assets, leaving or entering new businesses or changing their capital structures. Opportunistic investing is highly speculative and results can fluctuate significantly over time.
- *Special Risks of "Active Investing" Strategies.* "Active Investing" strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or shareholders of the subject company, which may result in litigation; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in securities prices; (v) corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with any applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or a client and such regulatory agencies may independently investigate the participants in a transaction, including a client, as to compliance with securities or other law. Further, successful execution of active investing strategies may depend on the active cooperation of shareholders and others with an interest in the subject company.
- *Debt Securities, Including High Yield and Distressed Debt.* Perry Corp.'s clients hold U.S. and non-U.S. corporate and sovereign debt securities and instruments. It is likely that many of the debt instruments which the clients hold are unrated, and whether or not rated, the debt instruments have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are dependent on the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. An economic recession could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. In the future, there may be restrictions on the types of investments that may be made in debt securities or the ability to hedge such investments.

Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of Perry Corp.'s clients to perfect or effectuate a lien on the collateral securing the loan. Perry Corp.'s clients

may rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Perry Corp.'s clients hold bank loans and participation loans. Participation loans are large loans made by multiple lenders to a single borrower. Holding these loans involves unique risks such as: (1) the possible invalidation of an investment transaction as a fraudulent conveyance to defer, hinder or defraud creditors under creditors' rights laws; (2) lender-liability claims, which are claims under which borrowers allege that their lenders are not treating them fairly; (3) environmental liabilities that may arise with respect to collateral securing the loans; and (4) limitations on Perry Corp.'s clients' abilities to enforce their rights with respect to participation loans. Because of the private syndication of loans and the unique and customized nature of loan agreements and the confidential information about the borrower that they contain, loans are not as easily purchased or sold as publicly traded securities.

"Distressed debt" refers to bonds and other forms of securities issued by a company that is undergoing bankruptcy or reorganization or is likely to do so in the near future. Distressed bonds will have low ratings, as discussed above. The debt securities of distressed corporations are often overly discounted by the market, as risk adverse investors tend to sell securities due to an actual or potential bankruptcy filing. These situations can create attractive buying opportunities for investors specializing in valuing distressed securities. Perry Corp.'s clients hold these instruments with the anticipation that the company will emerge from its financial difficulties and become profitable again. In the interim, the debt allows the new shareholders or bondholders to actively participate in the process of reorganizing the company as it attempts to position itself for a return to profitability, but the subject company's projected improvement may never take place.

It is anticipated that certain debt instruments purchased by a client of Perry Corp. will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans and other debt instruments underlying certain of one or more of Perry Corp.'s clients investments will be affected by a variety of factors. Since such investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

It is possible that a client of Perry Corp. may find it necessary or desirable to foreclose on certain loans. The foreclosure process is often lengthy and expensive.

Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against the clients, including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action (sometimes for several years) and force the lender into a modification of the loan or a favorable buy-out of the borrower's position.

- *Equity Securities.* Perry Corp.'s portfolio managers bought undervalued equity securities, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, Perry Corp.'s clients may suffer losses if they hold equity instruments of issuers whose performance diverges from Perry Corp.'s expectations or if equity markets generally move in a single direction and Perry Corp. has not hedged against such a move.
- *Restricted Securities.* Perry Corp.'s client funds hold restricted securities. Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration. Restricted securities are generally considered illiquid. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses. Such securities may be less liquid than 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 by the client funds.
- *Preferred and Hybrid Securities.* Perry Corp.'s client funds hold preferred stock of certain issuers. Preferred stock, unlike common stock, offers a stated dividend rate payable from an issuer's earnings. These dividends may be cumulative or non-cumulative, participating or auction rate. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the prices of preferred stocks to decline. Preferred stock may have mandatory sinking fund provisions and call/redemption provisions prior to maturity, a negative feature when interest rates decline. Dividends on some preferred stock may be "cumulative," requiring all or a portion of prior unpaid dividends to be paid before dividends are paid on an issuer's common stock. Preferred stock also generally has a preference over common stock on the distribution of a corporation's assets upon liquidation of the corporation, and may be "participating," which means that it may be entitled to a dividend exceeding the stated dividend in certain cases. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a client fund owns a preferred security that is deferring its distributions, the client fund may be required to report income for tax purposes although it has not yet received such income. Preferred securities are generally subordinate to the rights associated with an issuer's debt securities in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments. Preferred securities may be substantially less liquid than many other securities. Preferred securities may also include provisions that permit the issuer, at its discretion, to call the instrument.

Should the issuer fail to exercise the call right, the underlying investor may be adversely affected.

- *Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, Asset-Backed Securities and Collateralized Debt Obligations.* Asset-backed securities are securities backed by assets including mortgages, other mortgage-related assets, financial products, credit card receivables, automobile, boat and recreational vehicle installment sales contracts, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, corporate debt securities and various types of accounts receivable commonly support asset-backed securities. All have debtor and asset specific risks, generally decreased liquidity and more idiosyncratic risks. Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, asset-backed securities do not have the benefit of the same security interest in the related collateral. The collateral supporting asset-backed securities is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. The value of an asset-backed security is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.
- *Risks Associated with Bankruptcy Cases.* There may be instances where the borrowers of the loans which a client of Perry Corp. holds seek protection under U.S. or non-U.S. bankruptcy law. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the client.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a debtor usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the debtor and the client; it is subject to unpredictable and lengthy delays; and during the process the debtor's competitive position may erode, key management may depart and the debtor may not be able to invest adequately. In some cases, the debtor may not be able to reorganize and may be required to liquidate assets. Although the client intends to hold loans, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal.

