



Item 1 – Cover Page

ZAIS GROUP, LLC

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MARCH 31, 2011

This Brochure provides information about the qualifications and business practices of ZAIS Group, LLC (“ZAIS Group” or “ZAIS”). If you have any questions about the contents of this Brochure, please contact us at (732) 978-7551 and/or Michael.Walsh@zaisgroup.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

ZAIS Group is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about ZAIS Group is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Michael Walsh, Chief Compliance Officer at 732-978-7551 or Michael.Walsh@zaisgroup.com. Our Brochure is also available on our web site www.zaisgroup.com, also free of charge.

Additional information about ZAIS Group is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with ZAIS Group who are registered, or are required to be registered, as investment adviser representatives of ZAIS Group.

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Item 4 – Advisory Business

ZAIS Group, LLC, a Delaware limited liability company (“ZAIS Group” or “ZAIS”), was founded in July 1997. As a global credit asset management firm, ZAIS Group provides investment advisory services to pooled investment vehicles and private accounts. Principal owners of ZAIS Group are River Rain, LLC and Rumson Services, LLC. Christian Zugel, founder and Chief Executive Officer of ZAIS Group controls River Rain, LLC. Rumson Services, LLC is comprised of certain founding investors of ZAIS Group.

ZAIS Group specializes in mortgage and corporate credit products. ZAIS’s mortgage investment platform brings together a team of experienced mortgage investors with analytical and risk management systems focused on the residential and commercial mortgage sectors with the goal of aligning resources with opportunities across the mortgage markets. ZAIS provides investment advice on the following types of mortgage related products:

- Residential Whole Loans
- Residential Mortgage Backed Securities (RMBS)
- Asset Backed Securities
- Commercial Real Estate
- Commercial Mortgage Backed Securities (CMBS)

Utilizing the ZAIS Group’s credit expertise, analytics platform large market share and experienced credit analysts, ZAIS provides investment management services with respect to portfolios of corporate debt. ZAIS provides investment advice with respect to corporate products including:

- Investment Grade Credit
- High Yield Credit
- Senior Secured Bank Debt

These investments are subject to credit, liquidity, interest rate, market, operations, fraud and structural risks. In addition, concentrations of eligible investments of a particular type, as well as concentrations of investments issued or guaranteed by affiliated obligors, serviced by the same servicer, managed by the same collateral manager or backed by underlying collateral located in a specific geographic region, may subject investors to additional risk.

ZAIS offers a range of alternative and traditional investment strategies through private accounts and pooled investment vehicles (private investment funds, structured vehicles and foreign funds such as SICAVs). The terms of private accounts are negotiated and agreed to at the time the individual account is set up and the documents executed. Every private account has a signed agreement identifying the type of securities the account will invest in, any restrictions as to the types of securities, and the services ZAIS Group provides. The offering documents of each pooled investment vehicle identifies the type of securities in which the vehicle will invest, any investment restrictions or limitations with respect to these securities, and the advisory services that ZAIS Group will provide.

As of December 31, 2010, ZAIS Group had \$7.174 billion in assets under management, all on a discretionary basis.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by ZAIS Group is established in a client's written agreement with ZAIS Group. ZAIS Group does not have a standard fee schedule.

For Private Accounts: Fees are based upon the complexity of the services provided. The annual portfolio management fees received in connection with ZAIS's advisory services range between 0.4% and 1.0% of the net asset value of the account and are billed either monthly or quarterly. The frequency, method of payment and fees are negotiable at the time the account is established.

