

Item 1 – Cover Page

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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 karen.shapiro@zaisgroup.com. 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.

ZAIS is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about ZAIS is also available on the SEC website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Since the last annual update on February 22, 2013:

Item 4 – *Advisory Business* – In February 2013, ZAIS Group completed its initial public offering of its real estate investment trust (“REIT”). The REIT trades under the symbol ZFC on the New York Stock exchange.

In May 2013, ZAIS registered with the Commodity Futures Trading Commission (“CFTC”) as a Commodity Pool Operator and Commodity Trading Advisor.

In June 2013, ZAIS hired a Portfolio Manager as collateral manager for collateralized loan obligations (CLOs).

Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss* – updates the summary of principal risks relating to assets in which ZAIS’s clients invest.

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

You may request our brochure by contacting Karen L. Shapiro, Chief Compliance Officer, at 732-978-7551 or karen.shapiro@zaisgroup.com. Our brochure is also available on our web site www.zaisgroup.com, free of charge.

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Item 4 – Advisory Business

ZAIS Group, a Delaware limited liability company, was founded in July 1997. As a credit asset management firm, ZAIS provides investment advisory services to pooled investment vehicles and private accounts. The principal owner of ZAIS is River Rain, LLC. Christian Zugel, Managing Member and Chief Investment Officer of ZAIS, controls River Rain, LLC. ZAIS 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 to invest in 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)

Using ZAIS's credit expertise, analytics platform, market share and experienced credit analysts, ZAIS provides investment management services to portfolios of corporate debt. ZAIS provides investment advice on 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 in particular investments and in 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, described below. The terms of private accounts are negotiated when each account is established and the documents are executed. Every private account has a signed agreement identifying the type of instruments the account will invest in, any restrictions on the types of investments and the services ZAIS provides. The offering documents for each pooled investment vehicle identify the type of instruments in which the

vehicle will invest, any investment restrictions or limitations and the advisory services that ZAIS will provide.

ZAIS REIT Management, LLC, a ZAIS subsidiary, provides investment management services to ZAIS Financial Corp., a publicly traded real estate investment trust [NYSE: ZFC]. Unless otherwise stated, the information in this brochure does not relate to ZFC. You may find more information about ZFC in its SEC filings, which are available at www.sec.gov.

ZAIS serves as collateral manager for collateralized loan obligation vehicles and numerous collateralized debt obligation vehicles (collectively, the “Vehicles”). In that capacity, ZAIS provides ongoing collateral and asset management services to the Vehicles.

As of December 31, 2013, ZAIS had \$5,101,551,413 in regulatory assets under management of which \$3,971,113,438 is on a discretionary basis and \$1,130,437,975 is non-discretionary.

Item 5 – Fees and Compensation

The manner in which ZAIS Group is paid for its services is established in each client’s written agreement with ZAIS. ZAIS does not have a standard fee schedule.

For Private Accounts: Fees are based on the complexity of the products traded and services provided. ZAIS receives annual portfolio management fees ranging between 0.3% and 1.0% of net asset value. Fees are billed monthly or quarterly. The fees, their frequency and method of payment are negotiated when accounts are established.

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

- **Private Investment Funds**
- **Structured Vehicles (CDOs)**
- **SICAV (Societe d'Investissement à Capital Variable)**
- **Publicly Traded Real Estate Investment Trust**

Private Investment Funds: Fees in the private investment funds are not negotiable and are clearly set out in each fund’s documents. ZAIS does not deduct fees from the private investment funds; instead, fees are calculated independently and payment is instructed by each fund’s administrator. While the majority of private investment funds pay management fees monthly or quarterly in arrears, one fund pays management fees quarterly in advance. For this fund, prepaid fees are reflected in the fund’s assets which are reduced each month as the expense is incurred. When the investment period has expired, fees are then calculated

based on each fund's net asset value. Management fees range from 0.30% (for founders' shares) to 2.0% per year of assets under management and are set out in each fund's offering documents. Upon termination of any fund, any prepaid, unearned fees are promptly refunded and any earned, unpaid fees are due and payable.

