

# WAYZATA INVESTMENT PARTNERS

## **Firm Brochure** (Part 2A of Form ADV)

**Brochure Date: October 28, 2016**

<b>Firm Information:</b>		
<b>Name of Firm</b>	Wayzata Investment Partners LLC	
<b>Mailing Address</b>	701 East Lake Street, Suite 300 Wayzata, Minnesota 55391	
<b>Telephone</b>	952-345-0700	
<b>Facsimile</b>	952-345-8901	
<b>Website</b>	www.wayzatainvestmentpartners.com	
<b>Contact Information:</b>		
Patrick Halloran Manager P: 952-345-0702 F: 952-345-8901	Mary Burns Vice President P: 952-345-0711 F: 952-345-8901 mburns@wayzpartners.com	Patrick Shane Chief Compliance Officer P: 952-345-0725 F: 952-345-8901 pshane@wayzpartners.com

This brochure provides information about the qualifications and business practices of Wayzata Investment Partners LLC ("Wayzata"). If you have any questions about the contents of this brochure, please contact us at (952) 345-0711 or mburns@wayzpartners.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.

Additional information about Wayzata Investment Partners LLC is also available on the SEC's website at: <http://www.adviserinfo.sec.gov>

## **Item 2. Material Changes**

In this Item Wayzata is required to disclose material changes to its last annual update of its brochure, which was dated March 23, 2016. Wayzata updated its brochure to reflect the following material changes:

- Cover Page – updated to reflect new Chief Compliance Officer.
- Item 10 – updated Conflicts of Interest section: *Manager/Investment Professional Conflicts* to address certain in-kind distributions from Funds to Wayzata personnel..

This brochure should be reviewed in its entirety.

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## **Item 4. Advisory Business**

Wayzata Investment Partners LLC was formed in a management buyout in May 2004 as the successor company to CFSC Wayland Advisers, Inc. (“Wayland”). Wayland had been formed in 1997 to invest third party capital in distressed debt, non-distressed bank loans, high yield bonds, and special situations. Wayland was the successor to the High Yield/Reorg Group of Cargill Financial Services Corporation, which managed a proprietary portfolio of distressed investments and performing high yield assets for Cargill Financial Services Corporation from 1990 to July 1997.

Wayzata is registered with the SEC as an investment adviser under the United States Investment Advisers Act of 1940, as amended (the “Advisers Act”). The fact that an investment adviser is registered with the SEC does not imply any particular level of skill or training.

Wayzata’s manager is Patrick J. Halloran. MAP Holdings LLC, which is controlled and managed by Patrick J. Halloran, is the majority owner of Wayzata.

Wayzata serves as the investment manager to several private investment funds (the “Funds”) and in such capacity provides equivalent portfolio management and administrative services to the Funds. Through the Funds, Wayzata invests primarily in special situations, including those in bankruptcy or undergoing financial restructuring or reorganization. Wayzata’s investment advice is limited to such investments that are permissible in accordance with each Fund’s Confidential Private Placement Memorandum (“PPM”) and operating documents (collectively, the “Fund Documents”). Additional information regarding the type of investments made by the Funds is provided in Item 8.

As of December 31, 2015, Wayzata managed approximately \$4,591,082,346 of Regulatory Assets Under Management (as defined in Form ADV Part 1) on a discretionary basis. Wayzata does not manage assets on a non-discretionary basis.

## **Item 5. Fees and Compensation**

Advisory Fees paid by the Funds to Wayzata are described in the Fund Documents. The Funds pay to Wayzata an advisory fee (the “Advisory Fee”) for portfolio management and administrative services. Advisory Fees are debited from the Funds’ quarterly in advance.

The Funds pay for all expenses attributable to the Funds’ activities and investments as described in the Fund Documents, including, but not limited to, brokers commissions (please refer to the discussion of brokerage practices in Item 12), the investment’s acquisition, holding, restructuring, recapitalization and disposition thereof, travel and due diligence and organization custody of investments, taxes, legal, auditing, tax preparation, due diligence, appraisal, valuation and other directly associated expenses.