For Pooled Investment Vehicles: ZAIS Group provides investment advisory services to three types of pooled investment vehicles:

Private Investment Funds

Structured Vehicles (CDO's)

SICAV (Societe d'Investissement à Capital Variable)

Private Investment Funds: Fees in the private investment funds are not negotiable and clearly outlined in the respective fund's documentation. ZAIS Group does not deduct fees from the private investment funds; instead fees are calculated independently and payment is instructed by each fund administrator. While the majority of private investment funds pay fees quarterly in arrears, certain funds pay portfolio management fees quarterly upfront. Prepaid fees are

reflected as an asset of the fund which is reduced each month as the expense is incurred. Most private investment funds initially pay fees based on drawn capital during the respective fund's investment period. Once the investment period has expired, fees are then calculated based on the net asset value of the fund. Fees range from 0.40% - 2.0% per annum, are set forth in the offering documentation for the private investment fund and are non-negotiable. Upon termination of any fund, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Structured Vehicles (CDOs): Structured vehicles are issuers of senior and subordinated classes of fixed and floating rate notes, the proceeds of which are generally used to purchase portfolios consisting primarily of collateralized debt obligations ("CDO") and other debt securities as security for the notes. Generally ZAIS, as portfolio manager, is paid a non-negotiable base fee ranging from 0.30% - 0.50% per annum, payable in arrears on the payment dates for the structured vehicle (generally quarterly or semi-annually). The base fee is typically split into a senior and a subordinate portion; the senior being paid prior to debt service payments and the subordinate after such debt service payments. The size of the base fee and the split into the senior and subordinate fee is determined for each fund at the time of the original issuance of the notes by the structured vehicle. Fees for the structured vehicles are paid by the fund's trustee from the cash flow generated by the CDOs and are based on the notional principal amount of the assets.

SICAV (Societe d'Investissement à Capital Variable): ZAIS Group is the investment manager for an open-ended investment company organized as a "société anonyme" under the laws of the Grand Duchy of Luxembourg which qualifies as a Société d'Investissement à Capital Variable ("SICAV") and a Fonds d'Investissement Spécialisé ("FIS"). The SICAV operates separate sub-funds, each of which is represented by one or more classes of shares. The sub-funds are distinguished by their specific investment policies. The SICAV constitutes a single legal entity, but the assets of each sub-fund are invested for the exclusive benefit of the investors in each corresponding sub-fund and the assets of a specific sub-fund are solely accountable for the liabilities, commitments and obligations of that segregated sub-fund. ZAIS Group is currently the investment manager for four sub-funds. ZAIS Group earns a management fee, negotiated at the time of the creation of each fund that varies between 0.1% and 1.0% of the net asset value of the fund, per annum.

ZAIS Group's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Clients may incur certain charges imposed by custodians, administrators, brokers, third party investment advisers 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to ZAIS Group's advisory fee and ZAIS Group does not receive any portion of these commissions, fees, and costs. Please refer to Item 12, Brokerage Practices, for additional details.

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

In some cases, ZAIS Group has entered into performance fee arrangements with qualified clients payable upon the attainment of certain pre-agreed financial hurdles. The range of performance fees are reflected below:

Private accounts:	10.0% - 20.0%
Pooled Investment Vehicles:	
Private Investment Funds:	20.0% - 25.0%
Structured Vehicles:	10.0% - 20.0%
SICAV's:	20.0%
Sub-advisory agreements:	14.0% - 25.0%

In certain situations ZAIS Group may have an incentive to favor an account that has performance-based fees higher than another account. To address this conflict of interest, ZAIS Group manages both types of accounts in a similar manner, with similar investments and similar allocations. Allocations will generally be made pro-rata across similar accounts with adjustments made due to factors such as termination of a fund's investment period, lack of liquidity and allocation of odd-lots.

Item 7 – Types of Clients

ZAIS Group provides investment advisory services to pooled investment vehicles and private accounts. Minimum investment amounts for private accounts are negotiated at the time an account is established with an initial commitment starting at \$20 million. Pooled investment vehicles have minimum investment amounts that are set forth in their respective offering documentation. These amounts are in some cases dictated by the regulatory authorities having jurisdiction over the investment vehicle. Minimum investments in structured/pooled vehicles can range from \$100,000 to \$25 million.