Structured Vehicles: Structured vehicles issue 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 ("CDOs") and other debt instruments as security for the notes. ZAIS, as portfolio manager, generally is paid a base fee ranging from 0.25% - 0.50% per year, payable in arrears on the payment dates for the structured vehicle (generally, quarterly or semi-annually). The base fee is typically split into senior and subordinate portions, the senior being paid before debt service payments and the subordinate after debt service payments. The size of the base fee and the split between senior and subordinate portions are determined for each vehicle when it issues its notes. Fees for the structured vehicles are paid by their trustee from the cash flow the vehicles generate and are based on the assets' notional principal amount.

Specialized Investment Management SICAV-SIF: ZAIS acts as investment adviser to an open-ended investment company, organized as a "société anonyme" under the laws of the Luxembourg, which qualifies as a Société d'Investissement à Capital Variable ("SICAV") and a Fonds d'Investissement Spécialisé. The SICAV, which is a single legal entity, has an umbrella structure, currently operating five individual sub-funds, each of which is represented by a separate class of shares and has its own specific investment policy.

Each sub-fund, although not a separate legal entity, is separately constituted with its assets invested for the exclusive benefit of its investors; their liabilities are segregated and insulated from the assets and liabilities of the other sub-funds within the SICAV. The assets of each individual sub-fund are available exclusively to satisfy the rights of the holders of that sub-fund's class of shares and the creditors whose claims have arisen in connection with that sub-fund, even if the assets are insufficient to discharge the sub-fund's liabilities.

ZAIS earns a management fee from the SICAV for the investment advisory services it provides to each sub-fund. Fees are negotiated when each sub-fund is created, varying between 0.1% and 1.0% per year of the sub-fund's net asset value. For certain sub-funds, an incentive fee is based on the sub-fund's performance.

Real Estate Investment Trust: ZAIS REIT Management, LLC ("ZRM"), a Relying Adviser of ZAIS, serves as the advisor of ZAIS Financial Corp. (the "REIT") and is paid an advisory fee quarterly in arrears, which is equal to 1.5% per year of the REIT Stockholders' Equity, as defined in the investment advisory agreement between ZRM and the REIT. ZRM's Class B

members are entitled to receive (i) 20% of ZRM's advisory fees for the first \$1 billion of Stockholders' Equity and (ii) 10% of ZRM's base advisory fee for the Stockholders' Equity over \$1 billion. ZAIS, as ZRM's managing member, is entitled to receive all net funds received by ZRM above what the Class B members of ZRM are entitled to receive. The REIT does not pay any incentive fees.

ZAIS does not charge its clients for brokerage commissions, transaction fees and certain other related costs and expenses. Clients may pay research-related expenses and charges imposed by custodians, administrators, brokers, third party investment advisers and other third parties, including management fees, 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. These charges and fees are in addition to ZAIS's advisory fee. ZAIS does not receive any portion of these fees and costs. Please refer to Item 12, Brokerage Practices, for additional details.

ZAIS may from time to time enter into agreements ("Side Letters") with certain prospective or existing investors, who may receive more advantageous terms and conditions than those available to other investors. ZAIS may execute Side Letters based on, among other things, the size of the investment, an agreement to maintain the investment at a certain level or other similar commitment(s) by the client or investor.

ZAIS, in its sole discretion, may waive or reduce the fees to be paid by investors that are current or former members, principals, eligible personnel or affiliates of ZAIS and their eligible relatives.

Some ZAIS-managed pooled investment vehicles and private accounts may invest in other ZAIS-managed pooled investment vehicles. ZAIS waives, adjusts or offsets its fees as necessary to avoid layering or duplication of fees.

