

Item 1 – Cover Page

ZAIS GROUP, LLC

2 BRIDGE AVENUE – SUITE 322

RED BANK, NJ 07701

(732) 530-3610

WWW.ZAISGROUP.COM

APRIL 1, 2013

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

Since the last annual update on March 30, 2012:

Item 4 – *Advisory Business* has been updated to disclose (i) that Rumson Services, LLC is no longer a principal owner of ZAIS Group and (ii) the services provided through ZAIS REIT Management, LLC, to ZAIS Financial Corp.;

Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss* - of this Brochure has been updated to provide a brief summary of the principal risks relating to assets in which ZAIS Group's clients invest;

Item 10 – *Other Financial Industry Activities and Affiliations* has been updated to disclose the addition of ZAIS REIT Management, LLC and the removal of ZAIS Japan Limited which was closed; and

Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* has been updated to clarify ZAIS's cross trade policies.

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.

Item 3 – Table of Contents

Table of Contents

Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management Fees and Compensation	7
Item 7 – Types of Clients	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9 – Disciplinary Information	15
Item 10 – Other Financial Industry Activities and Affiliations	16
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	17
Item 12 – Brokerage Practices	18
Item 13 – Review of Accounts	20
Item 14 – Client Referrals and Other Compensation	21
Item 15 – Custody	21
Item 16 – Investment Discretion	21
Item 17 – Voting Client Securities	22
Item 18 – Financial Information	22

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. The principal owner of ZAIS Group is River Rain, LLC. Christian Zugel, Managing Member and Chief Investment Officer of ZAIS Group controls River Rain, LLC.

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 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.

A wholly owned subsidiary of ZAIS Group, ZAIS REIT Management, LLC, provides investment management services to ZAIS Financial Corp. ("ZFC"), a publicly listed real estate investment trust [NYSE:ZFC]. Unless expressly stated, the information in this Brochure does not relate to ZFC. For more information regarding ZFC, please see ZFC's filings with the SEC, which are available on the SEC's website at www.sec.gov.

As of December 31, 2012, ZAIS Group had \$5,668,675,416 in regulatory assets under management of which \$5,376,930,519 is on a discretionary basis and \$291,744,897 is non-discretionary.

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 0.3% 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 0.50% - 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 0.25% - 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 an 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 five sub-funds. ZAIS Group earns a management fee, negotiated at the time of the creation of each sub-fund that varies between 0.1% and 1.0%, per annum, of the net asset value of the sub-fund or cumulative subscriptions, adjusted for redemptions as stated in each sub-funds offering document.

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.

ZAIS Group may from time to time enter into agreements ("Side Letters") with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those available to other investors. ZAIS Group may enter into Side Letters based on, among other things, the size of an investor's investment, an agreement by an investor to maintain such investment at a certain level, or other similar commitment by such investor. These Side Letters may have the effect that not all investors will invest on the same terms and some investors may receive more favorable terms than others.

ZAIS Group, in its sole discretion, may waive or reduce the fees to be paid to it by investors that are current or former members, principals, employees or affiliates of ZAIS and relatives of such persons. Certain pooled investment vehicles and private accounts managed by ZAIS may invest in other pooled investment vehicles managed by ZAIS. ZAIS waives, adjusts or off-sets its fees as necessary to avoid the layering or duplication of fees.

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:	15.0% - 20.0%
Pooled Investment Vehicles:	
Private Investment Funds:	20.0% - 25.0%
Structured Vehicles:	10.0% - 20.0%
SICAV's:	10.0% - 20.0%
Sub-advisory agreements:	20.0%

In certain situations ZAIS Group may have an incentive to favor an account that has performance-based fees which are 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 a target initial commitment starting at \$100 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 and bottom-up investment process that integrates a broad set of credit information:

- Company specific financial information
- Relative Value analysis
- 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 single name credit positions as well as hedging and 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. The following are summaries of some of the principal risks relating to assets in which ZAIS Group's clients invest. More detailed disclosure is generally included in the offering document relating to a fund or will be provided on request to a managed account client.

CDO Securities

CDO Securities are subject to credit, liquidity and interest rate risks. In addition, holders of CDO Securities are subject to many of the same risks applicable to holders of RMBS. CDO Securities generally are limited recourse obligations payable solely from the related CDO collateral or proceeds thereof. If distributions on the underlying CDO collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency, and following realization of the underlying assets the obligations of the CDO to pay such deficiency will be extinguished.

CDO collateral may consist of loans, structured finance securities, high yield debt securities and other instruments, which often are rated below investment grade. High yield debt securities and loans may be unsecured and may be subordinated to certain other obligations of the issuer thereof.