Travel expenses attributable to the Funds' activities and investments may include variable costs for the use of a private aircraft ultimately owned by the manager of Wayzata (please refer to the discussion of air travel expenses in Item 10).

Wayzata may facilitate payment for certain of these expenses described and the Funds reimburse accordingly.

Each Fund has a general partner (each, a "General Partner") and/or a special member (each, a "Special Member"), which may receive performance-based compensation in the form of carried interest ("Carried Interest"). Carried Interest is further described in the relevant Fund Documents.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

A description of the performance-based fees paid by the Funds is provided in Item 5. Performance-based fee arrangements create potential conflicts of interest for Wayzata. These conflicts of interest and how Wayzata addresses them are further described in Item 10.

## **Item 7. Types of Clients**

Wayzata's only clients are the Funds, which are identified below:

Wayzata Opportunities Fund III, L.P.;  
Wayzata Opportunities Fund Offshore III, L.P.;  
Wayzata Opportunities Fund II, L.P.;  
Wayzata Opportunities Fund Offshore II, L.P.;  
Wayzata Opportunities Fund, LLC;  
Wayzata Opportunities Fund Offshore, L.P.;  
Wayzata Recovery Fund, LLC; and  
Wayzata Recovery Fund (Cayman) II Limited

The Funds' minimum investment requirements are set forth in the relevant Fund Documents.

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

Wayzata's investment strategy is primarily focused on special situations, including those in bankruptcy or undergoing financial restructuring or reorganization. Through the Funds it manages, Wayzata may invest across the capital structure in debt or equity securities that Wayzata believes are undervalued or otherwise likely to result in strong returns. Such investment may include debt and equity securities of public and private companies. In an effort to achieve its targeted returns, Wayzata's investment approach emphasizes comprehensive credit research, due diligence and a focus on companies and situations with underlying physical assets.

Wayzata seeks to reduce risk through diversification of asset base. Diversification requirements differ across the Funds. In general, the Fund Documents set forth investment limitations regarding maximum permissible investments in a single issuer, single industry, and exposure outside North America. Investment limitations are based on historical cost basis of applicable investments and applied only at the time the Fund purchases an investment.

## **Investment Strategy**

Wayzata believes that the following four key elements of its investment strategy distinguish it from its competitors: (i) its emphasis on controlling risk by targeting investments in the debt of companies with underlying physical assets; (ii) its focus on research and investments in the small to middle-market sectors where more opportunistic investors cannot withstand the illiquid nature of investments and which are not the focus of larger distressed investors; (iii) its willingness to participate and take a leading role in the bankruptcy or restructuring process; and (iv) its willingness to invest in both complicated situations and cyclical sectors in an effort to achieve superior long-term, risk-adjusted returns. More detailed information regarding Wayzata's investment strategy and activities is set forth in the Fund Documents related to each Fund.

## **Material Risks**

An investment in the Funds involves a high degree of risk. Investing in securities generally involves the risk of loss that investors should be prepared to bear. There can be no guarantee or representation that any of the Funds' objectives will be achieved or that an investor will receive a return of capital. Although Wayzata will attempt to manage those risks, there can be no assurance that the securities and other instruments purchased by the Funds will in fact increase in value or that the Funds will not incur significant losses. The Funds expect to invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. There are several risks inherent in such investments, some of which are specifically referenced below. Not only are such investments subject to investment-specific price fluctuations, but also to macro-economic, market and industry-specific conditions, as well as the inherent process risks associated with bankruptcy proceedings. The material risks related to Wayzata's investment strategy and activities are set forth below, but this section does not attempt to identify every risk, or to describe completely those risks it does identify. As further explained in Item 5, the Funds pay Advisory Fees and expenses. These expenses are incurred by the Fund whether or not some or all investor capital is deployed. Additional information concerning risk is contained in the Fund Documents related to each Fund.