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

In some cases, ZAIS Group is paid performance fees by qualified clients when certain pre-agreed financial hurdles have been met. The range of performance fees is reflected below:

Private accounts:	15.0% - 20.0%
Pooled Investment Vehicles:	
Private Investment Funds:	7.5% - 20.0%

Structured Vehicles:	0.2% - 20.0%
SICAVs:	10.0% - 20.0%
Sub-advisory agreements:	15.0% - 20.0%

Some liquidating funds held small amounts of cash immediately before liquidation was completed. These funds were subject to somewhat higher percentages but generated little or no actual incentive payments because of their small remaining size or hurdle requirements.

Hedge fund style performance fees are based primarily on a percentage of profits. In some circumstances, the profits must exceed a hurdle, as specified in the offering documents. Private equity style performance fees are based primarily on a percentage of the distributions that exceed (i) investors' aggregate capital contributions; and (ii) any hurdles specified in the fund documents. These fees are paid according to the priority of payments schedule set out in each such fund's offering documents.

Private accounts that provide for performance fees typically follow a similar methodology; each such agreement is individually negotiated.

ZAIS may have an incentive to favor any accounts that pay higher performance fees. To address this potential conflict of interest, ZAIS manages all accounts in a similar manner. Allocations are made on a fair and equitable basis across accounts eligible to hold each investment, with adjustments based on factors such as termination of a fund's investment period, concentration limits, available funds 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, and generally require a target initial commitment starting at \$100 million. Pooled investment vehicles have minimum investment amounts that are set out in their offering documents. These amounts are dictated in some cases by the regulatory authority with jurisdiction over the investment vehicle. Minimum investments in feeder funds for the pooled vehicles ZAIS currently offers range from \$1 million for ZAIS Atlas Master Fund, LP to \$5 million for ZAIS Opportunity Master Fund, Ltd. ZAIS reserves the right to waive or modify these minimums, in its sole discretion. Additionally, eligible ZAIS personnel may invest in either fund in amounts below the stated minimums.

The minimum investments in the SICAV are €125,000 for Euro-denominated sub-funds and \$200,000 for USD-denominated sub-funds.

Minimum investment amounts for sub-advisory clients are negotiated with the advisor when the sub-advisory agreements 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's expertise is in analytics and technology infrastructure, credit modeling capabilities, loan and securities valuation, loan data management, servicing oversight, 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 the 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 modeling 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.

Investments involve risk of loss that clients should be prepared to bear. The following are summaries of ZAIS's assets, strategies and their principal risks. 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 its proceeds. If distributions on the underlying CDO collateral are insufficient to make payments on the CDO securities, no other assets will be available to pay the deficiency, and after the underlying assets have been sold, the CDO's obligation to pay any deficiency will be extinguished.

CDO collateral generally consists of loans, structured finance securities, high yield debt securities and other instruments that 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 CDO issuer.

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 debt instruments 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, liquidity, interest rate, market, operations, structural and legal risks. The risk of investing in structured finance securities ultimately depends on the debtors paying their consumer loans.

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, which may be prepaid at any time. Residential mortgage loans are obligations of the borrowers only and are not typically insured or guaranteed by any other person or entity, although some loans may be securitized by government agencies. 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 mortgaged property is located, the terms of the loan and the borrower's financial circumstances and equity in the mortgaged property. If a residential mortgage loan is in default, foreclosure may be a lengthy and difficult process, and may involve significant

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

Residential and Commercial Mortgage Whole Loans

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

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 ownership interest in the mortgaged property. 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. 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.

These loans bear risks similar to those of residential mortgage loans, described in the RMBS section above. The repayment of commercial mortgage whole loans typically depends on the mortgaged property's ability to generate cash flow. Similarly, the liquidation value of a commercial property largely is determined by the property's cash flow (or its potential to generate cash flow). 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 the borrower's other obligations and generally involve greater credit and liquidity risks than those of investment grade corporate debt. They are often issued in connection with leveraged acquisitions or recapitalizations in which the borrowers incur a substantially higher amount of debt than the level under which they previously operated.