Structured Finance Securities

Investments in structured finance securities differ from those of traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying assets generally may be prepaid at any time. 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 structured finance securities. Holders of structured finance securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. The risk of investing in structured finance securities is ultimately dependent upon payment of consumer loans by the debtor.

Residential Mortgage-Backed Securities ("RMBS")

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and such securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve

significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Residential and Commercial Mortgage Whole Loans

The mortgage loans may consist of single family loans, multifamily loans, commercial loans, and mixed-use loans.

The single family loans will be evidenced by mortgage notes and secured by mortgages that, in each case, create a first or junior lien on the related mortgagor's fee or leasehold interest in the related mortgaged property. The multifamily loans will be evidenced by mortgage notes and secured by mortgages that create a first or junior lien on residential properties consisting of five or more dwelling units in high-rise, mid-rise or garden apartment structures or projects. The commercial loans will be evidenced by mortgage notes and secured mortgages that create a first or junior lien on commercial properties including office building, retail building and a variety of other commercial properties. The mixed-use loans will be evidenced by mortgage loans and secured by mortgages that create a first or junior lien on properties consisting of mixed residential and commercial structures.

See the description of risks for residential mortgage loans in the RMBS section above. The repayment of commercial mortgage whole loans is typically dependent upon the ability of the applicable property to produce cash flow. Even the liquidation value of a commercial property is determined, in substantial part, by the amount of the property's cash flow (or its potential to generate cash flow). However, net operating income and cash flow can be volatile and may be insufficient to cover debt service on the loan at any given time.

High Yield Securities

High yield debt securities are generally unsecured, may be subordinated to other obligations of the applicable obligor and generally involve greater credit and liquidity risks than those associated with investment grade corporate obligations. They are often issued in connection with leveraged acquisitions or recapitalizations in which the obligors thereunder incur a substantially higher amount of indebtedness than the level at which they previously operated.

The lower rating of securities in the high yield sector reflects a greater possibility that adverse changes in the financial condition of an issuer thereof, or in general economic conditions (including a sustained period of rising interest rates or an economic downturn), or both, may affect the ability of such issuer to make payments of principal and interest on its debt. Many issuers of high yield debt obligations are highly leveraged, and specific developments affecting such issuers, including reduced cash flow from operations or inability to refinance debt at

maturity, may also adversely affect such issuers' ability to meet their debt service obligations. High yield debt securities have historically experienced greater default rates than investment grade securities.

Corporate and Commercial Loans

Corporate and commercial loans are typically at the most senior level of the capital structure, and are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor and its subsidiaries. The corporate and commercial loans may be of a type generally incurred by the borrowers thereunder in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower's creditworthiness is often judged by rating agencies to be below investment grade. Certain of the loans may be subordinated to other obligations of the borrower. In order to induce the banks and institutional investors to invest in a borrower's loan facility, and to offer a favorable interest rate, the borrower often provides the banks and institutional investors with extensive information about its business, which is not generally available to the public. Because of the provision of confidential information, the unique and customized nature of a loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security and historically the trading volume in the loan market has been small relative to the high yield bond market.

Synthetic Securities

Certain investments by clients of ZAIS consists of synthetic securities, the reference obligations of which may be substantially the same as CDO Securities or Structured Finance Securities. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such CDO Securities or Structured Finance Securities. With respect to each Synthetic Security, a fund will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the reference obligor on the reference obligation. A fund generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, nor directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition to general market risks, synthetic securities are subject to liquidity risk and credit risk of the applicable counterparty.

Commercial Mortgage-Backed Securities ("CMBS")

Collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, industrial or

warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self storage properties. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS. Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower.

Repackaged Securities

Investments may consist of trust certificates or similar securities of the type generally considered to be “repackaged securities”. Repackaged securities may present risks similar to those of the other types of investments and, in fact, such risks may be of greater significance in the case of repackaged securities. Repackaged securities may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may depend upon any associated hedge agreement providing for the exchange of interest accruing on the security being repackaged into interest stated to be payable on the trust certificates or similar securities). In addition, the performance of a repackaged security will be affected by a variety of factors, including the level and timing of payments and recoveries on and the characteristics of the underlying collateral, the remoteness of those assets from the originator or transferor and the adequacy of and ability to realize upon such collateral.