## **General Economic and Market Conditions**

The general economic and capital market conditions may affect the activities of the Funds. Interest rates, the price of investments and participation by other investors in the financial markets may also affect the value of investments purchased by the Funds. Investors should realize that distributions may not be made by the Funds due to general economic conditions, conditions in the credit markets, the illiquidity of the investments, constraints imposed by financing arrangements, contractual prohibitions, inability to dispose of investments at attractive prices due to buyers' inability to secure financing or other reasons mentioned below. Issuers in

which the Funds may invest may face intense competition, changing business and economic conditions and other developments that may adversely affect its performance. Business risks may be more significant in issuers that are embarking on a build-up or operating a turnaround strategy. General fluctuations in the market prices of securities, including public securities market prices, may adversely affect the value of investments held by the Funds and/or the ability of the Funds to dispose of investments at attractive valuations. The Funds may be unsuccessful in structuring its investments to minimize any detrimental impact that a recession may have on its investments and as a result the Funds may suffer significant losses.

Furthermore, due to current market conditions, the Funds may be unable to secure leverage on terms as favorable as more established borrowers in the market, or to obtain any leverage. To the extent the Funds are able to secure financing for the Fund investments, increases in interest rates or in the risk spread demanded by financing sources would make the partial financing of investments with indebtedness more expensive and could limit the Funds' ability to structure and consummate its investments.

Although Wayzata believes the current market dislocations will result in attractive investment opportunities, it may not be able to time its investments correctly, which could result in further depreciation in values. In addition, market conditions in the United States and other affected economies may improve more rapidly than anticipated, resulting in fewer investment opportunities for the Funds. Conversely, financing conditions could rapidly improve, thereby reducing the Funds' opportunities to make attractive loans or otherwise provide credit on attractive terms. Furthermore, market conditions could deteriorate further and the Funds may be limited in its ability to realize investments already made by the Funds due to difficulties in buyers' ability to obtain financing on favorable terms, or to secure financing at all.

### **Illiquidity of the Investments**

At times, a major portion of an issue of distressed securities or debt obligations may be held by relatively few investors, and as a result, the market for such distressed securities and debt obligations may be less liquid than the market for other non-distressed securities or debt obligations. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of an issuer, it may be more difficult to sell such securities and debt obligations at a certain time, or at an optimal price.

In addition, the Funds may invest in unregistered securities of distressed companies. There may be no market for such securities or for a substantial percentage of such securities. To the extent there is a market for such securities, the market may be limited to a narrow range of potential counterparties, such as institutional investors or investment banks. As a consequence, the Funds' ability to participate in or liquidate such investments may be restricted, and the value of such investments may be subject to wide fluctuation.

### **Risks Associated with Investments in Distressed Debt Obligations**

The Funds expect to invest in debt obligations of U.S. and non-U.S. companies that are experiencing significant financial or business difficulties, including companies involved in

bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns, they involve a substantial degree of risk. Any such investments may be unsuccessful or fail to show any return for a considerable period of time. There is no assurance that Wayzata will correctly evaluate the prospects for a successful restructuring or similar action. In any restructuring or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose its entire investment, may be required to accept cash or securities with a value less than the Funds' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from any such investment may not compensate Funds' investors adequately for the risks assumed.

*Equity Investments.* The Funds will be authorized to invest in equity securities, deferred interest obligations and other investments which do not produce current income for the Funds and which may be speculative.

*High Yield Securities.* The Funds may invest in high yield securities which are rated below investment-grade by one or more nationally recognized statistical rating organizations or unrated but of comparable credit quality to obligations rated below investment grade, and have greater credit and liquidity risk than more highly rated debt obligations. High yield securities are generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield securities reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the issuer to make payment of principal or interest. Many issuers of high yield securities are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Overall declines in the below investment grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity.

