

Gramercy Investment Advisors LLC

Brochure

June 2, 2011

This brochure provides information about the qualifications and business practices of Gramercy Investment Advisors LLC (“Gramercy”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (203) 552-1900. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about Gramercy Investment Advisors LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Gramercy Investment Advisors LLC
20 Dayton Avenue
Greenwich, Connecticut 06830
Tel: (203) 552-1900
Fax: (203) 552-1901
Website: www.gramercy.com

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Item 4. Advisory Business

Gramercy Investment Advisors LLC ("Gramercy") is an investment adviser with its principal place of business in Greenwich, Connecticut. Gramercy commenced operations as an investment adviser on July 1, 2004 and has been registered with the SEC since August 19, 2004. Gramercy Financial Group LLC is the parent company ("Parent Company") of Gramercy. Cerro Negro Capital Management LLC and Tall Oaks Capital Management LLC are the principal owners of the Parent Company.

Gramercy manages domestic and offshore private investment vehicle clients (collectively, the "Funds") and discretionary separate account clients with a focus on emerging markets investments, intended for institutional investors (e.g., pensions, endowments, trusts, funds of funds) and high net-worth individuals. Gramercy serves as the managing member of, or investment adviser to, the Funds. For each of the Funds, Gramercy's investment authority is set forth in the applicable governing documents. Gramercy also serves as the sub-adviser for certain private investment partnerships and other investment vehicles, and the scope of Gramercy's investment authority is set forth in the sub-advisory agreements for such entities. With respect to Gramercy's managed account clients, such clients enter into investment management agreements with Gramercy, authorizing Gramercy with full discretion and authority to make investment decisions on behalf of the relevant client, subject to any restrictions contained in the investment management agreement or otherwise agreed to with the client. Gramercy generally seeks to manage each managed account client's assets in a manner intended to track as closely as practicable the performance of certain of its Fund clients.

Gramercy provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, Gramercy may agree to tailor advisory services to the individual needs of clients. Clients may impose restrictions on investing in certain securities or certain types of securities. Please see Item 16 below for a more detailed description of how advisory services may be tailored for specific clients.

As of December 31, 2010, Gramercy had approximately \$979,894,444 in discretionary client assets under management.

Item 5. Fees and Compensation

Asset-Based Compensation

With respect to both Fund clients and managed account clients, Gramercy typically receives a management fee based upon a percentage of assets under management. Such management fee is between 1.0% to 2.0% per annum of the value of the client's assets under management and is payable monthly or quarterly. For certain clients holding index-benchmarked long-only assets, management fees range from .30% to 1.25% per annum.

Investment management fees are generally charged each quarter or month in arrears based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the quarter or month. If a new client account is established during a quarter or month or a client makes an addition to its account during a quarter or month, the investment management fee will be prorated for the number of days remaining in the quarter or month. If a client's investment management agreement is terminated or a withdrawal or redemption is made from a client account during a quarter or month, the fee payable to Gramercy will be calculated based on the value of the assets on the termination date or withdrawal or redemption date and prorated for the number of days during the quarter or month in which the investment management arrangement was in effect or such amount was in the account.

Management fees may under limited circumstances be negotiated based on the size of the account.

Performance-Based Compensation

With respect to both Fund clients and managed account clients, Gramercy is typically paid a performance-based fee or allocation. Such performance-based fee or allocation typically ranges from 10% to 20% of the annual capital appreciation of the client's account, calculated after management fees and expenses are applied.

Performance-based fees or allocations may under limited circumstances be negotiated based on the size of the account.

Gramercy typically deducts the investment management fee and, if applicable, the performance-based fee from client accounts by instructing the client's custodian.

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts (including Funds) will also be subject to other expenses including, but not limited to, legal, compliance, audit and accounting expenses (including third party accounting services) of the client; administrator fees and expenses; investment expenses such as commissions, research fees and expenses (including research-related travel); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; client-related insurance costs (including D&O insurance costs) and any other expenses related to the purchase, sale or transmittal of the client's assets, the fulfillment of the client's purpose or as necessary to protect the interests of the client from any potential or actual creditor or litigant. Client accounts which are managed accounts will be subject to expenses related to the purchase, sale or transmittal of the client's assets and such other expenses as may be agreed with the client. Client assets may be invested in pooled investment vehicles. In these cases, clients will bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. Client assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. Please refer to Item 12 below for a discussion of Gramercy's brokerage practices.

Item 6. Performance-Based Fees and Side-by-Side Management

Gramercy and its investment personnel provide investment management services to multiple portfolios for multiple clients. Gramercy is typically paid performance-based compensation by certain of its Fund clients and managed account clients. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When Gramercy and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. Gramercy and its investment personnel have a greater incentive to favor client accounts that pay Gramercy (and indirectly the investment personnel) higher fees.