Bank Debt

Bank debt includes interests in loans to companies or their affiliates undertaken to finance a capital restructuring or in connection with recapitalizations, acquisitions, leveraged buyouts, refinancings or other financially leveraged transactions and may include loans which are designed to provide temporary or bridge financing to a borrower pending the sale of identified assets, the arrangement of longer-term loans or the issuance and sale of debt obligations. These loans, which may bear fixed or floating rates, have generally been arranged through private negotiations between a corporate borrower and one or more financial institutions (“Lenders”), including banks. Investment may be in the form of participations in loans (“Participations”) or of assignments of all or a portion of loans from third parties (“Assignments”).

In certain cases, the rights and obligations acquired through the purchase of an Assignment may differ from, and be more limited than, those held by the assigning selling institution. Assignments are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans.

Investments in bank debt involves the grant of a right to receive payments of principal, interest and any fees only from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the investor generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower, and the investor may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. The investor generally will have no role in terms of negotiating or effecting amendments, waivers and consents with respect to the loans underlying the Participations. If a loan is foreclosed, the investor could become part owner of any collateral and would bear the costs and liabilities associated with owning and disposing of the collateral. A loan is often administered by a bank or other financial institution that acts as agent for all holders. The investor may have to rely on the agent to apply appropriate credit remedies against a borrower.

Interests in loans are also subject to additional liquidity risks. Loans are generally subject to legal or contractual restrictions on resale. Loans are not currently listed on any securities exchange or automatic quotation system, but are traded by banks and other institutional investors engaged in loan syndication. As a result, no active market may exist for some loans. It may be more difficult for ZAIS to assign a value to Assignments or Participations when valuing such securities and calculating assets under management.

Arbitrage Transactions

Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. ZAIS may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

Convergence

ZAIS may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the trading positions managed by ZAIS were to fail to converge toward, or were to diverge further from, ZAIS’s expectations, a loss may be incurred.

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

There is also the risk that the securities borrowed in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and ZAIS may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. ZAIS’s inability to continue to borrow securities previously sold short may also force ZAIS to unwind other elements of an investment position, possibly at a loss. From time to time, regulatory or legislative action taken by regulators around the world may restrict the ability of ZAIS to enter into short sales.

Options

Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of a fund to be subject to more frequent and wider fluctuations than would be the case if it did not invest in options.

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 Group currently operates under an exemption from registration as a commodity pool operator pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation 4.13(a)(3) and is exempt from registration as a commodity trading advisor pursuant to CFTC Regulation 4.14(a)(8). In anticipation of increased swaps activity, ZAIS Group is in the process of registering as commodity trading advisor and commodity pool operator and registering certain of its supervised persons as associated persons. ZAIS Group will operate its funds pursuant to the requirements of either Commodity Futures Trading Commission (“CFTC”) Rule Section 4.13(a)(3) or Section 4.7. The CFTC does not pass upon the merits of a particular pool or upon the adequacy or accuracy of any offering memorandum or other disclosure statement.

ZAIS Group’s wholly owned subsidiary, ZAIS REIT Management, LLC, provides investment strategies and decisions and manages the day-to-day operations of ZAIS Financial Corp., a publicly listed real estate investment trust.

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 quantitative, analytics, mid-office and back-office services and solutions in structured credit products to ZAIS Group, LLC, ZAISGroup International LLP and some select 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.

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." Generally, 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. Any cross trades involving assets for which third party bids are not available would only be executed if there is a reasonable indicator of value and such cross trade is approved by the ZAIS Cross Trade/Conflicts Committee. 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 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 these procedures to any client or prospective client upon request. Clients may request a copy 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 Cross Trade/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 Cross Trade/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.

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. When ZAIS Group uses brokerage commissions (or markups or markdowns) to obtain research or other products or services, ZAIS Group receives a benefit because it does not have to produce or pay for the research or related services. 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. As such, ZAIS Group may have an incentive to select or recommend a broker or dealer based on its interest in receiving the research or related services, rather than on clients' interest in receiving most favorable execution.

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. ZAIS Group seeks to allocate aggregated trades in a manner that is fair to all clients, and will never allocate trades based on an account's performance or fee structure.

In determining the allocation of transactions, ZAIS Group considers each participating account's size, diversification, cash availability, investment objectives, life cycle and any other relevant factors. Any partial fills are allocated pro rata between the participating clients or groups of clients in accordance with the specified allocation unless otherwise designated in

writing. De minimis deviations from the intended allocation are permitted in the interest of placing round lots in client accounts. Clients participating in any aggregated transactions will receive an average price and transaction costs will be shared equally and on a pro-rata basis.