*Bank Loans.* A portion of the Funds' investments may consist of loans and participations therein originated by banks and other financial institutions. These investments may include loans of a type generally incurred by borrowers in connection with a highly leveraged transaction. As a result of the additional debt incurred by the borrower in the course of the transaction, the borrower's creditworthiness is often judged by the rating agencies to be below investment grade. Such loans are typically private corporate loans that are negotiated by one or more commercial banks or financial institutions and syndicated among a group of commercial banks and financial institutions. In order to induce the lenders to extend credit and to offer a favorable interest rate, the borrower often provides the lenders with extensive information about its business that is not generally available to the public.

Subject to the restrictions imposed on its activities to avoid being engaged in a U.S. trade or business for tax purposes, the Funds may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. A failure by the Funds to advance requested funds to a borrower could result in claims against the Fund and in possible assertions of offsets against amounts previously lent.



The Funds may acquire interests in bank loans and other debt obligations either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. A participation interest in a portion of a debt obligation typically results in a contractual relationship with only the institution acting as a lender under the credit agreement, not with the borrower. In purchasing participations, the Funds generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Funds may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Funds will be exposed to the credit risk of both the borrower and the institution selling the participation.

In addition, when the Funds hold a participation in a loan, the Funds may not have the right to vote to waive enforcement of any default by an obligor. Selling institutions commonly reserve the right to administer the debt obligations in which they sell participations as they see fit and to amend the documentation evidencing such debt obligations in all respects. However, most participation agreements with respect to bank loans provide that the selling institution may not vote in favor of any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees, or releases any material guarantee or security without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). A selling institution voting in connection with a potential waiver of a default by an obligor may have interests different from those of the Funds, and the selling institution might not consider the interests of the Funds in connection with its vote. In addition, participation agreements with respect to bank loans that provide voting rights to the participant may provide that if the participant does not vote in favor of amendments, modifications or waivers, the selling institution may repurchase the participation at par.

*Non-U.S. Investments.* The Funds may invest in securities and debt obligations issued by certain non-U.S. issuers. Some securities markets are not as developed or efficient as others. Debt obligations of some issuers are less liquid and more volatile than debt obligations of comparable issuers in other countries. Similarly, volume and liquidity in securities markets vary and volatility of price can be greater in some countries than in others. The issuers of some of the securities, such as non-U.S. bank obligations, may be subject to different regulations than other issuers. In addition, there may be less publicly available information about issuers in some markets, and issuers may not be subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to other issuers.

The Funds may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits and possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by the Funds from sources within some countries may be reduced by withholding and

other taxes imposed by such countries. Any such taxes paid by the Funds will reduce its net income or return from investments in such securities. While Wayzata will take these factors into consideration in making investment decisions for the Funds, no assurance can be given that Wayzata will be able to fully avoid these risks.

Many of the laws that govern private and non-U.S. investment, securities transactions, creditors' rights and other contractual relationships in developing countries are new and largely untested. As a result, the Funds may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Funds and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the United States. Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in Western markets. In certain instances, management may take significant actions without the consent of investors.

### **Interest Rate, Currency and Exchange and Investment Risk Management**

Because the Funds may invest in debt obligations denominated or quoted in currencies other than the U.S. Dollar, changes in currency exchange rates may affect the value of the Funds' investments and the unrealized appreciation or depreciation of investments. The Funds may seek to protect the value of its portfolio, and is authorized to use various investment strategies to hedge interest rate or currency exchange risks. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur. The Funds may use any or all types of hedging transactions at any time; no particular strategy will dictate the use of one transaction rather than another, as the choice of any hedging transaction will be a function of numerous variables including market conditions. The use of hedging transactions involves certain risks. These risks include (i) the possibility that the market will move in a manner or direction that would have resulted in a gain for the Funds had such transaction not been utilized, (ii) the risk of imperfect correlation between the risk sought to be hedged and the transaction, and (iii) potential illiquidity for the hedging instrument utilized, which may make it difficult for the Funds to close-out or unwind a hedging transaction. There can be no assurance that any investment strategy undertaken to hedge interest rate or currency exchange risks will be successful.

