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Form ADV Part 2 — January 29, 2019

Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of Alvarez & Marsal Zohar Management, LLC. If you have any questions about the contents of this brochure, please contact us at 212-759-4433. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Alvarez & Marsal Zohar Management, LLC is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information about Alvarez & Marsal Zohar Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Clients will receive a summary of any additional material changes to this Form ADV Part 2 within 120 days of the close of our fiscal year. We may also provide clients with additional updates or other disclosure information at other times during the year in the event of any material changes to our business. There have been no material changes to the Form ADV Part 2 since last year's annual update other than certain updates to Item 4 regarding the status of the Zohar CDOs (as defined below), as well as a change in the name of the registered entity reflecting an internal reorganization.

You may request the most recent version of this brochure by contacting Keith Winters, Chief Compliance Officer, at 212-328-8594.

Item 3 – Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management	6
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9 – Disciplinary Information	9
Item 10 – Other Financial Industry Activities and Affiliations	9
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	9
Item 12 – Brokerage Practices	10
Item 13 – Review of Accounts	11
Item 14 – Client Referrals and Other Compensation.....	11
Item 15 – Custody.....	11
Item 16 – Investment Discretion.....	11
Item 17 – Voting Client Securities	12
Item 18 – Financial Information	12

Item 4 – Advisory Business

Alvarez & Marsal Zohar Management, LLC (the “**Registrant**” or “**A&M ZM**”) was founded in 2014. Its sole member is Alvarez & Marsal Asset Management Services, LLC (“**A&M AMS**”). A&M AMS’ members are Alvarez & Marsal Holdings, LLC (“**A&M Holdings**”) and Alvarez & Marsal, Inc. (“**A&M Inc.**”)¹. A&M Holdings’ subsidiaries (together, “**Alvarez & Marsal**”) encompass a global professional services firm founded in 1983 by, and indirectly controlled by, Tony Alvarez II and Bryan Marsal. The Registrant and its relying adviser(s)(collectively, “**us**,” or “**we**”) utilize the operational and restructuring expertise and experience of Alvarez & Marsal personnel to advise its clients with respect to the management and work out of their non-performing assets. In particular, the Registrant is engaged to provide investment advisory and other services to certain issuers of collateralized debt obligations (each, including their respective subsidiaries and co-issuers, as applicable, a “**CDO**”) and certain related clients, as described below. In addition, the Registrant’s affiliate and relying adviser Alvarez & Marsal CRF Management, LLC (“**A&M CRF**”) provides investment advisory and other services to the Crusader Fund Clients (as defined below). A&M CRF is also a wholly owned subsidiary of A&M AMS.

CDO Management

The current CDO clients are Zohar II 2005-1, Ltd., a Cayman Islands exempted company (“**Zohar II**”) and Zohar III, Ltd., a Cayman Islands exempted company (“**Zohar III**” and, together with Zohar II, the “**Zohar CDOs**”). In addition, A&M ZM also provides collateral agency services to a client that purchased the assets of Zohar CDO 2003-1, Ltd. (the “**Zohar I Purchaser**,” and together with the Zohar CDOs, the “**Zohar Clients**”). Following the sale of the Zohar I assets to the Zohar I Purchaser, A&M ZM entered into a Collateral Agency Agreement with Zohar I, the Zohar I Purchaser and certain other parties (the “**Collateral Agency Agreement**”) to provide collateral agency services to the Zohar I Purchaser. Under this Collateral Agency Agreement, A&M ZM provides substantially similar advisory services to the Zohar I Purchaser as it does to the Zohar CDOs as described in further detail below, except that the Zohar I Purchaser’s assets are no longer held through a CDO structure,² and the advice to the Zohar I Purchaser is being provided on a non-discretionary basis.

Pursuant to the related indenture (an “**Indenture**”) governing the Zohar Securities (as defined below) and related transaction documents (collectively together with such Indenture, the “**Zohar CDO Documents**”), each of the Zohar CDOs separately has appointed A&M ZM to replace and succeed the previous adviser to the related Zohar CDO (each, a “**Prior CDO Advisor**”).

On March 11, 2018, each of the Zohar Clients filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code (the “**Bankruptcy Cases**”). As a result of the effect of the Bankruptcy Cases, A&M Zohar’s role has been limited to monitoring the Bankruptcy Cases and certain activities of the Zohar Clients as well as providing information to the Zohar Clients’ management and advisors upon request.

A collateral management agreement or similar agency agreement (each, a “**CMA**”) with the related Zohar CDO, sets forth certain specified investment advisory services for A&M ZM to provide to such Zohar CDO regarding the loans, securities, instruments and other investments (the “**Investments**”) acquired or otherwise held by each Zohar CDO, which constitute collateral for the securities issued by such Zohar CDO (the “**Zohar Securities**”).

¹ A&M Inc.’s membership interest in A&M AMS is held solely for the purpose of receiving priority distributions of amounts contributed by A&M Inc. to the A&M AMS to cover certain expenses. Once A&M Inc. receives the full amount of its priority distributions, it will no longer be a member of A&M AMS and A&M Holdings will remain as the sole member of A&M AMS.