The minimum investment requirements of the SICAV are 125,000 EURO for European denominated sub-funds and \$200,000 USD for US denominated sub-funds.

Minimum investment amounts for sub-advisory clients are negotiated with the advisor at the time the sub-advisory documents are executed.

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

As mentioned above in Item 4, Advisory Business, ZAIS Group specializes in mortgage and corporate credit. ZAIS Group possesses a comprehensive analytics and technology infrastructure, credit modeling capabilities, loan and securities valuation, loan data management, servicing oversight and significant structuring and securitization.

Mortgage investment analysis covering residential whole loans, RMBS, asset backed securities, and CMBS relies on ZAIS's analytics and trading platforms to help determine relative value among securities that look similar today but are likely to perform differently over time. The ability to evaluate collateral backing an RMBS at the loan level and the unique structure of each securitization comes from an integrated analytics platform for residential mortgages supported by credit modelling and the analytics team.

Corporate Investment Analysis: Portfolio analysis of corporate investments employs a top-down investment process that integrates a broad set of credit information:

- Fundamental economic data
- Supply and demand technical data

- Sell side credit research
- Discussions with rating agency analysts
- Discussions with sell side traders and analysts
- Discussions with other buy side contacts

This information is used in portfolio construction to develop diversification strategies focusing on position concentrations, manager concentrations, collateral distribution and portfolio overlap, and duration.

Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ZAIS Group or the integrity of ZAIS Group's management. ZAIS Group has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

ZAIS Servicing Asset Management ("Z-SAM"), located in Dallas, TX, is a wholly owned subsidiary and a participating affiliate of ZAIS Group. It provides commercial real estate asset servicing and advisory services to clients. Z-SAM has not separately registered with the SEC. However, as a participating affiliate, Z-SAM has agreed, among other things, that: (1) its investment advisory activities will be subject to the Investment Advisers Act of 1940, as amended, (the "Advisers Act") and the rules thereunder; (2) Z-SAM, its employees and persons acting on its behalf will be subject to the supervision and control of ZAIS Group; (3) all persons who provide advice to U.S. clients or have access to any information concerning securities to be recommended to U.S. clients prior to the effective dissemination of the recommendations would be deemed "associated persons" of ZAIS Group and will be disclosed ZAIS Group Form ADV Part 2b; (4) Z-SAM will grant to the SEC access to trading and other records of Z-SAM, and to its personnel (including personal trading records), to the extent necessary to monitor and police conduct that may harm U.S. clients or markets; and (5) Z-SAM has consented to make available to the SEC books and records and the testimony of

certain Z-SAM employees, consent to the jurisdiction of the U.S. courts in connection with the investment advisory services it provides for the benefit of U.S. clients and consent to service of process by the SEC and the appointment and maintenance of a U.S. agent for service of process.

Z Asset Advisors Group, LLC (“ZAA”), located in Red Bank, NJ, is a wholly owned subsidiary of ZAIS Group. ZAA offers a range of advisory and consultancy service to holders of credit sensitive assets, including both loans and securities, in consumer, commercial and insurance products.

ZAIS Solutions, LLC, located in Red Bank, NJ, is a wholly owned subsidiary of ZAIS Group that engages in the business of providing data and analytical services to clients. ZAIS Solutions, LLC also acts as the holding company for ZAIS Solutions Shanghai Co., Ltd.

ZAIS Group also provides advisory and valuation services relating to structured finance securities in Europe and Asia.

ZAIS Solutions Shanghai Co., Ltd., a wholly owned subsidiary of ZAIS Solutions, LLC, provides data and analytical services to clients.

ZAIS UK Limited, a private company incorporated under the laws of England and Wales and a wholly owned subsidiary of ZAIS Group, is the controlling member of ZAISGroup International LLP (“ZAISGroup International”). ZAISGroup International, a limited liability partnership formed under the laws of the United Kingdom, holds Part IV permission with the Financial Services and Markets Act 2000.