ZAIS strives to ensure that trades are executed in a timely and accurate manner. Yet, in the course of carrying out trading and investing responsibilities on behalf of its clients, ZAIS personnel may make trade errors. Trade errors include:

- a) Trades that should not have occurred (e.g., trades that are not legally permitted, not within a client's mandate or not authorized by a fund's governing document),
- b) Trades that were erroneously entered into (e.g., incorrect security, quantity, price, terms or allocation), or
- c) Trades that should have occurred but did not (e.g., an order was erroneously not placed).

If a trade error occurs, ZAIS will take appropriate action to rectify or limit the consequences of the trade error, which may include: (x) allocating any profit resulting from such trade error for the benefit of the relevant client; and (y) reimbursing the client for any losses resulting from such trade error.

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. Trustee reports are typically distributed to investors monthly and on distribution dates.

For other private accounts and pooled investments, ZAIS Group reviews all periodic net asset value reports prepared by the funds' administrators. In most cases the net asset value report is prepared monthly, although there are some clients that have quarterly reporting.

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. The Portfolio Manager is responsible for reviewing all the above reports before they are distributed.

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 investors who may either invest in a ZAIS Group managed fund or establish a separately managed account. 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.

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

ZAIS Group considers corporate action notices to fall under proxy voting. 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. Where a client has authorized ZAIS Group to vote proxies on its behalf, ZAIS Group generally will not accept instructions from the client or an investor regarding how to vote proxies.

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. ZAIS Group seeks to identify and address material conflicts that may arise between ZAIS Group interests and those of the clients and investors before voting proxies on behalf of clients. Conflicts that may arise would be addressed by ZAIS Group's Conflicts/Cross Trade Committee. Clients and investors can request copies of the proxy voting policy and information on how ZAIS Group voted on their securities by directing questions to Compliance@zaisgroup.com.

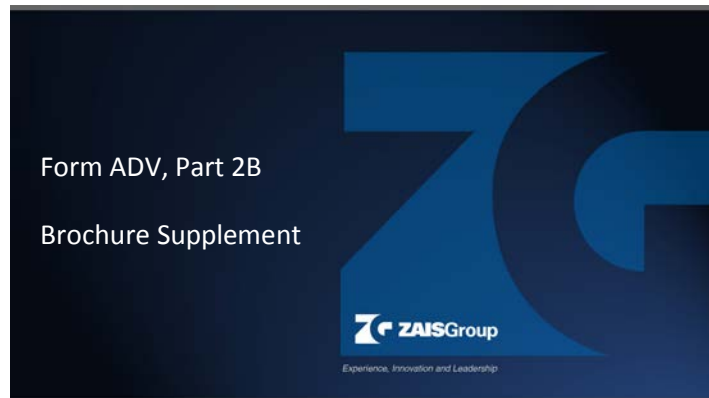
Item 18 – Financial Information

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 of 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.



FORM ADV, PART 2B
Brochure Supplement



ZAIS GROUP, LLC

2 Bridge Avenue
Red Bank, NJ 07701
732-530-3610
Form ADV Part 2B,
Brochure Supplement
April 1, 2013

This brochure supplement provides information about Christian Zugel, Michael Szymanski, Marc Galligan, Glenn Boyd, Denise Crowley, Brian Hargrave, Rick Nicklas, Cara Roche, Dave Stehnacs and William Connors. It supplements ZAIS Group's brochure. You should have received a copy of that brochure. Please contact Michael Walsh, Chief Compliance Officer if you did not receive ZAIS Group's brochure or if you have any questions about the contents of this supplement.

Christian Zugel **Chief Investment Officer**

Educational Background and Business Experience:

Year of Birth: 1960

Education:

- Masters in Economics, Universitaet Manheim 1985

Business Background:

- ZAIS Group, LLC 1997 – present;
Managing Member and Chief Investment Officer

Disciplinary Information:

Christian Zugel has never had any disciplinary disclosures to be reported.

Other Business Activities:

Christian Zugel is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Christian Zugel does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Christian Zugel does not have a supervisor as he is the Managing Member and founder of ZAIS Group, LLC.

Michael Szymanski

President

Educational Background and Business Experience:

Year of Birth: 1966

Education:

- MBA in Finance, Stern School of Business at New York University 1996
- BA Accountancy, University of Notre Dame 1988

Business Background:

- | | |
|------------------------------|--------------------------------------|
| • ZAIS Group, LLC | 2009 – present; President |
| • XE Capital Management, LLC | 2003 – 2008; Chief Executive Officer |

Disciplinary Information:

Michael Szymanski has never had any disciplinary disclosures to be reported.

Other Business Activities:

Michael Szymanski is on the Board of Directors of the National Stock Exchange.

Additional Compensation:

Michael Szymanski does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Michael Szymanski reports directly to Christian Zugel, Managing Member, who may be reached at 732-450-7430.