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

to refinance debt at maturity, may also adversely affect their ability to meet their debt service obligations. High yield debt securities historically have experienced higher default rates than investment grade debt 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. Corporate and commercial loans are generally issued in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases or for other reasons. As a result of this additional debt, the borrower's creditworthiness is often judged by rating agencies to be below investment grade. Some of these loans may be subordinated to the borrowers' other obligations. To induce banks and institutional investors to invest in a borrower's loan facility, and to offer a favorable interest rate, the borrower often provides them with extensive information about its business, which is not generally available to the public. Because of this, as well as the unique and customized nature of a loan agreement, and the loans' private syndication, loans are not as easily bought or sold as a publicly traded security; historically the trading volume in the loan market has been small compared to the high yield bond market.

Synthetic Securities

ZAIS invests some client assets in synthetic securities, the reference obligations of which may be substantially the same as CDO securities or structured finance securities. Investments in synthetic securities present risks in addition to those of directly purchasing CDO securities or structured finance securities. For each synthetic security, a fund will usually have a contractual relationship only with the counterparty of the synthetic security and not the obligor on the reference obligation. A fund generally will have no right directly to enforce the reference obligor's compliance 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 the reference obligation. In addition to general market risks, synthetic securities are subject to liquidity risk and the counterparty's credit risk.

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 that may have greater significance for repackaged securities. Repackaged securities may be subject to prepayment risk, credit, liquidity, market, structural, legal and interest rate risks (which may depend on 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). 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 the collateral.

Bank Debt and Leveraged Loans

Bank debt includes interests in loans to companies or their affiliates to finance a capital restructuring or in connection with recapitalizations, acquisitions, leveraged buyouts, refinancing or other leveraged transactions and may include loans 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 seller. 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 loans' documentation or any collateral securing the loans.

Investments in bank debt involve 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 payments from the borrower. Investors purchasing Participations generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, no 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 may have no role in negotiating or effecting amendments, waivers and consents as 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 of 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; rather, they 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. Consequently, ZAIS relies on third party pricing sources to value these loans. The accuracy and/or reliability of the pricing depends on the loan's liquidity.

Arbitrage Transactions

Arbitrage strategies seek to profit from perceived price discrepancies of identical or similar financial instruments on different markets or in different forms. Examples of arbitrage strategies include capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage and debt spread arbitrage. ZAIS occasionally employs one or more of these strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur. Arbitrage strategies often depend on 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 it believes are undervalued and short positions in securities it believes are overvalued. If the perceived mispricings underlying ZAIS's trading positions fail to converge toward, or 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 for a short sale must be returned to the securities lender on short notice. If ZAIS is asked to return borrowed securities when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and ZAIS may have to replace the borrowed securities with purchases on the open market at the most disadvantageous time, possibly at prices significantly higher than the proceeds received in the original short sale. 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

ZAIS Group is required to disclose all material facts about any legal or disciplinary events that would be material to your evaluation of ZAIS or the integrity of its management. ZAIS has no items to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

ZAIS Group is registered with the CFTC as a commodity trading advisor and commodity pool operator. Certain its personnel are registered as associated persons. ZAIS operates its funds under the requirements of Commodity Exchange Act Section 4.13(a)(3) or Section 4.7. The

CFTC does not address the merits of a particular pool or the adequacy or accuracy of any offering memorandum or other disclosure statement.

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

ZAIS's wholly owned subsidiary, Leveraged Loan Manager, LLC, provides ongoing collateral and asset management services to support ZAIS's CLO management business.

ZAIS Solutions Shanghai Co., Ltd., a wholly owned subsidiary of ZAIS, through ZAIS Solutions, LLC, provides quantitative, analytics, mid-office and back-office services in structured credit products to ZAIS, ZAISGroup International LLP ("ZAISGroup International") and some external clients.