ZAIS Japan Limited, a joint stock corporation incorporated under Japanese Law, is a wholly owned subsidiary of ZAIS Group. ZAIS Japan Limited holds Second Financial Instruments Trading Business Registration under the Financial Instruments and Exchange Law as well as an Investment Advisory Business License.

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

ZAIS Group has adopted a Code of Ethics expressing the firm's commitment to maintain the highest ethical standards. In keeping with these standards, individuals associated with ZAIS Group must always place the interest of clients ahead of their own.

In the course of managing ZAIS Group's private accounts or pooled investment vehicles, occasions arise where the investment needs of two clients warrant the sale or transfer of a security from one client to another. It is the policy of ZAIS Group that the price at which such securities are traded shall be determined on a basis that is fair, reasonable and equitable to all clients and in a manner to avoid any actual or appearance of favoritism or discrimination among clients in favor of a preferred client or group of clients.

It is ZAIS Group's policy and practice to permit its clients to engage in cross trades provided that no client is "disfavored." Cross trades between clients may only be effected if: (1) third party bids are obtained to assess appropriate market values, (2) ZAIS receives appropriate client permissions; and (3) necessary records are maintained. ZAIS Group will not receive any special compensation for cross transactions.

Such transactions may create a conflict of interest because ZAIS Group has a duty to obtain the most favorable price for advisory clients. Accordingly, in engaging in cross transactions, ZAIS Group will follow procedures outlined in the Cross Trade Policy of ZAIS Group's Compliance Manual designed to ensure that all parties to the transaction receive at least as favorable a price as would be received if the transaction were executed in the open market. ZAIS Group will provide a copy of the Cross Trade Policy to any client or prospective client upon requests. Clients may request a copy of the Cross Trade Policy by email at Compliance@zaisgroup.com.

ZAIS Group generally will not buy or sell securities for itself or sell securities it owns to any client, or buy or sell for itself securities that it also recommends to clients. To the extent ZAIS Group does buy securities for itself from or sell securities it owns to any client, it will do so in compliance with Section 206(3) of the Advisers Act. Such a transaction would also be subject to review by ZAIS Group's Conflicts Committee.

ZAIS Group (and its principals and/or related persons) may have investments in certain of the entities managed by ZAIS Group or its affiliates and in managers of funds and entities in which clients of ZAIS Group may invest. Investments by ZAIS Group, its principals and/or related persons in a fund or entity recommended to a client by ZAIS Group would be vetted by the firm's Conflicts Committee.

Under ZAIS Group's Code of Ethics and policy on personal investment activities, all employees are required to pre-clear private placement and initial public offering transactions. To supervise compliance with the firm's Code of Ethics, ZAIS Group requires that employees provide statements of securities holdings not less than quarterly and an annual Code of Ethics Certification which provides a list of (i) all brokerage/trading accounts of the employee and related persons where the employee has control of the account, (ii) business activities in which the employee or any related person has a significant role, and (iii) securities in which such employee or any related person has any beneficial ownership, including any service on the board of directors of a company, to ZAIS Group's Compliance Department.

In November 2010, ZAIS Group created a Conflicts and Cross Trades Committee to provide oversight and resolution of all conflicts of interest arising from ZAIS Group's activities including any requests for exceptions to the firm's Cross Trade Policy. The members of the committee include the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Compliance Officer, and the General Counsel.

ZAIS Group will provide a copy of the Code of Ethics to any client or prospective client upon request. Clients may request a complete copy of ZAIS Group's Code of Ethics by email at Compliance@zaisgroup.com.