Perry Corp., on behalf of the applicable client, may elect to serve on creditors' committees or other groups to ensure preservation or enhancement of a client's position as a creditor. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If Perry Corp. concludes that its obligations owed to the other parties as a committee or

group member conflict with its duties owed to the client, it will resign from that committee or group, and the client may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if the client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

- *Real Estate Investments.* Real estate investments generally are subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including: (i) risks associated with both the domestic and international general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks and operating problems arising out of the absence of certain construction materials; (v) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in availability of debt financing; (viii) energy and supply shortages; (ix) changes in the tax, real estate, environmental and zoning laws and regulations; (x) various uninsured or uninsurable risks; (xi) natural disasters; and (xii) the ability of the client's or third-party borrowers to manage the real properties. With respect to investments in the form of real property owned by a client, the clients incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. With respect to investments in equity or debt securities, a client in large part is dependent on the ability of third parties to successfully operate the underlying real estate assets. In addition, a client may invest in mortgage loans that are structured so that all or a substantial portion of the principal is not be paid until maturity, which increases the risk of default at that time. A client's investment strategy, which may frequently involve the acquisition of distressed or underperforming assets in a leveraged capital structure, involves a high degree of legal and financial risk, and there can be no assurance that a client's rate of return objectives will be realized or that there will be any return of capital. There is no assurance that there will be ready market for resale of investments because investments in real estate generally are not liquid.
- *Investing in Non-U.S. Securities.* Holding securities of non-U.S. companies or governments poses currency exchange risks. Non-U.S. securities could also be subject to or affected by expropriation, confiscatory taxation, withholding taxes, taxes on gross sale or disposition proceeds, imposition of foreign taxes, political or social instability, illiquidity, price volatility and market manipulation. In addition, there may not be much information available regarding non-U.S. securities because non-U.S. companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. Also, it may be more difficult to take appropriate legal action in non-U.S. courts. Finally, non-U.S. markets have different clearance and settlement procedures which, can lead to substantial delays and settlement failures that could adversely affect Perry Corp.'s clients' performance.

- *Special Situation Investments.* Perry Corp.'s clients hold special situation investments. Because they are generally less liquid than other investments in a client's portfolio, special situation investments may lack a readily ascertainable market value and may be subject to legal or other restrictions on transfer. A client may not be able to sell special situation investments. The sale of special situation investments often requires substantially more time and results in higher transaction costs than does the sale of more liquid securities eligible for trading on national securities exchanges or in the over-the-counter markets.
- *Hedging Transactions.* Perry Corp.'s clients may engage in other hedging transactions. Employing hedging techniques reduces a portfolio's vulnerability to various risks. Hedging entails determining certain risks in one's portfolio and making trades to offset those risks.

Some of Perry Corp.'s clients are invested in instruments denominated in currencies other than the U.S. dollar. Each client, however, values its securities and other assets in U.S. dollars. The clients generally utilize forward contracts and other derivative investments and investment strategies to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be completely effective or that the client will choose to hedge all currency risk.

Perry Corp. attempts to hedge against many risks in a client's portfolio, rather than merely hedging against the risk of a single portfolio investment. A macro hedging strategy involves making hedges around the world based on economic theory. It contemplates hedging opportunities in numerous markets and various financial instruments. Although portfolios following a macro hedging strategy may experience high volatility at times, a macro strategy may also protect portfolio capital during difficult market conditions.

The success of a client's hedging strategy is subject to Perry Corp.'s portfolio managers' ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Perry Corp. will not always choose the right variable to hedge against. Perry Corp. may not always choose to hedge against, or might not anticipate, certain risks, and, Perry Corp.'s clients' portfolios will always be exposed to certain risks that cannot be hedged.

- *Borrowing/Leverage.* Perry Corp.'s clients borrow against their assets when Perry Corp. believes that the proceeds from doing so will exceed the interest paid on the borrowing. Interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount and the value of the securities purchased with the borrowed amount could decline below the amount borrowed.

For many of Perry Corp.'s clients, the amount of borrowings that any of Perry Corp.'s clients has outstanding at any time can be quite large in relation to its capital.

To increase their buying power, sometimes Perry Corp.'s clients engage in margin transactions. Trading on margin is a form of leverage. Specifically, when Perry Corp.'s clients trade on margin, they are borrowing from a broker to purchase more securities than they otherwise would be able to with their initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a client may lose more than its initial investment.

Perry Corp.'s clients could employ short-term margin borrowing, which would be especially risky. For example, should the collateralized securities decline in value, a client could be subject to a "margin call," under which it must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of a client's assets suddenly drops, the client might not be able to liquidate assets quickly enough to satisfy its margin requirements.