Gramercy has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. Gramercy reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. These areas are monitored by Gramercy's Chief Compliance Officer.

Item 7. Types of Clients

Gramercy's clients consist of Funds, individuals (including high net-worth individuals), funds of funds, pension and profit sharing plans, trusts, estates, foundations, endowments and corporations.

The minimum investment in Gramercy's Fund clients is typically \$1,000,000. Although Gramercy does not maintain a specific minimum dollar value of assets or other conditions for opening a managed

account, Gramercy's managed account services are directed towards high net-worth individuals or institutional investors who are prepared to invest substantial sums of typically \$5,000,000 to \$10,000,000 or more.

With respect to Gramercy's Fund clients, any initial and additional subscription minimums are disclosed in the offering memorandum for each such Fund.

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

Gramercy utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental and proprietary internal research, charting analysis, cyclical analysis as well as use of technical analytical tools and approaches.

Gramercy employs the following investment strategies:

- *Buy and Hold.* Gramercy engages in buy and hold investment strategies wherein Gramercy buys securities and other assets and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.
- *Distressed Situations.* Gramercy engages in distressed situation investment strategies wherein Gramercy attempts to achieve long-term capital appreciation through investments in global capital market securities issuances of performing and non-performing distressed emerging market companies and countries. Gramercy applies its core competency of purchasing distressed corporate, sovereign and quasi-sovereign securities and aggressively transforming them and returning them to the capital markets.
- *Equity.* Gramercy's equity strategies focus on a broad range of equity investment styles, including growth, core, and value. Some client accounts focus on specific ranges on the capitalization scale, from micro-cap, through small-cap, mid-cap and large-cap, to mega-cap. Other client accounts will focus on investment opportunities in more than one capitalization category or across all capitalization levels. In addition, Gramercy manages client accounts that are global, multi-national, or focused on particular geographic regions or specific countries.
- *Fundamental Value.* Gramercy engages in a fundamental value investment strategy wherein Gramercy attempts to invest in asset-oriented securities Gramercy believes are undervalued by the market.
- *Global Macro.* Gramercy engages in a global macro investing strategy wherein Gramercy attempts to anticipate global macroeconomic events using discretionary selection, pre-determined mathematical trading models or a combination of both.
- *High Growth.* Gramercy engages in high growth investment strategies for certain client accounts wherein Gramercy attempts to select securities of a company whose earnings Gramercy expects to grow at an above-average rate compared to the company's specific industry or the overall market.
- *Hedging.* Gramercy utilizes a variety of financial instruments to hedge long positions such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts for risk management purposes.
- *Leverage.* Certain of Gramercy's investment programs utilize leverage, which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

- *Option Trading.* Gramercy engages in various option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. Gramercy engages in the following types of option trading strategies: purchased or written put and call options on securities or securities market indices, options on commodities and “synthetic” options written by broker-dealers or other permissible financial intermediaries.
- *Short Selling.* Gramercy engages in short selling strategies. In a short sale transaction, Gramercy sells a security it does not own in anticipation that the market price of that security will decline. In certain instances Gramercy makes short sales as a form of hedging to offset perceived weaknesses in the market generally or particular securities specifically.
- *Stakeholder Activism.* Gramercy engages in stakeholder activist investment strategies wherein securities of a company are purchased in anticipation of influencing the future direction of a company. In some instances, Gramercy attempts to build strong relationships with company management by having clients taking a seat on the company’s board of directors.

These methods, strategies and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment. Such risks are as follows:

- *Buy and Hold.* Buy and hold investment strategies bring specific risks to a securities portfolio. Under a buy and hold investment strategy, Gramercy may not take advantage of short-term gains in a security that could be profitable to the portfolio. Moreover, if Gramercy’s predictions are incorrect, a security may decline sharply in value before the security is sold.
- *Distressed Situation Risks.* Investment in distressed situations exposes the client to significant risks, including: the difficulty in obtaining information as to the issuer’s true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Moreover, to the extent client accounts are invested in sovereign debt obligations, those investments will be subject to additional risks and considerations not present in private distressed situations, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which are affected by world events, changes in U.S. foreign policy and other factors outside of the control of Gramercy.
- *Equity Risks.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and “growth” stocks can react differently from “value” stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- *Global Macro (Event-Driven Investing) Risks.* Due to the inherently speculative nature of event-driven investing, the results may fluctuate from period to period and are not expected to correlate with the direction of the equity markets. Accordingly, the results a particular period will not necessarily be indicative of results which may be expected in future periods.
- *High Growth Industry Related Risks.* Securities in high growth companies may be very volatile. In addition, these companies may face underdeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain

patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

- *Hedging Risks.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while Gramercy may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for Gramercy's investment portfolios than if Gramercy did not engage in any such hedging transactions.
- *Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.
- *Leverage Risks.* Performance may be more volatile if a client's account employs leverage.
- *Option Trading Risks.* Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty credit and solvency risk.
- *Short Selling Risks.* Short selling transactions expose client accounts to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by Gramercy in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein Gramercy might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.
- *Stakeholder Activism Risks.* Gramercy's stakeholder activism investment strategies create the risk that the intended strategy for a particular company will be unsuccessful. In cases where Gramercy takes a seat on a company's board of directors, there exists a risk that Gramercy will be restricted in transacting in or redeeming its investment in that company as a result of, among other things, legal restrictions on transactions by company directors or affiliates. The potential for company restructuring also creates the risk that Gramercy might become involved in litigation (either as a plaintiff or defendant).

In addition, there are risks associated with types of securities that Gramercy primarily recommends. Such securities and their associated risks are as follows:

- *Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or Gramercy. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

- *Distressed Securities.* Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.
- *Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.
- *Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- *Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.
- *Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and Gramercy's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for Gramercy to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.
- *Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

- *Futures and Options.* In connection with the use of both securities and commodities futures contracts and options, there may be an imperfect correlation between the change in market value of a security or commodity and the prices of the futures contracts and options in the client's account. In addition, Gramercy's investments in security or commodity futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.
- *Structured Finance Securities.* Structured finance securities such as, for example, equipment trust certificates, collateralized debt obligations, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or other similar instruments, present a variety of risks to client accounts, such as prepayment and resale risks. In addition, the performance of a structured finance security may be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

Gramercy has the following affiliated investment advisers: KSHER AA LLC, Tall Ships Capital Management LLC, Steamboat Capital Management LLC, Gramercy Advisors L.L.C. and Gramercy Funds Management LLC. These affiliates serve as the managing members of certain limited liability companies and private funds. These affiliates may provide investment advice substantially similar to that of Gramercy and may provide services to Gramercy. These arrangements represent conflicts of interest for personnel of Gramercy and the affiliates in allocating their time and activity among Gramercy's Fund clients and other entities, in allocating investments among such clients and other entities and in effecting transactions for such clients and other entities, including ones in which the affiliates may have a greater financial interest. To the extent that a Fund invests in another Fund, Gramercy and its affiliates will waive fees or incentive allocations in one Fund so that they do not receive double fees for the same investment.

Each of the private funds for which Gramercy serves as investment manager has and may in the future enter into agreements, or "side letters," with certain prospective or existing members or shareholders whereby such members or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the fund. For example, such terms and conditions may provide for special rights to make future investments in the fund, other investment vehicles or managed accounts; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the member or shareholder and/or other terms; rights to receive reports from the fund on a more frequent basis or that include information not provided to other members or shareholders (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the fund and such members or shareholders. The modifications are solely at the discretion of the fund and may, among other things, be based on the size of the member's or shareholder's investment in the fund or affiliated investment entity, an agreement by a member or shareholder to maintain such investment in the fund for a significant period of time, or other similar commitment by a member or shareholder to the fund.

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

Gramercy's Code of Ethics (the "Code") sets forth standards and procedures that are intended to assure that its employees do not use any information concerning the investments or investment intentions of any client, or their ability to influence such investment intentions, for personal gain or in a manner that is detrimental to the interests of Gramercy's clients. Upon receipt of the Code, all employees must sign an

acknowledgment form. In addition, on an annual basis, all employees must certify compliance with the Code. Clients or prospective clients may obtain a copy of the Code by contacting Robert J. Lanava (Chief Compliance Officer) by email at rl@gramercy.com, or by telephone at (203) 552-1900. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

Gramercy, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Gramercy or its related persons have invested or seek to invest on behalf of clients. Gramercy is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Gramercy maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Gramercy is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, Gramercy may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Gramercy will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, Gramercy will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that Gramercy possesses such information), or not using such information for the client's benefit, as a result of following Gramercy's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

With respect to principal transactions, Gramercy discloses to the client in writing before the completion of the transaction the capacity in which Gramercy is acting with respect to this arrangement, and obtains the client's consent to such transaction as required by Section 206(3) of the Advisers Act.