ZAIS UK Limited, a wholly owned ZAIS subsidiary incorporated under the laws of England and Wales, is the controlling member of ZAISGroup International. ZAISGroup International, a limited liability partnership formed under the laws of England and Wales, holds Part IV permission under 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 stating its commitment to maintain the highest ethical standards. In keeping with these standards, ZAIS personnel must always place clients' interests ahead of their own interests.

In managing ZAIS's private accounts and pooled investment vehicles, there may be occasions when it becomes appropriate to transfer an investment from one client to another. ZAIS's policy states that the price for these transfers will be determined on a basis that is fair, reasonable and equitable to all clients and in a manner that avoids any actual or appearance of favoritism or discrimination among clients.

ZAIS policy permits cross trades so long as no client is disfavored. Generally, cross trades between clients will be permitted if: (1) third party bids are obtained to assess appropriate market values, (2) ZAIS receives any necessary client permissions; and (3) complete records are maintained. Any cross trades involving assets for which third party bids are not available will only be executed after obtaining a reasonable, independent indicator of value and approval from the ZAIS Conflicts/Cross Trade Committee. ZAIS does not receive any special compensation for cross trades.

While cross trades may create the appearance of a conflict of interest, ZAIS believes its cross trade procedures mitigate the potential conflict and provide all parties to the transaction with a fair and equitable price.

ZAIS generally does not buy or sell securities for itself or sell securities it owns to any client, or buy or sell for itself securities that it recommends to clients. If ZAIS were to buy securities for itself from, or sell securities it owns to, any client, it would comply with Section 206(3) of the Advisers Act, after review by and approval from ZAIS's Conflicts/Cross Trade Committee.

ZAIS (and its principals and/or related persons) invest in certain entities that ZAIS or its affiliates manage and in managers of funds and entities in which clients of ZAIS may invest. Any of the latter type of investments would require approval from ZAIS's Conflicts/Cross Trade Committee.

Under ZAIS's Code of Ethics and policy on personal investments, all personnel must pre-clear investments in private placement and initial public offering transactions. To monitor compliance with the Code of Ethics, ZAIS requires that personnel provide statements of securities holdings not less than quarterly and an annual Code of Ethics Certification that provides a list of (i) all investment accounts over which they have investment control (including certain related persons' accounts), (ii) their outside business activities, (iii) any significant role they or their related persons have in certain external businesses and (iii) any securities in which such personnel or any related person has any beneficial ownership, to ZAIS's Compliance Department.

ZAIS will provide a copy of its Code of Ethics to any client or prospective client upon request. Clients may request a copy of the Code of Ethics by email at compliance@zaisgroup.com.

Item 12 – Brokerage Practices

ZAIS Group generally has the authority to select the broker or dealer to be used and negotiate the commission rates to be paid without obtaining specific client consent. In selecting brokers or dealers, ZAIS is not required to solicit competitive bids and is not obligated to seek the lowest possible commission cost.

ZAIS, as a matter of policy, does not use brokerage commissions (or markups or markdowns) to obtain research or other products or services (so-called "Soft Dollars"). As such, ZAIS has no 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 best execution.

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 allocates investment opportunities to clients in a fair and equitable manner, consistent with each client's stated investment objectives. ZAIS allocates 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 trades, ZAIS 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 among the participating clients per the specified allocation unless otherwise designated in writing. Minimal deviations from the intended allocation are permitted in the interest of maintaining round lots. Clients participating in any aggregated transactions receive an average price and transaction costs are shared on a pro-rata basis.

ZAIS strives to execute trades in a timely and accurate manner. Occasionally, though, personnel make trade errors, such as:

- 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), or
- b) Trades that were erroneously executed (e.g., incorrect security, quantity, price, terms or allocation).

ZAIS takes appropriate action to correct or limit the consequences of any trade errors, always allocating any resulting profit for the benefit of the affected client and reimbursing the client for any resulting losses.