- *Derivatives.* Derivative instruments include instruments and contracts that are derived from and are valued in relation to one or more underlying assets, benchmarks or indices. A derivative allows an investor to hedge or speculate upon the price movements of a particular asset, financial benchmark or index that could be a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative is linked to the price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset may also be applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non- U.S. exchanges. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, the duration of the contract, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, a client's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

Some clients are parties to swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease such client's exposure to, for example, equity securities. Whether a client's use of swap agreements will be successful will depend on Perry Corp.'s ability to select appropriate transactions for such client. Derivative transactions may be highly illiquid and may increase or decrease the volatility of a client's portfolio. A client will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of a client to post or maintain required collateral. It is possible that developments in the derivative markets, including potential government regulation, could adversely affect such

client's ability to terminate existing derivative transactions or to realize amounts to be received under such transactions.

A credit default swap is a contract between two parties under which they both agree to isolate and separately trade the credit risk of at least one third-party entity. Essentially, the buyer of a credit swap receives credit protection, and the seller of the swap guarantees the credit worthiness of the product. For example, the buyer of a credit swap would be entitled to the par value of a bond by the seller of the swap, should the bond default in its coupon payments. Perry Corp.'s clients may use credit default swaps to hedge a portion of the default risk on a single corporate or government debt instrument or a portfolio of instruments. They also may use credit default swaps to implement a portfolio manager's theory that a particular credit or group of credits will experience credit improvement. In this case, the client would sell credit default protection under which it would receive a premium to take on the risk. Conversely, a client may purchase credit default protection even if it does not own the referenced instrument if, in its portfolio manager's judgment, there is a high likelihood of credit deterioration. The market for credit default swaps is unregulated, and the contracts often get traded so much that it is hard to know who stands at each end of a transaction. The leverage involved in many credit default swap transactions, and the possibility that a widespread downturn in the market could cause massive defaults and challenge the ability of risk-buyers to pay their obligations, both add to the uncertainty of an investment in these instruments.

- *Counterparty Risk.* The clients expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the clients to trade in a variety of markets and asset classes over time. An inability to establish or maintain such relationships could limit a client's trading activities create losses, preclude a client from engaging in certain transactions, or prevent a client from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the client's business.

*Counterparties that perceive a potential for an ongoing business relationship are often incentivized to provide certain intangible benefits. Accordingly, Perry Corp.'s clients may lose these intangible benefits when counterparties learn of the wind down process.*

A client may effect transactions in the “over-the-counter” or “OTC” derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, a client enters into a contract directly with dealer counterparties which may expose the client to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, a client may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the client had entered into



contracts with multiple counterparties. OTC derivative contracts generally require that the client post collateral. Perry Corp.'s evaluation of the creditworthiness of counterparties may not prove sufficient.

If there is a default by a counterparty, a client fund under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a client d being less than if such client had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of a client's securities from such counterparty or the payment of claims therefor may be significantly delayed and such client may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether a client may terminate its agreement with an insolvent counterparty.

Collateral that a client posts to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the client may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, a client may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on a client and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering a client's securities from or the payment of claims therefor by such counterparty and a loss to a client, which could be material.

- *Forwards:* A forward, or a forward contract, is a contract between two parties to buy or sell an asset at a specified future date at a price agreed upon at the time the contract is made. It is very similar to a futures contract, except forward contracts are negotiated privately and are not traded on an exchange, and thus, are not subject to limitations on daily price moves. On the other hand, this means that there is not a big secondary market for forwards, which means they may be difficult to sell should they become unfavorable for Perry Corp.'s clients.
- *Highly Volatile Markets.* The prices of a client's investments, including, without limitation, common equity and related equity derivative instruments, high yield securities, convertible bonds, and other derivatives, including futures and option prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which a client's assets may be invested are influenced by,

among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The clients are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

- *Cybersecurity Risk.* As part of its business, Perry Corp. processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the clients and personally identifiable information of the investors. Similarly, service providers of Perry Corp. and its clients, especially the administrator of a client, may process, store and transmit such information. Perry Corp. has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected and cloud services provided by third parties to Perry Corp. may be susceptible to compromise, leading to a breach of Perry Corp.'s network and significant interruptions in the operations of Perry Corp. and its clients.

The service providers of Perry Corp. and the clients are subject to the same electronic information security threats as Perry Corp. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the clients and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed.

Perry Corp.'s systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Perry Corp. to the investors may also be susceptible to compromise. Breach of Perry Corp.'s information systems may cause information relating to the transactions of clients and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Perry Corp.'s or the clients' proprietary information may cause Perry Corp. or the clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the clients and the investors' investments therein.

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Perry Corp. does not recommend primarily any single type of security. Perry Corp. encourages its clients and investors in its private fund clients to consider all of the risk factors Perry Corp. has explained, and those enumerated in the relevant private placement memoranda and/or other offering documents, as amended from time to time, as any investment can be risky and Perry Corp.'s clients and their investors must be prepared to assume any potential loss.