² While all beneficial right to the interest of the assets of Zohar CDO 2003-1, Ltd. (“**Zohar I**”) to be managed by A&M Zohar are held by the Zohar I Purchaser, transfer of all or substantially all of such assets has not yet been effected and therefore such assets remain in Zohar I for the benefit of the Zohar I Purchaser. Part of A&M Zohar’s responsibilities to the Zohar I Purchaser and to Zohar I under the Collateral Agency Agreement is to effectuate the transfer of such assets.

Though A&M's role is currently limited by function of the Bankruptcy Cases (as described above), under the related CMA with such Zohar CDO (or the Collateral Agency Agreement with the Zohar I Purchaser, as applicable), A&M ZM is generally required to:

- (i) determine, after consultation with the Zohar I Purchaser, Controlling Party³ or Controlling Class, as applicable pursuant to the applicable Zohar CDO Documents and in accordance with the criteria set forth in the related Indenture relating to the restructuring, exchange, holding and disposition of such Investments, the specific Investments to be restructured, exchanged, held or disposed of by such Zohar Client;
- (ii) effect restructurings, exchanges and dispositions of Investments on behalf of such Zohar Client from time to time as it shall determine, taking into consideration the payment obligations of and financing available to such Zohar Client under the related Zohar CDO Documents or Collateral Agency Agreement (as applicable) and the Principal Proceeds and other amounts held by such Zohar Client;
- (iii) make determinations with respect to the exercise or enforcement by such Zohar Client of any and all remedies in connection with the Investments, including participation in the committees (official or otherwise) or other groups formed by creditors of any obligor in respect of such Investments;
- (iv) negotiate on behalf of such Zohar Client with prospective purchasers of the Investments, with any Person in connection with the possible workout, amendment or restructuring of the Investments or any obligor (or any of its affiliates) thereon or exchange or other settlement of such Investments and/or with prospective sellers of such Investments as to the terms relating to the sale, exchange and/or disposition of such Investments, subject in each case to any restrictions contained in such Indenture and the other Zohar CDO Documents or the Collateral Agency Agreement; and
- (v) otherwise monitor and manage the Investments within the related parameters set forth in such Indenture and the other Zohar CDO Documents and the Collateral Agency Agreement.

Subject to the related CMA and other Zohar CDO Documents of the related Zohar CDO, we may be required to provide discretionary advice associated with the disposition of the related assets and management services taking into account the stated objectives, restrictions and policies of each Zohar CDO and the terms of the related Indenture and other Zohar CDO Documents. We have also, and may continue to, commence and respond to litigation for the purpose of furthering any of the foregoing responsibilities of A&M ZM or for other purposes consistent with the terms of our engagement. All litigation is currently stayed pursuant to a settlement agreement entered into by the Zohar Clients in connection with the Bankruptcy Cases. Litigation involves significant expense, and there is no assurance that litigation will be successful, or that any success in litigation will result in gains, or avoided losses, for a Zohar Client.

Currently, A&M ZM acts as collateral manager only to Zohar Clients (and successors thereto) that commenced operations prior to the appointment of A&M ZM and for which we were selected as successor manager. Each of these Zohar Clients is currently in the position of winding down its portfolio rather than making new investments. A&M ZM's strategy with respect to maximizing the value of the Investments has and will be developed based upon, and subject to, A&M ZM's evaluation of the information made available to it regarding such Investments.

As a result of its appointment as Collateral Manager, A&M ZM is required to obtain information regarding, and to evaluate, the current portfolio of the Investments of each Zohar Client and, in connection therewith, needs the cooperation and assistance of the Prior CDO Advisor, which the Prior CDO Advisor is required to provide to A&M ZM under the Prior CDO Advisor's advisory contract with such Zohar Client. To date, the Prior CDO Advisor has failed to provide the requisite cooperation or assistance, which has adversely affected the ability of A&M ZM to provide otherwise required services under the related CMA. A&M ZM's pursuit of information from the Prior CDO Advisor remains the subject of litigation (which litigation is currently stayed). Please see Item 8 for more information.

³ This and other capitalized terms used herein in this Item 4 without being defined having the same respective meanings as in the related Indenture, or the equivalent under the Collateral Agency Agreement or purchase agreement for the Zohar I Purchaser.

The Bankruptcy Cases and/or the existence and continuance of certain other conditions have materially limited and constrained the ability of A&M Zohar to provide otherwise required services under the related CMA.

The Crusader Fund Clients

The current Crusader Fund Clients are Highland Crusader Fund, L.P. (the “**Onshore Fund**”), Highland Crusader Fund, Ltd. (the “**Offshore Fund I**”) and Highland Crusader Fund II, Ltd. (the “**Offshore Fund II**”), which were organized for the purpose of investing substantially all of their assets in Highland Crusader Offshore Partners, L.P. (the “**Master Fund**” and, together with the Onshore Fund, the Offshore Fund I and the Offshore Fund II, the “**Crusader Funds**” or, the “**Crusader Fund Clients**”).

Pursuant to an investment management agreement by and among the Crusader Funds, House Hanover, LLC (the general partner of the Master Fund and the Onshore Fund and the owner of the outstanding management shares of the Offshore Fund I and the Offshore Fund II, “**House Hanover**”), A&M AMS, A&M CRF and the Redeemer Committee of the Crusader Funds (the “**Investment Management Agreement**”), each of the Crusader Funds has appointed A&M CRF to replace and succeed the previous adviser to such Crusader Fund (the “**Prior CRF Advisor**”).