### **Risks Associated with Short Selling**

The Funds' investment programs may include short selling for certain purposes. Such practice can, in certain circumstances, substantially increase the impact of adverse price movements on a Fund's portfolio. A short sale of equity securities involves the theoretical risk of an unlimited increase in the market price of securities sold short. A short sale of a debt instrument such as a bond involves the theoretical risk of an increase in the market price plus accrued interest.

Moreover, it may be necessary to cover short positions at an undesirable time and at undesirable prices because securities that were shorted can no longer be borrowed.

### **Risks Associated with Bankruptcy Cases**

Investments made by the Funds may be non-performing or in default. As a result, the issuer or obligor may be forced to enter into bankruptcy or liquidation proceedings. Many of the events within a bankruptcy case are adversarial and often beyond the control of creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Funds. Furthermore, there are instances where creditors and equity holders lose their ranking and priority when they take over management and functional operating control of a debtor. A number of judicial decisions in the United States have upheld the right of debtors to sue lending institutions on the basis of evolving lender liability legal theories. The ability of borrowers and other stakeholders to assert legal claims against lenders based upon an evolving set of legal theories constitutes an inherent risk to investors in debt securities, including the Funds.

The duration and expense of a bankruptcy case is dependent upon the claims asserted and actions taken by multiple parties and stakeholders, as well as the determinations of bankruptcy judges. As such, the cost and duration of participation in such proceedings is exceedingly difficult to predict. Generally, the duration of a bankruptcy case can only be roughly estimated. In most instances, unless a claim is secured by assets having a value in excess of such claim, no interest will be permitted to accrue and, therefore, return on investment may be adversely affected by the passage of time during which a plan of reorganization of a debtor is being negotiated, approved by the creditors, and confirmed by a bankruptcy court. The risk of delay is particularly acute when a creditor holds unsecured debt or when the collateral value underlying the secured debt does not equal the amount of the secured claim. Under most circumstances, unless the debtor is proved to be solvent, no interest or fees are permitted to accrue after the commencement of the debtor's case, as a matter of U.S. bankruptcy law.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Fund's influence with respect to a class of securities or debt obligations can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class.

Wayzata, on behalf of the Funds, may seek representation on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of a Fund's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If Wayzata concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Funds, it may decide to resign from that committee or group, and the Funds may not realize the benefits, if any, of Wayzata's participation on the committee or group. In addition, if any Fund is represented on a committee or group, it may be restricted or prohibited

under applicable law from disposing of its investments in that debtor while it continues to be represented on such committee or group.

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors and equity holders. In some instances, the Funds may be forced to incur significant costs and expenses to defend their interests in bankruptcy proceedings, and such costs and expenses may not be reimbursed or recovered.

### **Third Party Litigation**

The Funds' investment activities subject them to the normal risks of becoming involved in litigation with third parties. This risk is somewhat greater where a Fund exercises control or significant influence over a company's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent fraud, willful misconduct or gross negligence (as defined under the laws of the State of Delaware, USA) by Wayzata, be borne by a Fund and would reduce its net assets. Wayzata and others are indemnified by the Funds in connection with such litigation, subject to certain conditions.

### **Counterparty risks**

The Funds may invest in instruments and securities that are not traded on "exchange based" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such non-cleared "over-the-counter" transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing a Fund to suffer a loss. Moreover, the Funds may not have the ability to conduct a meaningful and independent evaluation of such counterparties' financial capabilities.

In addition, the counterparties with which the Funds effect transactions may, from time to time, cease making markets or quoting prices in certain of the instruments. In such instances, the Funds may be unable to enter into a desired transaction, or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance.

In addition, the Funds may use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Fund and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Funds, which could be material.

Further information relating to Methods of Analysis, Investment Strategies and Risk of Loss is provided in the respective Fund documents.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events that would be material to an evaluation of Wayzata or the integrity of Wayzata's management. Wayzata has no such legal or disciplinary events to disclose.