**Item 9**  
**Disciplinary Information**

Neither Perry Corp. nor any of its directors, officers or principals has been involved in any criminal or civil actions in a domestic, foreign or military court.

On July 21, 2009, Perry Corp. settled an administrative proceeding with the SEC, resolving an inquiry into certain of Perry Corp.'s clients' acquisition of Mylan Corporation shares in 2004. The SEC had begun its inquiry on December 22, 2005. While Perry Corp. neither admitted nor denied the findings, Perry Corp. agreed to a censure, the entry of a cease and desist order requiring future compliance with Section 13(d) and Rule 13d-1 under the Securities Exchange Act of 1934, and the payment of a \$150,000 penalty.

Securities and Exchange Commission Administrative Proceeding Release, File No. 3-13561, provides more information regarding the events that led to the SEC's inquiry and the terms of the settlement described in the paragraph above.

Neither Perry Corp. nor any of its directors, officers or principals has been involved in any self-regulatory organization proceedings.

## **Item 10**

### **Other Financial Industry Activities and Affiliates**

Neither Perry Corp. nor any of its directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Perry Corp. nor any of its directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

#### Affiliations With Pooled Investment Vehicles

Perry Corp. and its affiliates have sponsored a number of private funds that Perry Corp. manages. Typically, Perry Corp. or an affiliate of Perry Corp., serves as the general partner and/or investment manager of each client. The clients generally do not have independent management, and most do not have independent boards of directors. In addition, Perry Corp. has negotiated the investment management agreements or similar agreements for the client funds. While these may be interested party agreements, the material terms of the applicable investment management arrangements are fully disclosed to all investors in the client fund prior to their investment.

Certain clients have similar investment mandates. As a result, it may be necessary to allocate limited exit opportunities among them. Perry Corp. seeks to make these allocations in a fair and equitable manner; however, any allocation decision that Perry Corp. makes may result in a less favorable result than would have been the case if it did not manage accounts with similar or overlapping mandates. In addition, the process of liquidating the investments of one or more clients may negatively impact the market for the investments of another client. See "Conflicts of Interest Between Clients During the Wind down Process" in Item 11, below.

Perry Corp.'s investment professionals participate in managing the portfolios of more than one client. As a result, they may not be able to devote their exclusive attention to any single client. Perry Corp. will be operating with a smaller number of professionals as it liquidates its clients' portfolios than was previously the case.

The investment activities of one or more clients may result in the imposition of restrictions on the flexibility of other clients. For example, if Perry Corp. obtains material non-public information concerning a company on behalf of one client in connection with a privately negotiated transaction, other clients may be unable to trade in securities of the same company.

Perry Corp.'s practice of charging compensation based on performance achieved for investors in its client funds may give it an incentive to make investment decisions that entail greater risk than would have been the case in the absence of such a compensation arrangement.

Each of these potential conflicts of interest is disclosed in the offering documents, as amended from time to time, of each client.

See also Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Affiliations With Other Investment Advisers

*Perry Capital L.L.C.*

Perry Corp. has an agreement with Perry Capital L.L.C., under which Perry Capital L.L.C. provides Perry Corp. with all management, administrative, accounting, technical and research services required to operate its business. Perry Corp. and its current and former employees, own Perry Capital L.L.C. Perry Capital L.L.C. is a relying adviser. All employees in the New York office are employed by either Perry Corp. or Perry Capital L.L.C. Perry Capital L.L.C. has also granted Perry Corp. an exclusive license to use and do business under the name "Perry Capital." As compensation for all of these services, Perry Corp. pays Perry Capital L.L.C. a fee equal to the costs and expenses that it incurs in providing it with these services, including employee salaries, rent, utilities, insurance, repair services, taxes and other overhead expenses. However, the fees Perry Corp. pays Perry Capital L.L.C. during any fiscal year cannot exceed Perry Corp.'s income for that year. If Perry Corp. has already paid fees that exceed Perry Corp.'s income for the year, Perry Capital L.L.C. will refund the excess at the end of the year.

Please see Item 11 for a detailed explanation of relationships Perry Corp. may have with unaffiliated investment advisers.

Control persons or other related persons of Perry Corp. may serve from time to time as directors or officers of companies in which Perry Corp.'s clients invest. Compensation and other economic benefits awarded to such control persons or other related persons of Perry Corp., in its role as a director or officer, whether in the form of cash or securities, are generally credited or contributed directly or indirectly to client accounts.

## **Item 11**

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Perry Corp. has adopted a Code of Ethics in accordance with the SEC's requirements. Perry Corp.'s Code of Ethics is based on the principle that Perry Corp. and its employees have a fiduciary duty to Perry Corp.'s clients and the investors in Perry Corp.'s clients, and, in this fiduciary capacity, Perry Corp. must place the interests of its clients and their investors before its own interests. The Code of Ethics contains detailed rules concerning a firmwide standard of care, suitability of investments, treatment of confidential and proprietary information, conflicts of interest, rumors, supervision, personal securities transactions, gifts, directorships and other outside business activities, and employee screening and use of computers. Perry Corp.'s Code of Ethics contains comprehensive personal trading pre-clearance and guidelines; however, as the portfolios of Perry Corp.'s clients are liquidated, the conflicts of interest implicated by personal trading also decrease, which likely will permit more opportunity for personal investments than has historically been the case.