Under the Investment Management Agreement, the rights and powers of A&M CRF include the authority to:

- (i) manage and administer the affairs of each of the Crusader Funds;
- (ii) except for with respect to certain investments for which House Hanover has retained discretion, execute, deliver and perform contracts, agreements and other undertakings on behalf of each of the Crusader Funds, without the prior consent or approval of the House Hanover or any investor, director, officer or other agent of any of the Crusader Funds; and
- (iii) liquidate the business and administrative affairs of each of the Crusader Funds.

In addition, under the Investment Management Agreement and subject to certain limitations set forth therein, A&M CRF has full discretion and authority, without obtaining the prior approval of any director, officer or other agent of any of the Crusader Funds, for all investment and investment management decisions to be undertaken on behalf of any of the Crusader Funds; provided, that A&M CRF may not affect any transactions which are materially inconsistent with (a) that certain Scheme of Arrangement approved on July 15, 2011 by the Supreme Court of Bermuda pursuant to Section 99 of the Companies Act 1981 (the “**Scheme**”) between the Offshore Fund II and redeemed investors in the Offshore Fund II, which provides for, among other things, the wind-down and distribution of the assets of the Crusader Funds to the redeemed investors in the Crusader Funds (the “**Redeemers**”) and (b) that certain Joint Plan of Distribution of the Crusader Funds that was approved by the consenting Redeemers in connection with the approval of the Scheme (the “**Plan**”);

The authority granted to A&M CRF specifically includes, but is not limited to, the authority to:

- (i) continuously supervise the orderly liquidation of the Crusader Funds’ investment portfolio, including, without limitation, the authority to determine from time to time what investments will be retained or sold, what contracts will be entered into by any of the Crusader Funds, which potential acquirers will be chosen and to engage consultants and analysts in connection therewith; to analyze and investigate potential dispositions and cause any of the Crusader Funds to sell any asset and enter into any related transaction, including exercising control over a company, exercising voting or approval rights and selecting brokers and dealers for execution of portfolio liquidation transactions; and to undertake to do anything incidental to the foregoing to facilitate the performance of such obligations;
- (ii) exercise all rights, powers, privileges and other incidents of ownership or possession with respect to the securities and other property and funds held or owned by the Crusader Funds, including without limitation the right to possess, lend, transfer, mortgage, pledge or otherwise deal in, and to secure the payment of obligations of the Crusader Funds by mortgage upon, or hypothecation or pledge of, all or part of the property of the Crusader Funds, and to vote securities, and to appoint directors, officer and managers of the portfolio

companies of the Crusader Funds, and to execute and deliver purchase and sale agreements, loan and credit agreements, derivative contracts, security and guarantee agreements, notices to limited partners and other agreements, documents and instruments which may be reasonably necessary or desirable with respect to the liquidation of the portfolio;

- (iii) select brokers, dealers, banks and other intermediaries by or through whom such transactions will be executed or carried out and to open, maintain and close accounts with brokers, which power includes the authority to issue all instructions and authorizations to brokers regarding securities and money therein and to cause the Crusader Funds to pay, or authorize the payment and reimbursement of, brokerage commissions;
- (iv) open, maintain and close bank accounts and authorize the drawing of checks or other orders for the payment of monies;
- (v) direct the administrator of the Crusader Funds, banks, brokers or other custodians to effect deliveries of funds or assets, but only in the course of effecting portfolio liquidation transactions for the account of the Crusader Funds;
- (vi) remove or replace the administrator of the Crusader Funds and/or the accountant of the Crusader Funds at any time;
- (vii) engage third party professionals or advisers (including outside legal counsel) to assist A&M CRF with discharging its responsibilities hereunder and perform all obligations pursuant to any agreements or arrangements with such third party professionals or advisers, and to terminate such third party professionals or advisers;
- (viii) participate in arrangements with creditors, initiate, defend, compromise or settle suits, administrative proceedings, claims, causes of action and similar matters;
- (ix) liquidate any and all of the assets of the Crusader Funds, and provide for distribution of any economic value in accordance with the terms of the Investment Management Agreement and the Scheme and Plan; and
- (x) exercise such other powers as may be vested in or assumed by A&M CRF pursuant to the Investment Management Agreement, or as may be necessary and proper to carry out the provisions thereof.

Potential Conflicts

Because our affiliates include a consulting firm that serve clients on a global basis in numerous cases, both in and out of court, it is possible that we and/or our affiliates may have rendered or will render services to, or have business associations with, third-parties that had or have or may have relationships with the Zohar Clients, the Crusader Fund Clients and/or other parties associated with the Zohar Clients (including but not limited to the trustee, the credit enhancement provider, the preference share paying agent, the holders of notes or other interests in the Zohar Client and/or the obligors under the Investments (collectively, the “**CDO Participating Parties**”)) or the Crusader Fund Clients (including but not limited to House Hanover, the Redeemers, the Redeemer Committee of the Crusader Funds and/or the obligors under the Crusader assets (collectively, the “**Crusader Participating Parties**,” and together with the **CDO Participating Parties**, the “**Participating Parties**”)).

If we determine that we have a conflict of interest as a result of such services, we will disclose such conflict to the related Zohar Client or Crusader Fund Client, as applicable, and obtain any consents that may be required.