## **Item 10. Other Financial Industry Activities and Affiliations**

Wayzata serves as the investment manager to and sponsor of the Funds identified in Item 7 above. Wayzata and various affiliates serve as General Partner or Special Member of each Fund and receive any related Carried Interest from the Funds. Certain conflicts relating to the Funds and Wayzata are set forth below.

Wayzata is also affiliated with the following foreign firms: (i) Wayzata Investment Partners (UK) Limited located in London, England and (ii) WIP (India) Pvt Ltd located in Mumbai, India. Each of the foreign affiliates provides services to Wayzata as a client pursuant to an advisory agreement.

## **Conflicts of Interest**

*Funds.* Conflicts may arise regarding the allocation of investment opportunities among the Funds. Each of the Funds may pursue investment opportunities that are similar to or the same as the opportunities other Funds expects to pursue. If any of the Funds invest in the same or similar securities of the same issuer, conflicts may arise regarding the allocation of investment opportunities among the Funds. Some of the Funds may, for example, provide greater fees or other compensation (including higher performance-based compensation) to Wayzata. Additionally, Wayzata has discretion to determine that a Fund past its investment period shall not be allocated an investment opportunity, even if such investment would otherwise qualify as a follow-on investment. Therefore, Wayzata may be incentivized to allocate the perceived best investment opportunities to the accounts from which Wayzata will receive the most compensation. Wayzata intends to allocate investment opportunities among the Funds it manages in a manner that it believes, in its judgment and based upon its fiduciary duties, to be appropriate given the investment objectives, liquidity, diversification, lender covenants and other limitations applicable to each of the Funds.

From time to time, the Funds may make investments at different levels of a company's capital structure or otherwise in different classes of an issuer's securities. Such investments may inherently give rise to conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by different Funds. While these conflicts

cannot be eliminated, Wayzata reviews these conflicts in a manner designed to address potential conflicts in a way that it determines is fair to each of the Funds. Wayzata will not take actions to support the value of an investment when there is no economic justification or support for such action. However, Wayzata may choose a course of action that it believes will provide value to all positions rather than the highest value to only one position.

Wayzata attempts to limit such conflicts of interest and perceived conflicts of interest by, when practicable, causing the Funds to hold investments in each level of a company's capital structure in approximately the same proportion. However, this approach may not always be possible for a variety of reasons, including availability of capital in particular Funds, investment limitations in a particular Fund, age of one Fund versus another Fund and several other factors. In certain circumstances, however, the Funds may make investments in different levels of a company's capital structure other than on a proportionate basis. If the Funds do not invest on a proportionate basis, Wayzata will review such investments to determine if an actual conflict of interest is likely to occur, considering, among other things, the current financial status of the company or other entity in which the investments were made.

*Manager/Investment Professional Conflicts.* Certain of the Wayzata partners and employees have equity investments in certain of the Funds and may have direct or indirect interests in the carried interest and management fees associated with certain of the Funds, and may have similar arrangements with future funds. These interests and arrangements differ as between the Funds, and may differ with respect to future funds. Under certain circumstances the Funds can make in-kind distributions of securities or other financial instruments to investors, which include Wayzata partners and employees. Other Funds, however, may continue to hold the same securities or other financial instruments being distributed. In such instances, the Wayzata partners and employees will not be permitted to transact in such distributed securities in advance of the Other Funds.

Wayzata may acquire or be deemed to acquire material non-public confidential information that may restrict Wayzata from purchasing securities or selling securities for itself or its clients or otherwise using such information for the benefit of its clients or itself. Such restrictions may have a negative effect on the Funds' ability to trade these securities. Wayzata has taken steps to reduce the likelihood of such restrictions occurring, but will not be able to eliminate this risk.