The paragraph above is only a summary of key provisions in Perry Corp.'s Code of Ethics. Perry Corp. will provide a copy of its entire Code of Ethics to any client or any investor in its clients that requests one. Copies of the Code of Ethics may be requested by contacting Perry Corp. at the address or telephone number listed on the first page of this document.

In addition, Perry Corp. has policies in place regarding political contributions and certain political activities of its employees.

#### Securities in which Perry Corp. or a Related Person Has a Material Financial Interest.

Perry Corp. does not generally purchase or sell any securities for its own account and does not otherwise engage in any principal transactions, except as set forth below. On occasion, subject to a client's applicable investment guidelines and restrictions, Perry Corp. may effect "cross" transactions, through unaffiliated broker-dealers or by "journal entry", between accounts in which one client will purchase an investment held by another client in which neither Perry Corp. nor a related person will receive compensation. Perry Corp. effects such cross transactions under limited circumstances including, for example, the following: (i) if a client's account is long or short following payment on an arbitrage transaction as a result of an account's hedge position requiring balancing; (ii) if a client's account is long or short after the expiration of options as a result of the options and the shares of the security not having been perfectly matched; (iii) if, as a result of a position being built or disposed of over a period of time, minor anomalies occur where one client is long a minor position in a security while another client is short a minor position of the same security; (iv) if, as a result of divergent liquidity or strategic objectives, one client desires to reduce its exposure to a particular investment and another client wishes to increase its exposure to that investment; (v) if additional funds flow into or out of one client, because of periodic subscriptions or redemptions or otherwise, and as a result, rebalancing among two or more clients is required to correct imbalances in the percentage ownership of investments common to the clients; or (vi) if a client is in the process of winding down or changing its investment strategy. In addition, Perry Corp. must determine that the transaction is on terms it

has determined by reference to independent market indicators or another independent valuation basis where possible or otherwise consistent with Perry Corp.'s valuation policy consistently applied to each client which is crossing positions and which Perry Corp. believes to constitute "best execution" for both parties. Any such transaction will be effected based on the then current independent market price (if relevant) and consistent with valuation procedures established by Perry Corp. Such cross transactions generally will be made without brokerage commissions being charged. When effecting cross transactions between clients, Perry Corp. will have potentially conflicting division of loyalties and responsibilities with respect to each participating client. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the client by Perry Corp. or its personnel, Perry Corp. will comply with all applicable requirements of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Under certain circumstances, Perry Corp. may recommend to clients, or buy or sell for client accounts, securities in which Perry Corp. or its employees or principals have a material financial interest. Perry Corp. has policies and procedures in place to mitigate against such potential conflicts, including, as mentioned above, comprehensive personal trading pre-clearance and guidelines, and the periodic review of employees' personal holdings. In addition, on an annual basis, employees certify that they have not made any recommendations or influenced any decision to buy or sell securities for Perry Corp.'s clients for the purpose of personally benefiting from a financial interest in a security or investment that they own.

#### Investing in Securities that Perry Corp. or a Related Person Recommends to Clients.

The Code of Ethics places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to Perry Corp. on a regular basis, and requires that employees pre-clear certain types of personal securities transactions. Perry Corp. and its principals and employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients.

This could create a conflict of interest if Perry Corp.'s principals and employees receive more favorable execution prices than do Perry Corp.'s clients because Perry Corp.'s principals' and employees' trades might have driven up the market prices of target securities. However, Perry Corp. has policies and procedures in place to mitigate against such potential conflicts. Perry Corp.'s policies and procedures are designed to prevent principals and employees from receiving materially more favorable prices on a particular day than those received by Perry Corp.'s investment advisory clients.

Perry Corp. and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that Perry Corp. and its personnel may have investments in some clients but not in others or may have different levels of investments in the various clients.



Significantly, Perry Corp.'s principals and employees have committed their own capital to many of its client funds. Thus, although some of its client funds may, at times, buy or sell securities in which Perry Corp. or its principals or employees have a material financial interest, the interest that such persons personally have in the client funds helps to eliminate potential conflicts that might exist.

#### Conflicts of Interest Between Clients During the Wind Down Process

Perry Corp. manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, have participated with each other in investments. Selling the investments held by certain clients has the potential to impact the price of assets held by other clients. It is Perry Corp.'s policy to liquidate investments held by all clients fairly.

Perry Corp. generally has no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because Perry Corp. purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

When more than one client participates in the liquidation of an investment opportunity, Perry Corp. may, but is not obligated to, aggregate the sale of the securities for the various client accounts to obtain best possible execution and reduce brokerage commissions. After aggregating a transaction, if the order is completely filled, each participating client pays the average share price for each share it is allocated and all participating clients pay transactions costs pro rata.