Other Consulting Services

In addition to our CDO and Crusader Fund advisory services, we also provide due diligence and consulting services for a variety of third parties that own, or seek to acquire, pools of non-performing loans (the “**Consulting Services**”). These Consulting Services are tailored to the specific needs of our clients, and may include, among other things, assisting clients to value assets and to evaluate potential restructuring opportunities.

Assets Under Management

As of December 31, 2017, we had approximately \$160 million in assets under management to which it provides management services on a discretionary basis, and approximately \$2,549 million in assets under management to which it provides management services on a non-discretionary basis. This value is based on the values ascribed by the Prior CDO Advisor (in the case of the Zohar Clients). As of the date of this brochure, the Zohar Client portfolios predominantly contain illiquid assets and we have not yet had an opportunity to evaluate the accuracy or appropriateness of the valuations ascribed by the Prior CDO Advisor, and we express no view as to whether such valuations represent the fair market value of clients' assets. Nonetheless, because, as further described in Item 5 below, we do not charge fees based on asset values, we do not believe we face any conflicts of interest associated with temporary reliance on such valuations.

Item 5 – Fees and Compensation

CDO Management / The Zohar Clients

For services provided to each Zohar Client, and subject to the specific terms of each Indenture, to the extent applicable, we receive (1) a base management fee, calculated based on the applicable hourly rate of the applicable employees providing the required services, and (2) potentially, an incentive fee (the **"Incentive Fee"**) to be mutually agreed with the Zohar I Purchaser, Controlling Party (in the case of Zohar II), or the Controlling Class (in the case of Zohar III).

A&M ZM generally pays the expenses and costs that it incurs in connection with its services to the Zohar Clients. However, the Zohar Clients are required to reimburse us at the times and in the manner provided in, and subject to the terms of, their applicable governing documents and to the extent funds are available for such purposes, for (i) costs and expenses incurred in the performance of our obligations, (ii) reasonable fees and expenses (not otherwise paid directly with funds from the Zohar Clients as provided in their applicable governing documents) incurred by us to employ outside lawyers, accountants, consultants or other outside specialists or professionals, asset pricing and asset rating services, and accounting, programming and data entry services that are retained by or on behalf of the Zohar Clients, and (iii) brokerage commissions, transfer fees, registration costs, taxes and other similar costs and transaction related expenses and fees arising out of transactions effected for the accounts of the Zohar Clients. Such expenses and costs are payable, subject to applicable distribution priorities, as funds are available in accordance with the governing documents of the Zohar Clients.

The Crusader Fund Clients

For services provided to each Crusader Fund Client, A&M CRF will be entitled to receive fees from such Crusader Fund Client based on the hours its employees spend working on matters for such Crusader Fund Client. In addition, A&M CRF will be entitled to receive a fee based on cash distributed to the Crusader Fund investors as well as an incentive fee based on certain performance metrics set out in the Investment Management Agreement.

A&M CRF's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the Crusader Fund Clients. The Crusader Fund Clients will incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please refer to Item 12 for further information regarding our brokerage practices.

Litigation Expenses

With respect to the Zohar Clients and the Crusader Fund Clients, we have, and expect to continue to, engage in and respond to litigation on behalf of our clients. The costs of litigation can be substantial and will generally be borne by clients (subject to any limitations specified in organizational documents or their agreement with us).

Consulting Services

Our compensation arrangements for Consulting Services are generally on a time and materials basis or for a fixed fee negotiated with the client.

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

As noted in Item 5 above, we may receive performance-based fees from the Zohar Clients and the Crusader Fund Clients. Generally we do not believe we face conflicts related to the side-by-side management of accounts, including, our discretionary management of the Zohar CDOs and our non-discretionary management of the Zohar I Purchaser's account, which invest in substantially similar assets. In the event that such a conflict did arise, we would address such issues on a case-by-case basis, consistent with our fiduciary responsibilities.

Item 7 – Types of Clients

As noted in Item 4 above, we provide advisory services to the Zohar Clients and the Crusader Fund Clients. We also provide Consulting Services to owners and/or prospective purchasers of other non-performing assets, which may include banks, insurance companies, and other institutional investors.

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

Limited Information; Transition Collateral Manager; Investment Strategies

Our ability to achieve the investment strategies of each Zohar Client and Crusader Fund Client may be limited, constrained or otherwise adversely affected by the conditions affecting such Zohar Client or Crusader Fund Client, including the lack or absence of required cooperation or other assistance by a Prior CDO Advisor or the Prior CRF Advisor, respectively.

A&M ZM has not obtained all the information required to enable it to perform the required services under the related CMA and Investment Management Agreement, as applicable. It will only be possible for A&M ZM to determine the appropriate strategy for the related Zohar Client, taking into account the stated investment objectives, restrictions and policies of each Zohar Client and the terms of the related Indenture (if applicable) and other Zohar CDO Documents, after such information has been obtained and evaluated. However, such strategy may include one or more of the following: disposition or refinancing of the related Investment, sale of the related obligor or the assets thereof, bankruptcy proceedings for such obligor or a consensual restructuring or other workout of such obligor. With respect to the Crusader Fund Clients, A&M CRF endeavors to manage the process of liquidation in an orderly manner while focusing on (i) maximizing net proceeds to Crusader Fund investors and (ii) minimizing the time required to distribute any net proceeds to Crusader Fund investors.