*Air Travel Expenses.* The manager of Wayzata, through a wholly owned entity, owns a private aircraft (the "Aircraft"). An unaffiliated third party aviation service provider (the "Service Provider") is used for pilot services, storage, and repair and maintenance services. The Aircraft is occasionally used by Wayzata personnel for travel in connection with certain of the Fund's activities or investments ("Business Air Travel"). When the Aircraft is used for Business Air Travel, the variable costs associated with its use (e.g. pilot costs, fuel, landing fees, etc.) charged by the Service Provider or other third parties are allocated to the respective Fund or Fund investment. Neither a Fund nor a Fund's investments pay any usage fees or depreciation costs for the use of the Aircraft. The Funds do not convey any economic benefit to the manager of Wayzata or any affiliated entity relative to such Funds' use of the Aircraft. Wayzata has implemented a policy to ensure that Wayzata personnel's Business Air Travel is normally accomplished using commercial air transportation and the Aircraft is used only when commercial

air transportation is not available to accomplish Business Air Travel in a timely and efficient fashion. Expenses related to the Aircraft are disclosed in the respective Fund's financial statements.

*Transactions with other Funds.* Wayzata may arrange for purchases by a Fund of participation interests in bank loans from any of the other Funds or arrange other transactions between a Fund, any of the other Funds or any of such Funds' affiliates, in which case such purchases and transactions will be on terms that are substantially as advantageous to the Fund as the terms which would be obtained in a comparable arm's length transaction with an unaffiliated third party. To the extent a Fund invests in participations from any of the other Funds, it will be exposed to the credit of the seller as it would be to any other selling institution. Wayzata does not intend to make a Fund invest through participations with any of the other Funds except in those instances where such Fund does not qualify as a permitted assignee of a bank loan or where Wayzata believes it would otherwise be in such Fund's best interest to do so.

In the event Wayzata arranges for any purchase or sale of a Fund investment with any of the other Funds, it will do so in each case only consistent with applicable Fund Documents, internal policy and approvals, and on terms that are substantially as advantageous to the Fund as the terms which would be obtained in a comparable arm's length transaction with an unaffiliated third party. Wayzata or the Funds may have economic interests in or other relationships with issuers in whose obligations or securities a Fund may invest. Transactions between a Fund and such issuers will occur on an arm's length basis. In addition, the Funds may co-invest in certain opportunities identified by Wayzata or others.

A Fund will not engage in any transactions with other Funds to the extent that the assets of that Fund constitute "plan assets" under the United States Employee Retirement Income Security Act of 1974, as amended, and regulations promulgated thereunder.

More detailed information regarding conflicts of interest is set forth in the Fund Documents.

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

Wayzata has adopted, maintains and enforces a Code of Ethics (the "Code"), which is intended to satisfy the requirements of Rule 204A-1 under the Advisers Act. A copy of the Code may be reviewed by investors upon request.

The Code sets forth the standards of conduct expected of all personnel and requires compliance with the federal securities laws and Wayzata's fiduciary duties, including the duties to put client interests first at all times and to maintain the confidentiality of client information. The Code addresses the personal securities trading activities of all personnel in an effort to detect and prevent illegal or improper personal securities transactions. The Code prohibits personal securities transactions in any issuer held by or under consideration by the Funds. Wayzata personnel must also obtain prior written approval from the Chief Compliance Officer before participating in any initial public offering or limited offering (*i.e.* private placement). Wayzata

routinely reviews holdings reports and transaction reports of its personnel to monitor compliance. To further mitigate the potential for conflicts of interest, the Code contains a number of restrictions related to the activities of personnel, including limits on the provision and receipt of gifts and political contributions. The Code also requires personnel to report violations of law, rules or the Code to the Chief Compliance Officer. All personnel must certify their compliance on an ongoing basis. The Chief Compliance Officer is responsible for administering and enforcing the Code and maintaining all records required by the Code.

Disclosures regarding potential conflicts of interest relating to client transactions is set forth in Item 10, above.

## **Item 12. Brokerage Practices**

Wayzata is authorized to designate the banks, custodians, brokers, dealers and other counterparties (collectively, “brokers and dealers”), to be used for all transactions types by clients.