In addition, Gramercy's employees have the potential to invest in the same securities (or related securities, e.g., warrants, options or futures) that Gramercy or a related person recommends to clients. Such practices present a conflict where, because of the information an adviser typically has, Gramercy or its related persons are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting Gramercy's or its related person's objectivity, these practices by Gramercy or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. Gramercy has adopted the following procedures in an effort to minimize such conflicts: (1) Gramercy maintains a list of assets which consists of (a) all emerging markets instruments (including, but not limited to, sovereign and non-sovereign bonds, stocks and currencies); (b) all closed-end funds; (c) any security held by a Fund or client account managed by Gramercy; (d) any security under investment consideration or which is currently being researched by Gramercy on behalf of any Fund managed by Gramercy or any other client of Gramercy; (e) all private investment funds that are not managed by Gramercy including, but not limited to, hedge funds, private equity funds and real estate investment funds; and (f) any other security with respect to which Gramercy possesses material non-public information (collectively, the "List"); (2) Gramercy ensures that all of its employees have daily access to the List; (3) Gramercy prohibits any of its employees from making investments in any assets specified on the List without prior written pre-approval from the Chief Compliance Officer who may deny permission to execute the investment if such investment is expected to have any adverse economic impact on any of Gramercy's clients. Trading in employee accounts will be strictly monitored by the Chief Compliance Officer and investments in securities specified on the List will generally not be pre-approved. In order to ensure compliance with firm policy, Gramercy requires all of its employees to provide duplicate statements and trade confirmations to the Chief Compliance Officer, who reviews and maintains such records.

Employees of Gramercy may purchase or sell securities for their own accounts only in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for Gramercy or its related person to the detriment of the client.

Item 12. Brokerage Practices

In selecting brokers or dealers with which to execute transactions, Gramercy will use its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the most favorable execution. The full range and quality of services available will be considered in making these determinations. Best execution will be judged by many factors including the following: price, including commissions (if any), ability to execute and clear trades in an orderly and acceptable manner, and consistent quality of service regarding broad market coverage. In those instances where it is reasonably determined that more than one dealer or broker can offer the services needed to obtain most favorable execution, consideration may be given to those dealers or brokers who supply investment research, statistical information and other services related to investment research. In all cases, Gramercy determines that the fees are reasonable for the services rendered.

When appropriate, Gramercy may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

Item 13. Review of Accounts

Gramercy continuously monitors the price of all securities in accounts it manages to seek to ensure compliance with all the covenants described in the governing documents of the funds it manages and the conditions set forth in the investment management agreements with its clients. On a daily basis, Gramercy monitors and reviews news wires, selected newspapers and research material provided by brokerage houses as well as speaking to various contacts in local markets to review current investment views and develop new investment ideas. In addition, Gramercy's managing members and their designees perform such reviews on a daily basis.

Gramercy distributes electronic and written statements to clients on a monthly basis reporting the client's account's net return for the month and current capital balance. On a monthly basis, Gramercy also provides fund analytics to clients in electronic form (which are also made available to clients on Gramercy's website) as well as a monthly client report summarizing each Fund's current investment strategy and positions. Gramercy also conducts quarterly client conference calls with clients. Annual audited fund-level financial statements are issued to clients.

Item 14. Client Referrals and Other Compensation

This Item is not applicable.

Item 15. Custody

This Item is not applicable.

Item 16. Investment Discretion

Gramercy's investment discretion and authority is subject to the limitations set forth in the governing documents and confidential offering memoranda of its Fund clients, copies of which are provided to investors in such clients. While certain of the Funds do not require Gramercy to diversify investments or limit the amount of leverage employed, other Funds provide that no more than a set percentage of the Fund's total assets may be invested in the securities of any one issuer or country and that the Fund may not exceed certain leverage ratios.

With respect to the managed account clients, Gramercy has broad discretionary authority to determine the type and amount of securities to be bought or sold, with such authority limited, if at all, by such clients on a contractual basis. Any limitations in such authority would be set forth in the investment management agreement between Gramercy and a managed account client. Gramercy has the right to cause managed account client assets to be invested in its Fund clients, in which case, the management and incentive fees

or allocations charged or allocated would be governed by the governing documents of the relevant Fund client.

In addition, Gramercy or its affiliates may enter into one transaction on behalf of a number of clients and then allocate the proceeds to the clients pro rata.

Securities acquired by a Gramercy for its clients through a limited offering will be allocated pursuant to the procedures set forth in Gramercy's allocation policy. The policy provides that Gramercy will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

Gramercy may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable Gramercy to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. Gramercy has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades unless client consent has been obtained based upon written disclosure to the client of the capacity in which Gramercy or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

Item 17. Voting Client Securities

To the extent Gramercy has been delegated proxy voting authority on behalf of its clients, Gramercy complies with its proxy voting policies and procedures that are designed to ensure that in cases where Gramercy votes proxies with respect to client securities, such proxies are voted in the best interests of its clients.

Gramercy's clients are generally not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between Gramercy and a client exists, Gramercy will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action. Gramercy does not make any qualitative judgment regarding its client's investments.

Clients may obtain a copy of Gramercy's proxy voting policies and procedures and information about how Gramercy voted a client's proxies by contacting Robert J. Lanava (Chief Compliance Officer) by email at rl@gramercy.com or by telephone at (203) 552-1900.

Item 18. Financial Information

This Item is not applicable.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable.

Appendix: Item 2. Material Changes

This Item is not applicable.