Material, Significant or Unusual Risks Relating to Investment Strategies

The investment strategies that we pursue are speculative and entail substantial risks. Investors in securities issued by the Zohar CDOs, the Zohar I Purchaser, and the Crusader Fund Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of a Zohar Client or Crusader Fund Client will be achieved.

Illiquid Investments. The investments of both the Zohar Clients and Crusader Fund Clients are generally illiquid and, therefore may have no, or only a limited, trading market. Investments of obligors rated below investment grade (or that are not rated) will have greater credit and liquidity risk than investment-grade obligations. The lower ratings of obligors in the non-investment grade market reflect a greater possibility that adverse changes in the financial condition of the obligor on such obligations, in specific industries or in general economic conditions or a combination thereof, may impair the ability of such obligor to make payments of principal and interest. Investments in illiquid investments may restrict our ability to dispose of such investments on behalf of the Zohar Clients and/or the Crusader Fund Clients in a timely fashion and for a fair price. Illiquid investments often trade at a discount from more liquid investments. In addition, in the case of loans, because of the unique and customized nature of a loan agreement and (in some cases)

the relatively small size of loans that may be held by a Zohar Client and/or Crusader Fund Client, such a loan may not be sold as easily as publicly traded securities. Historically, the trading volume in the bank loan market has been small relative to the bond market, and the market for middle market corporate loans is only a small portion of the overall bank loan market. Loans originated or purchased by the Zohar Clients and/or Crusader Fund Clients may be difficult to trade and encounter trading delays due to their unique and customized nature, and transfers may be prohibited without the consent of an agent bank or borrower. In addition, privately placed investments for a Zohar Client or Crusader Fund Client may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed investments are transferable, the prices realized from their sale could be less than those originally paid by the applicable Zohar Client or Crusader Fund Client or less than what may be considered the fair value of such assets.

A non-investment grade loan or debt obligation or an interest therein is generally considered speculative in nature and may become non-performing for a variety of reasons. Such non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery. The Zohar Clients and Crusader Fund Clients are also likely to incur additional expenses to the extent we are required to seek recovery upon a default on a loan or participate in the restructuring of such obligation. The liquidity for defaulted loans may be limited, and to the extent that defaulted loans are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any defaulted loan will be at least equal to the minimum recovery rate assumed by a rating agency in rating the Zohar Client's or Crusader Fund Client's securities. In connection with any such defaults, workouts or restructuring, although we exercise voting rights with respect to an individual loan, we may not be able to exercise a sufficient percentage of votes with respect to such loan to determine the outcome of such vote.

The market value of the investments of both the Zohar Clients and the Crusader Fund Clients may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, the financial condition of the obligors on or issuers of such investments, general economic conditions, the condition of certain financial markets, domestic and international economic or political events, developments or trends in any particular industry, prevailing credit spreads and changes in prevailing interest rates. A decrease in the market value of such investments would adversely affect the sale or refinancing proceeds that could be obtained upon the sale or refinancing of such investments.

A lack of liquidity for the obligors and portfolio companies that issue the investments of both the Zohar Clients and the Crusader Fund Clients may also adversely affect the market value of such investments because of the likely adverse effect on the ability of these companies to fund their ongoing operations, capital expenditures and meet and otherwise satisfy the debt and other obligations of such companies. If these obligors and portfolio companies are not able to identify and secure additional and ongoing financing sources to fund operations, it is possible that, regardless of their potential for growth and future value, they will not generate sufficient cash from operations in time to meet their anticipated short term or near term cash needs. With respect to the Zohar Clients, the ability of these obligors to finance their ongoing current operations without investments from the Zohar Clients or alternative funding may be very limited. The inability to secure sufficient financing, combined with a failure to generate sufficient cash from operations, could lead to the financial and operational failure of many of these companies before they can reach their growth potential.

Due to the illiquid nature of the investments of both the Zohar Clients and the Crusader Fund Clients, we are not able to predict with certainty the timing of or the value of the exit strategy for any given investment, or that one will definitely be available or, with respect to Zohar III, that the timing of that exit strategy will match the expected maturity date of the notes issued by Zohar III to the investors of Zohar III. Exit strategies that appear to be viable when an investment is initiated may be precluded or delayed by the time such investment is ready to be realized due to economic, legal, political or other factors, all of which may affect the value of such investment. Because of the nature of the obligors and portfolio companies that issue such investments, it may take several months or even years before the exit strategy envisioned at the time of the investment may be realized, if the exit strategy is realized at all.

In the event that we foreclose on collateral securing an Investment on behalf of a Zohar Client, the Zohar Client will be subject to the costs associated with the ownership and maintenance of such collateral to preserve its value pending sale in accordance with the governing documents of such Zohar Client.

Workouts and Restructurings. The investments of both the Zohar Clients and the Crusader Fund Clients include a material amount of stressed and distressed investments that may be the subject of extensive amendment, workout, restructuring and other negotiations and, as a consequence thereof, the Zohar Clients have received and are likely to continue to receive, and the Crusader Fund Clients may receive, in certain cases (as a result of amendments, modifications, exchanges and/or supplements to such collateral, equity kickers and the relevant underlying instruments) interests in loans, debt or equity securities, letters of credit or leases that do not satisfy the requirements of the applicable governing documents of the Zohar Clients and /or Crusader Fund Clients for investments that meet the related eligibility criteria.