Item 13 – Review of Accounts

For private accounts and pooled investments, ZAIS Group reviews all periodic net asset value ("NAV") reports prepared by the funds' administrators. In most cases, the NAV report is prepared monthly, although some clients receive quarterly reports.

ZAIS reviews all periodic trustee reports for structured vehicles, such as CDOs, where a trustee has been appointed. Trustee reports are typically distributed to investors monthly and on distribution dates.

In addition, an experienced Portfolio Manager is assigned to each fund and account, and is responsible for monitoring and maintaining compliance with applicable guidelines. The Portfolio Manager is responsible for reviewing the above reports before they are distributed.

Item 14 – Client Referrals and Other Compensation

ZAIS Group has agreements with third party marketing representatives to solicit prospective investors for ZAIS-managed funds or a separately managed account. ZAIS pays a negotiated fee based on assets under management or net profits referred by the representatives.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains clients' investment assets. You should carefully review your statements and compare the official custodial records to any account statements ZAIS provides to you. ZAIS's statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies for certain securities.

Item 16 – Investment Discretion

ZAIS Group usually receives discretionary authority from its clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold.

When selecting securities and determining amounts, ZAIS observes its clients' stated investment policies, limitations and restrictions. If ZAIS begins to advise or sub-advise registered investment companies, its authority to trade securities will be limited by certain federal securities and tax laws that require diversification of investments and favor holding investments.

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

Item 17 – Voting Client Securities

ZAIS Group considers corporate action notices to be a form of proxy voting. Exercising proxy discretion can (but does not always) have economic value for ZAIS's clients. When ZAIS determines that exercising proxy discretion does have value for one or more clients, it votes in a prudent and diligent manner based on its reasonable judgment of what will serve its clients' financial interest. If a client has authorized ZAIS to vote proxies on its behalf, ZAIS generally will not accept instructions from the client or an investor about how to vote.

ZAIS has not adopted standing instructions about exercising proxy discretion. ZAIS makes each decision based on its analysis of and judgment about each situation's particular facts and

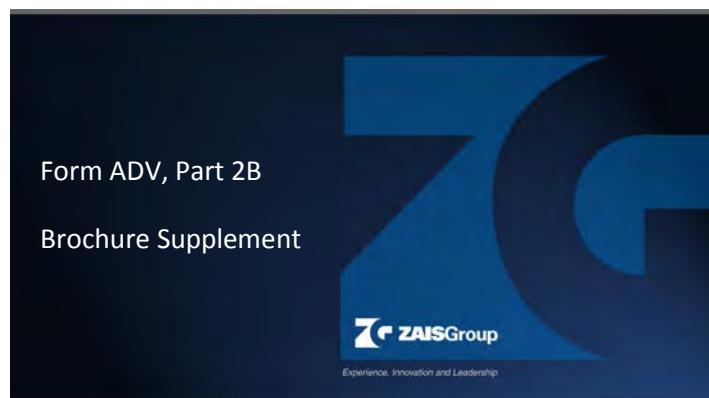
circumstances. In exercising proxy discretion, ZAIS does not subordinate its clients' economic interests to any other entity or interested party, including those of ZAIS, its personnel, affiliates, business associates or other clients. There may be instances when certain consideration, such as waiver or amendment fees, is paid for exercising proxy discretion. Any such consideration belongs to the affected ZAIS client and not to ZAIS or its affiliates or personnel. ZAIS seeks to identify and address material conflicts that may arise between and/or among ZAIS interests and those of its clients and investors before voting proxies. Any such conflicts would be addressed by ZAIS's Conflicts/Cross Trade Committee. Clients and investors can request information on how ZAIS voted on their securities by directing questions to compliance@zaisgroup.com.