Primary consideration will be given to obtaining the most favorable execution of the transactions in seeking to implement Wayzata’s investment strategy. Wayzata will effect transactions with those brokers and dealers which provide the most favorable prices, who are capable of providing efficient executions and have credit worthiness. Those factors that Wayzata believes contribute to efficient execution include the size of the order, difficulty of execution, operational capabilities and facilities of the broker or dealer involved, whether that broker or dealer has risked its own capital in positioning a block of securities or other assets and the prior experience of the broker or dealer in effecting transactions of the type in which Wayzata will engage.

Wayzata may receive information from brokers, although not requested, of which may include, among other things, proprietary research from brokers, which may be written, oral or on-line, research concerning market, economic and financial data, statistical information, data on pricing and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies or sectors, and market, economic and financial studies and forecasts. Wayzata does not intend to enter into agreements with brokers regarding specific amounts of brokerage, nor does Wayzata intend to enter into formal soft dollar arrangements.

Wayzata purchases or sells securities and investments on behalf of the Funds based on their respective investment objectives and policies. In allocating investment opportunities, Wayzata seeks to treat all the Funds fairly and equitably over time. In general, Wayzata allocates investment opportunities pro rata amongst all Funds that are permitted to participate.

Wayzata may purchase or sell the same investment at the same time for more than one Fund. In these cases, trades in the same investment for Funds that are using the same broker or dealer will be bunched. Each of the Funds participating in a bunched order (including any partial fills) will receive the average price and will share pro rata in the transaction costs based on a Fund’s allocation.



### **Item 13. Review of Accounts**

Wayzata's operations group, investment team, Chief Financial Officer and Manager review the Funds' investments position, accounts and cash activity on a daily and monthly basis. In addition, each Fund is reviewed regularly by the firm's Chief Compliance Officer.

Each Fund investor receives unaudited financial statements and written Manager reports on a quarterly basis. The Funds also provide investors with quarterly capital account statements. Audited financial statements issued by a nationally recognized public accounting firm are provided to Fund investors annually within 90 days.

Further information regarding the nature and frequency of Fund reporting is set forth in the respective Fund Documents.

### **Item 14. Client Referrals and Other Compensation**

Wayzata currently has no arrangements regarding client referrals or other compensation. Use of a placement agent in connection with the sale of interests in a Fund is disclosed in the respective Fund Documents.

### **Item 15. Custody**

Wayzata is deemed by the applicable regulatory rules to have constructive custody of the assets of the Funds and complies with the applicable requirements. All Funds utilize independent, third party qualified custodians and are subject to an annual audit prepared in accordance with U.S. generally accepted accounting principles by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Fund investors receive audited financial statements on an annual basis (within 90 days of the Fund's year end). Fund investors should carefully review all statements.

### **Item 16. Investment Discretion**

Wayzata exercises investment discretion over all of the Funds' accounts as set forth in the respective Fund Documents.

### **Item 17. Voting Client Securities**

Wayzata's general policy is to vote proxy proposals relating to securities held by the Funds in a manner that best serves the interest of the Funds. It is possible Wayzata may have a conflict of

interest in connection with voting on a particular matter, such as with respect to an issuer held in a Fund that is also a Fund investor. If a conflict exists that cannot be otherwise addressed, Wayzata may choose one of several options including: (1) voting in accordance with its standard proxy procedures, if it involves little or no discretion; (2) voting as recommended by a third party service; (3) seeking investor input on or waiver of the conflict regarding the vote; or (4) abstaining from voting.

A copy of Wayzata's proxy voting policies and procedures, as well as information on how proxies were voted for a Fund's securities, is available to a Fund's investors upon request.

## **Item 18. Financial Information**

Each registered investment adviser is required to disclose whether it has any financial condition that could impair its ability to meet its contractual commitments to its clients, and whether it has been the subject of a bankruptcy proceeding. Wayzata does not have any adverse financial conditions to disclose and has never been the subject of a bankruptcy proceeding.