Distressed Investments. The Zohar Clients and the Crusader Fund Clients may hold investments in companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments involve a substantial degree of risk. Any one or all of such investments may be unsuccessful or may not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. In any reorganization or liquidation proceeding relating to a company in which a Zohar Client or Crusader Fund Client has invested, the Zohar Client or Crusader Fund Client, as applicable, may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time.

Distressed investments and other asset based investments require active monitoring and may, at times, require participation by us in business strategy or reorganization proceedings. In some cases, to the extent that we become involved in such proceedings, our more active participation in the affairs of the issuer's reorganization proceedings could result in the imposition of restrictions limiting our ability to liquidate the Zohar Client's or Crusader Fund Client's, as applicable, position in the issuer.

Participation on Creditor Committees; Management of Portfolio Companies. On behalf of a Zohar Client, we may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy. We may also appoint directors, officers and managers of, and otherwise exercise control with respect to, the portfolio companies of the Zohar Clients or the Crusader Fund Clients. In addition, on behalf of a Zohar Client or Crusader Fund Client, we may seek to negotiate directly with debtors with respect to restructuring issues. If we do join a creditor committee or appoint a representative to the management team of any portfolio company, the other participants of the committee or management team, as applicable, may be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Zohar Client or Crusader Fund Client in such proceedings. By participating on such committees or appointing representatives to the management team of such portfolio companies, the Zohar Clients and/or Crusader Fund Clients may be deemed to have duties to other creditors represented by the committees or other members of a portfolio company's management team, as applicable, which might thereby expose such Zohar Client and/or Crusader Fund Client to liability to such other parties who disagree with our actions on behalf of such Zohar Client and/or Crusader Fund Client.

We may also be provided with material non-public information that may restrict our ability to trade in a company's securities on behalf of a Zohar Client and/or Crusader Fund Client. While we intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, we may trade in a company's securities on behalf of a Zohar Client and/or Crusader Fund Client while engaged in such company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the Zohar Clients and/or Crusader Fund Clients to incur significant legal fees and potential losses.

Valuation of Portfolio Securities. From time to time, special situations affecting the valuation of the Zohar Clients' and Crusader Fund Clients' investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Zohar Clients and Crusader Fund Clients) could have an impact on the net asset value of such Zohar Clients or Crusader Fund Clients, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or

transaction is completed. The Zohar Clients and Crusader Fund Clients are not required to make retroactive adjustments to prior subscription or withdrawal transactions, management fees or performance allocations based on subsequent valuation data. In addition, the Zohar Clients and Crusader Fund Clients may, but are not required to, discount the value of their positions due to limited liquidity, concentration levels or for other reasons. Due to the nature of their investments, the Zohar Clients and Crusader Fund Clients may not be able to place a precise value on positions and therefore may need to estimate values.

Litigation and IRS Audits. On behalf of the Zohar Clients, prior to the Bankruptcy Cases we were engaged, and expect to continue to engage, in litigation with various parties for a variety of purposes, including, but not limited to, ensuring access to records and other information, gaining control of the Zohar Clients' assets, and maximizing value for the Zohar Clients and their investors. Dependent on the outcome of the Bankruptcy Cases, this litigation may continue. In addition, on behalf of the Crusader Fund Clients, we are participating in ongoing audits with the U.S. Internal Revenue Service. We are working to resolve these matters, and considering future actions we may take to resolve the matters satisfactorily, which could involve, among other things, initiating and participating in litigation. In each case, there can be no assurance that such litigation will be successful, or that litigation will result in material gains, or losses avoided, for clients and their investors. In addition, A&M CRF is involved in litigation relating to the Crusader Fund Clients, including litigation commenced by the Prior CRF Advisor regarding the performance of A&M CRF's services on behalf of the Crusader Fund Clients. Litigation, and participation in ongoing audits, involve substantial costs, which will generally be borne by clients. In addition, we note that A&M ZM and A&M CRF may receive certain information from time to time from adversaries in litigation that is provided on a confidential basis and which may not be shared with the Zohar Clients or the Crusader Fund Clients or used for purposes other than to support the related litigation.

Item 9 – Disciplinary Information

Form ADV Part 2 requires investment advisers such as us to disclose legal or disciplinary events involving the firm or our managers, officers, or principals that are material to your evaluation of our advisory business or the integrity of our management. We have no information to report that is applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

Affiliated Broker-Dealer. Our affiliate, Alvarez & Marsal Securities, LLC, is registered with the SEC as a broker-dealer and is a member of FINRA. We do not execute any trades on behalf of our Zohar Clients or Crusader Fund Clients with our affiliated broker. Although we do share certain officers with our affiliate, including our Chief Compliance Officer, we do not believe that this results in any material conflicts of interest with clients.

It is expected that, in the performance of the services contemplated by the CMA for the related Zohar Client (or Collateral Agency Agreement, in the case of the Zohar I Purchaser) and as contemplated by the Investment Management Agreement for the Crusader Fund Clients, we will utilize employees of its affiliates under intercompany service arrangements, as we determine to be necessary or otherwise appropriate for such services. Fees in relation to time spent by employees of affiliates acting on our behalf will be included in the scope of fees we assess to Zohar Clients and the Crusader Fund Clients. The use of our affiliates involves potential conflicts of interest in that the hourly rates charged for employees of affiliates may be more than those charged by unaffiliated third parties. We believe that the services provided by employees of affiliates are comparable in quality to those that would be provided by third-party service providers providing similar services. The use of such employees of affiliates was expressly contemplated and agreed to in connection with our hiring by the Zohar Clients and the Crusader Fund Clients. We believe the hourly rates for employees of affiliates are commercially reasonable, but cannot confirm, and we do not make any assurances that such fees are at or below market rates, or will remain so over the long term.