However, if Perry Corp. places multiple aggregate orders for the same security, and those orders are executed at different prices throughout the day, Perry Corp. may or may not average the prices of the separate orders. If an order on behalf of more than one account cannot be fully executed under current market conditions, Perry Corp. allocates the trade among the different accounts in proportion to the amount initially requested for each account, unless Perry Corp. needs to allocate the trade differently to avoid a client holding odd lots or de minimis numbers of shares or to keep a client from incurring excess transaction costs. In these instances, Perry Corp. increases or decreases the amount of securities that would otherwise be allocated to each client by reallocating the securities in a manner that Perry Corp. deems fair and equitable to clients over time.

Perry Corp.'s complete allocation policies and procedures are set forth in its compliance manual.

#### Perry Principals LLC

Perry Corp. has an arrangement with Perry Principals LLC ("Perry Principals"), an affiliated Delaware limited liability company. Perry Principals assists certain of Perry Corp.'s clients in effecting their distressed debt strategies by purchasing, for its own account, non-publicly traded debt obligations of certain companies and then issuing participating interests for all of the economics of such debt obligations with Perry Corp.'s clients. Perry Principals effects these transactions when Perry Corp.'s clients are restricted from owning such debt obligations directly, when they are restricted from incurring all of the obligations (e.g., funding of undrawn letters of

credit or revolving credit obligations) associated with owning such debt obligations, when any one client is unable to meet certain minimum investment thresholds, when it is easier to administer the investment or when it is otherwise impractical for any one client to own such obligations directly. These transactions will be entered into only when they are in compliance with the Advisers Act and any other applicable law. From time to time, Perry Principals may also act as agent on behalf of certain transactions between certain of Perry Corp.'s clients and investors in such clients.

#### Various Special Purpose Entities

For administrative convenience, or legal, tax, regulatory reasons or other reasons, Perry Corp.'s clients may hold investments indirectly through special purpose entities or intermediate holding companies (which may or may not have co-mingled assets), which are managed by Perry Corp. or its affiliates.

## **Item 12**

### **Brokerage Practices**

As noted previously, Perry Corp. has full discretionary authority to manage investments of its clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Perry Corp.'s authority is limited by its own internal policies and procedures and each client's investment guidelines.

Perry Corp. strives to obtain best overall execution of securities trades for its clients, which is a combination of trade price, commission rates, prompt and reliable execution and research that a broker-dealer provides. However, in light of the wind down of the flagship hedge funds, Perry Corp. may have fewer choices with respect to executing brokers or venues. In selecting broker-dealers, Perry Corp. considers the range and quality of a broker-dealer's services, including, but not limited to, the following factors:

- the price and spread of the security;
- the commission rate;
- the size, nature and difficulty of the order;
- the market impact of the trade;
- the reliability, integrity, stability, reputation, financial condition, general execution, settlement and operational capabilities of competing broker-dealers;
- whether a certain broker-dealer offers research products relating to a particular investment strategy and objective and the quality of such research;
- a broker-dealer's expertise in particular markets;
- a broker-dealer's ability to handle difficult trades and volatile markets;
- a broker-dealer's prior performance in serving Perry Corp.;
- the liquidity of the security;
- quality of sales trading coverage, including product knowledge, showing of flow, etc.;
- a broker-dealer's ability to maintain Perry Corp.'s anonymity;
- the availability of Alternative Trading Systems (ATS), such as Electronic Communications Networks (ECNs) or crossing or matching networks; and
- whether the broker has established trading agreements in place with all clients.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. Perry Corp. need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither Perry Corp. nor any of its clients separately compensate any broker or dealer for any of these other services.

If Perry Corp. decides, based on the above factors, to execute transactions through Alternative Trading Systems (ATS), such as Electronic Communications Networks (ECNs) or crossing or

matching networks, Perry Corp. will also consider the following factors when choosing to use one ATS over another:

- the nature of the order and manner in which Perry Corp.'s trading desk and portfolio managers have decided to execute the transaction;
- overall performance of the ATS (e.g. fill rates, historical execution prices); and
- the flexibility of the ATS compared to other ATS.

Although Perry Corp. does execute trades through ATS at times, Perry Corp. also considers whether executing qualifying trades through a broker-dealer instead will provide better execution overall, despite the higher commission costs.

Perry Corp. maintains policies and procedures to review the quality of executions.

Perry Corp. Utilizes Research and Other Soft Dollar Benefits. Because Perry Corp. strives for all-around best execution, it may pay higher prices for the purchase of securities or accept lower prices for the sale of securities to brokerage firms that provide Perry Corp. with investment and research information, so long as the prices are reasonable in relation to the research products and services Perry Corp. obtains from broker-dealers. These research products and services are often referred to as "soft dollar" benefits. The research services that broker-dealers provided in the past, including the last year, includes written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. The products and services that Perry Corp. obtained from broker-dealers in the past, including within the last fiscal year, include analytical tools, pricing services, on-line research, reports on particular industries and companies, market and economic surveys and analyses, recommendations as to specific securities, and discussions with research personnel. The soft dollar benefits Perry Corp. receives do not generally have a mixed use nor does Perry Corp. utilize them for functions unrelated to making investment decisions. Perry Corp. primarily uses these research services and products to assist it with its investment decision-making responsibilities and enhance Perry Corp.'s capability to discharge those responsibilities.