Marc Galligan **Chief Risk Officer and CEO of ZAIS GroupInternational LLP**

Educational Background and Business Experience:

Year of Birth: 1954

Education:

- MBA in Finance, Thunderbird School of Global Management 1981
- BA in Finance, Boston College 1977

Business Background:

- ZAIS Group, LLC 2008 – present; Chief Risk Officer
- Bear Stearns 1996 – 2008; Senior Managing Director

Disciplinary Information:

Marc Galligan has never had any disciplinary disclosures to be reported.

Other Business Activities:

Marc Galligan is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Marc Galligan does not receive economic benefits from any person or entity other than ZAIS GroupInternational LLP for providing advisory services..

Supervision:

Marc Galligan reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.

Glenn Boyd **Managing Director and Chief Investment Strategist**

Educational Background and Business Experience:

Year of Birth: 1961

Education:

- Phd in High Energy Physics, California Institute of Technology 1991

Business Background:

- ZAIS Group, LLC 2010 – present; Managing Director
- Barclays Capital 2005 – 2010; Director

Disciplinary Information:

Glenn Boyd has never had any disciplinary disclosures to be reported.

Other Business Activities:

Glenn Boyd is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Glenn Boyd does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Glenn Boyd reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.

Denise Crowley Managing Director

Educational Background and Business Experience:

Year of Birth: 1973

Education:

- MBA in Finance, Stern School of Business at New York University 2000
- BA in Economics, Boston College 1995

Business Background:

- ZAIS Group, LLC 1997 – present; Managing Director

Disciplinary Information:

Denise Crowley has never had any disciplinary disclosures to be reported.

Other Business Activities:

Denise Crowley is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Denise Crowley does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Denise Crowley reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.

Brian Hargrave

Senior Portfolio Manager

Educational Background and Business Experience:

Year of Birth: 1969

Education:

- MBA, Harvard Business School 2000
- BS in Business, Indiana University 1991

Business Background:

- ZAIS Group, LLC 2009 – present; Senior Portfolio Manager
- Barclays Capital 2008 – 2009; Director, Capital Markets
- Lehman Brothers 1999 – 2008; Senior Vice President, Mortgage Trading

Disciplinary Information:

Brian Hargrave has never had any disciplinary disclosures to be reported.

Other Business Activities:

Brian Hargrave is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Brian Hargrave does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Brian Hargrave reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.

Rick Nicklas

Senior Portfolio Manager

Educational Background and Business Experience:

Year of Birth: 1963

Education:

- MBA in Finance, The Wharton School, University of Pennsylvania 1992
- BS in Commerce, University of Virginia 1986

Business Background:

- ZAIS Group, LLC 2008 – present; Senior Portfolio Manager
- Lehman Brothers 2000 – 2008; Senior Vice President

Disciplinary Information:

Rick Nicklas has never had any disciplinary disclosures to be reported.

Other Business Activities:

Rick Nicklas is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Rick Nicklas does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Rick Nicklas reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.

Cara Roche Director

Educational Background and Business Experience:

Year of Birth: 1982

Education:

- MA in Mathematics of Finance, Columbia University 2009
- BS in Chemistry, New York University 2004

Business Background:

- ZAIS Group, LLC 2004 – present; Director

Disciplinary Information:

Cara Roche has never had any disciplinary disclosures to be reported.

Other Business Activities:

Cara Roche is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Cara Roche does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Cara Roche reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.

Dave Stehnacs

Director

Educational Background and Business Experience:

Year of Birth: 1974

Education:

- BS in Finance from Monmouth University 2001

Business Background:

- ZAIS Group, LLC 2001 – present; Director

Disciplinary Information:

Dave Stehnacs has never had any disciplinary disclosures to be reported.

Other Business Activities:

Dave Stehnacs is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Dave Stehnacs does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

Dave Stehnacs reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.

William Connors **Managing Director**

Educational Background and Business Experience:

Year of Birth: 1970

Education:

- M.B.A from Columbia University 1998
- B.A. in Mathematics from Drew University 1992

Business Background:

- ZAIS Group, LLC 2012 – present; Managing Director
- Battleground Capital Management 2009 – 2012; Co-Founder
- Ore Hill Partners 2006 – 2008; Managing Director

Disciplinary Information:

William Connors has never had any disciplinary disclosures to be reported.

Other Business Activities:

William Connors is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

William Connors does not receive economic benefits from any person or entity other than ZAIS Group, LLC in connection with the provision of investment advice to clients.

Supervision:

William Connors reports directly to Michael Szymanski, President, who may be reached at 732-212-2386.