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

Code of Ethics and Personal Trading. We strive to adhere to certain standards of conduct based on principles of professionalism, integrity, honesty and trust, and we have adopted a Code of Ethics (the “Code”) to help us meet these standards. The Code incorporates the following principles, among others:

- Dealing fairly and acting in the best interests of clients;

- Taking steps to help ensure that personal securities transactions are conducted consistent with the Code and in such a manner to so as to avoid actual or potential conflicts of interest or any abuse of employees' position of trust and responsibility; and
- Complying with federal securities laws.

The Code places restrictions on personal trades by certain of our personnel. Among other things, these personnel are required to pre-clear all personal securities transactions involving initial public offerings and limited offerings. Investors and prospective investors may receive a copy of the Code upon request by contacting us at the address or telephone number listed on the first page of this document.

Gifts and Entertainment. In order to provide the quality of services that our clients expect, it is necessary for us to establish, maintain and enhance relationships with various professionals and service providers in the investment industry and the industries of the various companies held by our clients, such as attorneys, consultants, investment brokers, investment bankers, and other service providers and professionals (collectively, "**Relationship Parties**"). Establishing meaningful and long-term relationships in these and other areas can be important factors in our ability to efficiently finance, manage, restructure, and ultimately dispose of client assets. We and many Relationship Parties value important and long-standing relationships, and as such, we and our employees may invite, or be invited by, Relationship Parties to participate in activities that could be considered lavish entertainment, such as sporting events, concerts, golf and other outdoor outings and other recreational activities (collectively, "**Events**").

The primary benefits that we and our clients receive from our sponsorship and participation in these Events is to establish and further strengthen our relationships within Relationship Parties. While we believe employee sponsorship and participation in these Events is beneficial to our clients for the reasons described above, our subsequent selection and retention of such Relationship Parties as service providers could be viewed as a form of reimbursement for attending such Events. We recognize and acknowledge our fiduciary duty to our clients, and as such, we have implemented controls to help ensure that no such Events or activities that we sponsor or participate in are permitted to influence our due diligence process in the financing, managing, restructuring, and disposing of investments or fulfilling our fiduciary duty to our clients. To address this potential conflict, our policies and procedures require our Chief Compliance Officer or his designee ("**CCO**") to oversee and evaluate sponsorship and participation in Events that exceed certain predetermined threshold amounts. Accordingly, the CCO may determine to prohibit the sponsorship or participation in any particular Event, or the giving or receipt of any gift, if he believes the Event or gift raises concerns related to the frequency, lavishness or benefit of the Event or the gift.

Item 12 – Brokerage Practices

Because of their investment strategies, at this time, the Zohar Clients only occasionally enter into trades of a kind generally executed through a broker-dealer subject to restrictions and alternative opportunities presented by the Bankruptcy Cases. When they do, these trades would often consist of non-par trades in loans and claims, for which the traditional best execution concepts are more difficult to apply and often require a case-by-case analysis. More often, it is expected that when our Zohar Clients dispose of holdings they do so through (1) asset sales, to attempt to realize value through sale of a portfolio company's assets to a third party buyer, or (2) sale to an acquiring company, either through a brokered auction or a privately negotiated sale. In either case, to the extent of A&M ZM's involvement, we may utilize the services of investment banks, M&A brokers, and other market participants to manage or assist in the sale or auction process. Traditional best execution concepts are similarly difficult to apply to these kinds of arrangements. Nonetheless, we do, as a general matter, strive to select the service providers that can provide the best services bearing in mind the overall cost to the Zohar Clients. Among other things, when we select a service provider, we consider its expertise in the relevant market or sub-specialty, its ability to handle complex transactions, its access to interested buyers, and our level of satisfaction on prior engagements.

In accordance with the Investment Management Agreement, A&M CRF may utilize broker-dealers to effect transactions for the account of the Crusader Fund Clients. A&M CRF has full discretion to recommend and select broker-dealers for transactions concerning the Crusader Fund Clients, and to determine the reasonableness of the compensation paid to such broker dealers. In the course of selecting brokers, dealers, banks and financial intermediaries to effect transactions for the account of the Crusader Fund Clients, A&M CRF will seek to obtain the best execution for the Crusader Fund Clients and may allocate such transactions to such brokers and dealers for

execution on applicable markets. A&M CRF may agree to such commission rates and/or spreads, fees and other charges on behalf of the account of the Crusader Fund Clients as it shall deem reasonable in the circumstances, taking into consideration all such factors as A&M CRF deems relevant, including (but not limited to) the following: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research and other services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying A&M CRF's other selection criteria. Notwithstanding the foregoing, please see Item 4 *The Crusader Fund Clients* for A&M CRF's limitations with respect to certain assets.