Perry Corp. can use these research services and products in connection with its advisory services for any of its accounts, not necessarily for only the account that "paid" for them. That is, Perry Corp. might utilize research services that a broker-dealer provides for one of its client funds in connection with its advisory services for other accounts and vice versa. Perry Corp. does not seek to allocate soft dollar benefits to clients in proportion to the commission and soft dollar credits the client accounts generate. However, Perry Corp. aims to allocate soft dollar benefits to each client account in a fair and equitable manner.

Perry Corp. Intends for Its Use of Soft Dollar Benefits to Fall Within the Safe Harbor. The SEC has created a safe harbor under Section 28(e) of the Securities Exchange Act of 1934 that protects financial advisors from liability for a possible breach of fiduciary duty to their clients for engaging in soft dollar arrangements for certain services at other than the lowest transaction costs if they make a good faith determination that the amount of the commission was reasonable in

relation to the value of the services received. Perry Corp. intends that its soft dollar arrangements will fall within this safe harbor.

The Use of Soft Dollars Can Create a Conflict of Interest. The use of client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. When Perry Corp. uses client markups, markdowns or pays commissions to obtain research products and services, Perry Corp. receives a benefit because Perry Corp. does not have to pay for the research products and services. The availability of these benefits may influence Perry Corp. in selecting one broker-dealer rather than another to perform services for its clients, based on its interest in receiving the products and services instead of on its clients' interest in receiving the best execution prices. Obtaining these benefits may cause its clients to pay higher fees than those charged by other broker-dealers. In addition, transactions executed under commission sharing agreements generate a higher commission rate than transactions executed with a single broker-dealer and result in payments to certain research providers at a date after the actual trade date.

Perry Corp. has a Brokerage and Counterparty Committee that is comprised of trading, financial operations and legal/compliance personnel. Perry Corp.'s Brokerage and Counterparty Committee meets periodically to evaluate issues relating to the counterparties it selects on behalf of clients. The Brokerage and Counterparty Committee discusses any significant best execution concerns that may arise.

Perry Corp. Uses Particular Procedures to Direct Transactions in Return for Soft Dollars. Perry Corp. directs its clients' transactions to particular broker-dealers after weighing the applicable factors and considerations described earlier in this Item.

Perry Corp. Also Receive Benefits from Paying in Hard Dollars. Occasionally, research providers offer Perry Corp. rebate or price discounts because of the quantity of research products Perry Corp. buys with hard dollars or the amount of commission trades Perry Corp. generates with the provider's affiliated broker-dealer.

Perry Corp.'s Clients Do Not Direct Brokerage. Perry Corp. does not recommend, request or require a client, nor does Perry Corp. permit a client to, direct Perry Corp. to execute transactions through a specified broker-dealer without its Chief Compliance Officer's prior approval.

Brokerage for Client Referrals. Neither Perry Corp. nor any related person receives client referrals from any broker-dealer or third party.

Trade Errors. On occasion, errors may occur with respect to trades executed on behalf of Perry Corp.'s clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, and when the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded). Trade errors frequently result in losses but may, occasionally, result in gains. Perry Corp. will endeavor to detect and correct trade errors in an expeditious manner. To the extent an error is caused by a third party, such as a broker, Perry Corp. will strive to recover any losses associated with such error from such third party. Perry Corp. will determine whether any trade error has resulted from gross negligence on its part, and, unless it finds that to be the

case, any losses generally will be borne by the applicable client. Gains resulting from trade errors may offset any losses resulting from trade errors that the client is obligated to pay within any calendar quarter.

### Results of Aggregating Trades

Although, because prices are averaged, each client may end up paying a higher price than if it had acted alone, clients can ultimately benefit when Perry Corp. aggregates trades because each client gets volume discounts on execution costs, and may otherwise be unable to execute an investment decision as effectively as it could have had it acted alone. On the other hand, situations may occur in which one client could be disadvantaged (1) because the average price received for an aggregate order may be worse than what a client would have received had it traded a smaller quantity of shares on its own or (2) because of the investment activities Perry Corp. conducts for other clients, especially when multiple clients need to dispose of commonly held securities or other common investment positions.

### **Item 13**

#### **Review of Accounts**

As is described above, on September 26, 2016, Perry Corp. announced that it had decided to wind down its flagship hedge funds, Perry Partners L.P. and Perry Partners International, Inc. During the wind down process, the assets of these client funds will be liquidated over time. No new investments will be solicited by these client funds. Perry Corp.'s investment professionals and financial operations department review client accounts on a periodic basis. Reviews generally consist of inventories of the remaining client portfolios, an assessment of the applicable markets' bids for the remaining portfolio positions, and determinations as to the advisability of disposing of positions into the then-current market.

Perry Corp.'s portfolio managers and trading desk evaluate its clients' investments based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and other considerations. Portfolio reviews currently are done on a daily basis, but as positions are liquidated and a smaller percentage of the remaining positions in the portfolio are exchange traded, Perry Corp. expects that reviews will be done less frequently (e.g., on a weekly or monthly schedule).