Item 18 – Financial Information

ZAIS Group is required to provide you with limited financial information or disclosures about its financial condition. As a privately held company, ZAIS generally does not publish its financial information. ZAIS does not solicit the prepayment of fees more than one quarter in advance. ZAIS 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, Suite 322

Red Bank, NJ 07701

732-530-3610

Form ADV Part 2B

Brochure Supplement

March 31, 2014

This brochure supplement provides information about Christian Zugel, Michael Szymanski, Glenn Boyd, William Connors, Denise Crowley, Brian Hargrave, Vincent Ingato, Rick Nicklas, Cara Roche, Issam Samiri and Dave Stehnacs. It supplements ZAIS Group's brochure. You should have received a copy of that brochure. Please contact Karen L. Shapiro, 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 **Managing Member and 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 events to be disclosed.

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 Chief Investment Officer 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 events to be disclosed.

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.

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 and Chief Investment Strategist
- Barclays Capital 2005 – 2010; Director

Disciplinary Information:

Glenn Boyd has never had any disciplinary events to be disclosed.

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.

William Connors **Managing Director**

Educational Background and Business Experience:

Year of Birth: 1970

Education:

- MBA from Columbia University 1998
- BA 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 events to be disclosed.

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.

Denise Crowley

Senior Portfolio Manager and 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; Senior Portfolio Manager and Managing Director

Disciplinary Information:

Denise Crowley has never had any disciplinary events to be disclosed.

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 and Managing Director

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 and Managing Director
- 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 events to be disclosed.

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.

Vincent Ingato

Senior Portfolio Manager and Managing Director

Educational Background and Business Experience:

Year of Birth: 1958

Education:

- MBA from the College of William and Mary 1982
- BS in Marketing from Fairfield University 1980

Business Background:

- ZAIS Group, LLC 2013 – present; Senior Portfolio Manager and Managing Director
- CVC Credit Partners 2008 – 2013; Managing Director and Portfolio Manager
f/k/a Apidos Capital
- ACA Capital 2004 – 2008; Managing Director and Portfolio Manager
- Mizuho Bank 1992 – 2003; Deputy General Manager and Group Head
f/k/a Fuji Bank Limited
- Wells Fargo Bank 1986 – 1992; Vice President

Disciplinary Information:

Vincent Ingato has never had any disciplinary events to be disclosed.

Other Business Activities:

Vincent Ingato is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Vincent Ingato 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:

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

Rick Nicklas **Managing Director**

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; Managing Director
- Lehman Brothers 2000 – 2008; Senior Vice President

Disciplinary Information:

Rick Nicklas has never had any disciplinary events to be disclosed.

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 **Managing 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; Managing Director

Disciplinary Information:

Cara Roche has never had any disciplinary events to be disclosed

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.

Issam Samiri

Portfolio Manager and Managing Director

Educational Background and Business Experience:

Year of Birth: 1980

Education:

- MA in Applied & Financial Mathematics from Ecole Centrale Paris 2004
- DEA, a Research Master in Partial Derivatives Equations Applied to Economics from Paris Dauphine University 2004
- BA in pure Mathematics from Paris VII University 2002

Business Background:

- ZAIS Group, LLC 2010 – present; Portfolio Manager and Managing Director
- Credit Agricole CIB 2008 – 2010; Senior Quantitative Analyst
- Lehman Brothers 2006 – 2008; Credit Derivatives Quantitative Analyst
- Credit Agricole CIB 2005 – 2006; Credit Derivatives & Structured Credit Quantitative Analyst

Disciplinary Information:

Issam Samiri has never had any disciplinary events to be disclosed.

Other Business Activities:

Issam Samiri is currently not actively engaged in any other investment related business or occupation.

Additional Compensation:

Issam Samiri 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:

Issam Samiri has dual reporting lines, he reports directly to Michael Szymanski, President, who may be reached at 732-212-2386 and to Marc Galligan, Head of ZAISGroup International LLP at (44) 203-667-1830.

Dave Stehnacs **Managing 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 events to be disclosed.

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.