We may also engage real estate brokers and other financial intermediaries in connection with the disposition of assets held on behalf of its clients. In such circumstances, we select the brokerage company and/or intermediary that it believes will best represent the interests of its clients. Factors such as years of experience, familiarity with the market, success in like-transactions, connections with potential purchasers, excellent reputation in the marketplace and other considerations are considered in the selection of a real estate broker or other financial intermediary.

Item 13 – Review of Accounts

As a result of the Bankruptcy Cases (described in Item 4) and limited information available, A&M ZM is not currently performing periodic reviews of the Zohar Clients' investment portfolios. Pursuant to the Investment Management Agreement, A&M CRF may provide monthly reports to House Hanover and the Redeemer Committee of the Crusader Funds regarding the Crusader Fund Clients' performance and management and any material action that is proposed to be taken by A&M CRF prior to such action.

Item 14 – Client Referrals and Other Compensation

As described in Item 4 above, our affiliates may provide consulting services to Participating Parties. As discussed in Item 12, we may allocate portfolio transactions to brokers or dealers who provide research and/or related services.

Neither A&M ZM nor A&M CRF accepts compensation for client referrals in connection with its respective management of the Zohar Clients and/or Crusader Fund Clients.

Item 15 – Custody

We do not act as custodian for the Zohar Clients or the Crusader Fund Clients, nor is it deemed to have imputed custody over any Zohar Client's assets. However, under Rule 206(4)-2 under the Investment Advisers Act of 1940, A&M CRF is deemed to have imputed custody of certain assets of the Crusader Fund Clients along with House Hanover. Arrangements with qualified custodians will be made, on behalf of the Crusader Fund Clients, to safe keep such clients' assets, as disclosed in the relevant offering and other fund documents. In addition, audited financial statements will be distributed to the investors in the Crusader Funds on an annual basis, within 120 days of the Crusader Fund Clients' Fiscal Year-end.

Loans held in our client accounts may be agented by NexBank, SSB. As Agent Bank, NexBank, SSB will receive cash or send cash to such clients for interest or principal payments or borrowings. Our client accounts may also have bank accounts or account control agreements in place at NexBank, SSB. In such instances, NexBank receives an independent control examination pursuant to Rule 206(4)-2.

Item 16 – Investment Discretion

Subject to limitations as a result of the Bankruptcy Cases, A&M ZM receives and exercises discretionary authority to manage investments on behalf of the Zohar CDOs, subject to applicable investment restrictions in the Indenture and other transactional documents of each Zohar CDO. Subject to certain limitations set out in the Investment Management Agreement, A&M CRF has full discretion and authority for all investment and investment management decisions to be undertaken on behalf of any of the Crusader Fund Clients.

Item 17 – Voting Client Securities

Our general policy is to vote proxy proposals, amendments, consents or resolutions relating to the securities of a Zohar Client or Crusader Fund Client (collectively, “**Proposals**”) in a manner that serves such Zohar Client’s or Crusader Fund Client’s best interests and is in line with such Zohar Client’s or Crusader Fund Client’s investment objectives, each as determined by us in our discretion. Pursuant to the Investment Management Agreement, in the event A&M CRF or any of its Affiliates has an adverse or potentially adverse interest to that of any of the Crusader Fund Clients or House Hanover with respect to any Proposals, A&M CRF will so inform House Hanover as soon as reasonably practicable.

For certain, although not all, Proposals introduced with respect to private companies, we expect based on information from the Prior CDO Advisor, that the interests owned by all Zohar Clients may constitute a majority of the voting interests of all classes entitled to vote on such Proposal. For such Proposals, as well as Proposals with respect to which the Crusader Fund Clients’ interests constitute a majority of the voting interests of all classes entitled to vote on such Proposal, we, on behalf of the Zohar Clients and/or the Crusader Fund Clients, may present our own Proposals as part of our overall strategy to advance the investment objectives of the Zohar Clients and/or Crusader Fund Clients, as applicable, and, unless we determine that certain Zohar Clients and/or Crusader Fund Clients have different investment objectives, we will generally vote all interests of the Zohar Clients and/or Crusader Fund Clients jointly in support of such Proposals.

Where we do not control the outcome of a vote, any voting decisions with respect to Proposals will be made on a case-by-case basis, based on what we believe to be in the best interests of the investing Zohar Clients or Crusader Fund Clients and by placing the interests of such Zohar Clients or Crusader Fund Clients first. However, in the case of Proposals with respect to broadly syndicated loans, or for matters that we determine not to have any effect on Zohar Clients or Crusader Fund Clients, (a) if a fee is offered to a Zohar Client or Crusader Fund Client in exchange for voting for such Proposal, we will vote on behalf of such Zohar Client or Crusader Fund Client so as to obtain the maximum fee for such Zohar Client or Crusader Fund Client and (b) if a fee is not offered to a Zohar Client or Crusader Fund Client we will not vote on behalf of such Zohar Client or Crusader Fund Client.

In limited circumstances, we may refrain from voting Proposals if we believe that voting would be inappropriate, taking into consideration the cost of voting for the Proposal and the anticipated benefit to the relevant Zohar Client or Crusader Fund Client. Generally, Zohar Clients and Crusader Fund Clients may not direct how we vote with respect to a particular Proposal.

Clients may receive a copy of our proxy policies upon request by contacting us at the address or telephone number listed on the first page of this document.

Item 18 – Financial Information

Form ADV Part 2 requires investment advisers such as us to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. We have no information to report that is applicable to this item.