Perry Corp., including the Chief Executive Officer and senior investment professionals, conducts the reviews described above and is focused on identifying and executing on portfolio liquidation opportunities.

Each quarter, Perry Corp.'s Valuation Committee reviews the valuation of its clients' investments that are illiquid and lack a readily ascertainable market value. Perry Corp.'s Valuation Committee currently consists of Perry Corp.'s Chief Executive Officer, the Co-Chief Financial Officers, General Counsel and other individuals who may be relevant to analyzing the fair value of its illiquid investments.

Perry Corp. generally provides annual audited financial statements to its client funds within 120 days of the applicable client's fiscal year end. Investors in the client funds receive periodic account statements and written reports providing various financial data and fund information on a monthly or quarterly basis as applicable. Additionally, investors receive the client fund's audited financial statements within 120 days and if applicable, the information necessary for the investor to complete its annual federal income tax return. In addition to the information provided to all of its clients' investors as explained above, Perry Corp. may arrange to provide certain investors with additional information, including (i) position-level transparency, (ii) more frequent reports that other investors will not receive, or (iii) answers to due diligence questionnaires upon request of such investors. The information described in the previous sentence may provide such investor with greater insight into the client fund's activities. In light of the wind down, Perry Corp. may change the reports it provides to investors if appropriate in the future.

## **Item 14**

### **Client Referrals and Other Compensation**

Perry Corp. may, at times, receive an economic benefit from non-clients for providing advisory services to its clients. Perry Corp. has invested some of its clients' assets in certain unaffiliated investment partnerships that purchase marketable securities, real estate and/or other private-equity type investments. Its clients pay such partnerships asset-based fees and performance-based compensation. In these instances, Perry Corp. reimburses its clients for these fees by issuing them a corresponding credit.

There are times at which Perry Corp.'s principals or employees serve as directors or officers of companies in which its clients invest. Generally, the compensation they receive in their role as officer or director is contributed or credited to client accounts. During a principal's or employee's tenure as a director or an officer of a company, he or she may possess material non-public information regarding the company or may be subject to trading restrictions in accordance with internal policies of the company. In these instances, Perry Corp. may not be able to purchase or sell securities of the subject company, which may adversely affect all of its clients.



## **Item 15**

### **Custody**

Perry Corp. is deemed to have custody of client funds and securities because Perry Corp. has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to Perry Corp.

Perry Corp. complies with Rule 206(4)-2 of the Advisers Act ("Rule 206(4)-2") which mandates that client assets must be held by a qualified custodian, with the exception of certain privately offered securities and certain loans. In accordance with Rule 206(4)-2, Perry Corp. also (1) engages an outside auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, to audit its clients at the end of each fiscal year and (2) distributes the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in its clients within 120 days after the end of the fiscal year.

## **Item 16**

### **Investment Discretion**

Perry Corp. accepts discretionary authority to manage its clients' securities and investments. Essentially, this means that, on behalf of its clients, Perry Corp. has the authority to determine, without obtaining specific client consent, which securities and investments to buy or sell and the amount of securities and investments to buy or sell, the brokers through which Perry Corp. effects trades and the commission rates at which Perry Corp. effects trades. Despite this broad authority, Perry Corp. is committed to adhering to the investment strategy and program set forth in each of its clients' confidential private placement memorandum and/or investment management agreement. These documents cover matters such as the types and amounts of securities of which a client's portfolio will consist, including position limits, and the degree of risk assumed by a client's portfolio, including leverage limits.

Perry Corp.'s investment decisions and advice with respect to each client fund are subject to each client fund's investment objectives and guidelines, as set forth in its offering documents, as amended from time to time. Perry Corp. entered into an investment management agreement, or similar agreement, with each client fund pursuant to which Perry Corp. was granted discretionary trading authority.

## **Item 17**

### **Voting Client Securities**

#### Proxy Voting Policies and Procedures

In compliance with Advisers Act Rule 206(4)-6, Perry Corp. has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

Given (i) that the Perry Corp. client funds are in a process of wind down and (ii) the majority of the exchange-traded portfolio positions have been liquidated, Perry Corp. no longer utilizes a third-party proxy voting and research service and will vote any proxies directly. Because clients have, in most cases, delegated the power to vote their securities to Perry Corp., Perry Corp. has implemented proxy voting policies and procedures in accordance with securities laws and its fiduciary obligations to its clients.

Perry Corp. generally expects to vote proxies in accordance with the recommendations of company management. However, there are many complexities to proxy votes and Perry Corp. will vote against a proposal or recommendation of management if it determines that such a vote is in the best interests of the client. However, given the changes discussed above, Perry Corp. may change its practice at any time if it determines that an alternate proxy voting policy (including, without limitation, a decision not to vote proxies) would be in a client's best interest.

Perry Corp. also has procedures designed to minimize situations where its officers, directors and employees could be influenced by outside sources whose interests conflict with its clients' interests.

Upon request, any of Perry Corp.'s clients or any of the investors in Perry Corp.'s clients can obtain (1) a copy of Perry Corp.'s proxy voting policies and procedures and (2) information concerning proxy votes on its behalf.

**Item 18**  
**Financial Information**

Perry Corp. is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.