Item 12 – Brokerage Practices

ZAIS Group generally has the authority over the selection of the broker or dealer to be used and the commission rates to be paid without obtaining specific client consent. In selecting brokers or dealers to execute transactions, ZAIS Group need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not ZAIS Group's practice to negotiate "execution only" commission rates, thus the clients may be deemed to be paying for research and related services provided by the broker which are included in the commission rate. These research and related services furnished by brokers

may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, statistic and pricing services, as well as discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services, lines and equipment utilized in the investment management process. In recognition of the value of the foregoing factors, ZAIS Group may place portfolio transactions with a broker or dealer with whom it has negotiated a commission that is in excess of the commission another broker or dealer would have charged for effecting that transaction if ZAIS Group determines in good faith that such commission is reasonable in relation to the value of the brokerage and research provided by such broker or dealer viewed in terms of either that particular transaction or the overall responsibilities of ZAIS Group.

Research and related services obtained by the use of commissions arising from the Funds' portfolio transactions may be used by ZAIS Group in its other investment activities. In selecting brokers and negotiating commission rates, ZAIS Group will take into account the financial stability and reputation of brokerage firms and the brokerage, research and other services provided by such brokers and the referral of prospective investors (consistent with best execution), although clients may not, in any particular instance, be the direct or indirect beneficiary of the research services provided. Finally, it is noted that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

ZAIS Group will regularly review the commission rates paid by its advisory clients to determine that they are competitive with commissions paid by clients of investment advisers that provide services similar to ZAIS Group.

Several advisory clients have investment strategies and investment policies that are the same as or substantially similar to other clients. Accordingly, clients may co-invest in many of the same securities and issues. ZAIS Group allocates investment opportunities to clients in a fair and equitable manner, consistent with the investment objectives and approaches of the client.

Item 13 – Review of Accounts

ZAIS Group reviews all periodic trustee reports in the case of structured vehicles, such as CDOs, where a trustee has been appointed. For other private accounts and pooled investments, ZAIS Group reviews all periodic net asset value reports prepared by the funds' administrators. In addition, a senior Portfolio Manager, with extensive experience, is assigned to each account and is responsible for monitoring and maintaining compliance with client specific guidelines.

Item 14 – Client Referrals and Other Compensation

ZAIS Group may enter into an agreement with one or more third party marketing and sales representatives to solicit prospective clients. For certain investors referred by these representatives, ZAIS Group will generally pay a negotiated fee based on a percentage of assets under management or net profits referred by such representatives. Any such agreements will be in compliance with Section 206(4)-3 of the Advisers Act.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. ZAIS Group urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

ZAIS Group usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment

objectives for the particular client account.

When selecting securities and determining amounts, ZAIS Group observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, ZAIS Group's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to ZAIS Group in writing.

Item 17 – Voting Client Securities

Exercising proxy discretion has economic value for ZAIS Group clients, and therefore, we consider it our fiduciary duty to preserve and protect the assets of our clients, including proxy discretion, for their benefit. Accordingly, it is the policy of ZAIS Group, in the absence of specific voting guidelines from a client, to exercise proxy discretion in a prudent and diligent manner and to base its voting decision on its reasonable judgment of what will serve our clients' best financial interest.

There is no per se rule regarding what is a correct exercise of proxy discretion. Accordingly, ZAIS Group has not adopted standing instructions with respect to the exercise of proxy discretion. The decision must be based on the analysis and judgment of ZAIS Group's investment professionals based on the particular facts and circumstances in question. In exercising proxy discretion, we do not subordinate the economic interests of our clients to any other entity or interested party, including those of ZAIS Group, its employees, its affiliates, business associates or other clients. There may be instances when certain considerations, such as waiver or amendment fees, are associated with the exercise of proxy discretion. Any consideration received in connection with the exercise of proxy discretion belongs to the related ZAIS Group client and not to ZAIS Group or its affiliates or employees.

Any questions relating to any particular proxy solicitation can be directed to Compliance@zaisgroup.com.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with limited financial information or disclosures about ZAIS Group's financial condition. As a privately held company, ZAIS Group generally does not publish its financial information. ZAIS Group does not solicit the prepayment fees six months or more in advance, ZAIS Group has no financial condition that would impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceeding.