

Longacre Fund Management, LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Longacre Fund Management, LLC (the “Company”). If you have any questions about the contents of this brochure, please contact us at 212-259-4300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Additional information about the Company is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

The most recent update to Part II of Form ADV of Longacre Fund Management, LLC (the “Company”) was made on June 1, 2010. This is the first version of Form ADV, Part 2A. As of July 31, 2010, all investors have withdrawn from Longacre Capital Partners (QP), L.P. (“LQP”), a Client Fund (as defined below) of the Company. LQP has been closed since July 31, 2010 and is in the process of winding down, which consists of selling the assets remaining in LQP’s special purpose vehicles or in the record holder name of LQP. In December 2010, the Company’s London-based affiliate, Longacre Fund Management (UK) LLP, ceased operations and closed its office primarily due to diminished investment opportunities in European credits over the past few years. In 2010, the United States Securities and Exchange Commission (the “SEC”) required significant changes to the content and format of Part II of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by the Company in prior years.

Table of Contents

Material Changes	2
Table of Contents	2
Advisory Business	3
Fees and Compensation	5
Performance Based Fees and Side-by-Side Management	9
Types of Clients	9
Methods of Analysis, Investment Strategies and Risk of Loss	11
Disciplinary Information	13
Other Financial Industry Activities and Affiliations	13
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
Brokerage Practices	15
Review of Accounts	19
Client Referrals and Other Compensation	20
Custody	20
Investment Discretion	21
Voting Client Securities	21
Financial Information	23
Index of Certain Defined Terms	24

Advisory Business

The Company was founded in 1998 by its principals – John Brecker, Vladimir Jelisavcic, and Steven Weissman (the “Portfolio Managers”). The Company is wholly owned by Longacre IM Holdings, LP, a Delaware limited partnership (“LIM”). Vladimir Jelisavcic is the only person or entity that owns more than 25% of LIM.

The Company serves as an investment manager or adviser to pooled investment vehicles, including private investment partnerships and foreign investment companies, organized to invest in securities and other financial instruments (each a “Client Fund”). The Company specializes in distressed investments including corporate bonds, corporate bank loans, trade claims, and special situation equities. In providing such services to each Client Fund, the Company formulates its investment objective(s), directs and manages the investment and reinvestment of each Client Fund’s assets and provides reports to the underlying investors. In relevant circumstances, an affiliate of the Company acts as the general partner of a Client Fund. The Company tailors its advice to the individual needs of each Client Fund and manages the assets of each Client Fund, on a discretionary basis, in accordance with the terms of the governing documents applicable to each Client Fund. The Company also provides investment advisory or consulting services to certain separately managed accounts, on behalf of specific clients based on an agreed set of investment guidelines (“Managed Accounts” and, together with the Client Funds, “Advisory Accounts”). The Company tailors its advice to the individual needs of the Managed Accounts, which may impose certain guidelines and/or restrictions on investing in certain securities or types of securities.

Currently, the Company provides investment advisory services and serves as the investment manager to the Client Funds listed on Tables 1 and 2 below. The Client Funds listed in Table 2 are pooled investment vehicles which have been created at the direction of and with significant input from, either a primary underlying investor or a fund-of-funds sponsor with multiple underlying investors (“Dedicated Funds”). Dedicated Funds generally have fund structures, liquidity schedules, financial terms, and other terms which have been customized and which make them distinct from the other Client Funds. At present, the Company does not actively present the Dedicated Funds to the Company’s prospective investors as potential investment options.

TABLE 1

Client Fund	Jurisdiction	Type of Entity	Feeder Funds (if a Master Fund)	Directors or General Partner (“GP”)
Longacre Capital Partners II, L.P. (“LCP II”)	Delaware	Limited Partnership	N/A	GP: Longacre Management II, LLC
Longacre International II, Ltd. (“LIL II”)	Cayman Islands	Exempted Limited Company	N/A	Directors: Steven Weissman, Ronan Guilfoyle (independent), David Bree (independent)
Longacre Master Fund II, L.P.	Cayman Islands	Exempted Limited Partnership	LCP II & LIL II	GP: Longacre Management II, LLC
Longacre Capital Partners, L.P. (“LCP”)	Delaware	Limited Partnership	N/A	GP: Longacre Management, LLC
Longacre International, Ltd. (“LIL”)	Cayman Islands	Exempted Limited Company	N/A	Directors: Steven Weissman, Ronan Guilfoyle (independent), David Bree (independent)
Longacre Master Fund, Ltd.	Cayman Islands	Exempted Limited Company	LCP & LIL	Directors: Steven Weissman, Vladimir Jelisavcic, John Brecker
Longacre Opportunity Fund, L.P.	Delaware	Limited Partnership	N/A	GP: Longacre Opportunity Management, LLC
Longacre Opportunity Offshore Fund, Ltd.	Cayman Islands	Exempted Limited Company	N/A	Directors: Vladimir Jelisavcic, Ronan Guilfoyle (independent), David Bree (independent)
Longacre Credit Event Fund, L.P. (“LCE”)	Delaware	Limited Partnership	N/A	GP: Longacre CE Management, LLC
Longacre Credit Event Offshore Fund, Ltd. (“LCEO”)	Cayman Islands	Exempted Limited Company	N/A	Directors: Steven Weissman, Ronan Guilfoyle (independent), David Bree (independent)
Longacre CE Master Fund, L.P.	Cayman Islands	Exempted Limited Partnership	LCE & LCEO	GP: Longacre CE Management, LLC
Longacre Capital Partners (QP), L.P. ¹	Delaware	Limited Partnership	N/A	GP: Longacre Management, LLC

TABLE 2

Client Fund	Jurisdiction	Type of Entity	Feeder Funds (if a Master Fund)	Directors or General Partner (“GP”)
Longacre Institutional Opportunity Fund, L.P.	Delaware	Limited Partnership	N/A	GP: Longacre Opportunity Management, LLC
Dover Fund, L.P. (“DFLP”)	Delaware	Limited Partnership	N/A	GP: Longacre Management, LLC
Dover Offshore Fund, Ltd. (“DOF”)	Cayman Islands	Exempted Limited Company	N/A	Directors: Steven Weissman, Ronan Guilfoyle (independent), David Bree (independent)
Dover Master Fund, L.P.	Cayman Islands	Exempted Limited Partnership	DFLP & DOF	GP: Longacre Management, LLC
Dover Offshore Fund II, Ltd. (“DOF II”)	Cayman Islands	Exempted Limited Company	N/A	Directors: Steven Weissman, Ronan Guilfoyle (independent), David Bree (independent)
Dover Master Fund II, L.P.	Cayman Islands	Exempted Limited Partnership	DOF II	GP: Longacre Management, LLC

¹ This Client Fund is closed and in the process of liquidating.

The Feeder Funds invest substantially all of their capital and conduct their investment programs and trading activities through their respective Master Funds. Each Feeder Fund's respective interest in its Master Fund is proportional to its net capital investment in such Master Fund. The Master Funds are securities portfolios that are managed by the Company. Currently, the Company provides investment advisory services to the Feeder Funds named above through these "master/feeder" structures.

In addition, two affiliates of the Company, LSE Fund Management, LLC ("LSEFM") and Longacre European Fund Management, LLC ("LEFM"), act as investment managers to certain Client Funds and conduct their operations in accordance with the Investment Advisers Act of 1940, as amended ("Advisers Act") as if they were each a registered investment adviser. The Company has a sub-advisory relationship with (a) LSEFM to provide investment advisory services to Longacre Special Equities Fund, L.P. ("LSELP"), a Delaware limited partnership whose general partner is LSE Partners, LLC, and (b) LEFM to provide investment advisory services to Longacre Europe II, Ltd., a Cayman Islands exempted limited company that is closed and in the process of liquidating.

Interests in the Client Funds are not registered under the Securities Act of 1933, as amended ("Securities Act") and such Client Funds are not registered under the Investment Company Act of 1940, as amended ("Investment Company Act"). Accordingly, interests in such Client Funds are offered to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. Typically, these investors are institutions, multi-manager funds, and high net worth individuals. In rare instances, interests in Client Funds may be offered to persons from whom the Company sources trade claims or other investments for the Client Funds, provided that such persons otherwise satisfy applicable eligibility and suitability requirements.

As of January 31, 2011, the Company managed \$781,702,550 on a discretionary basis on behalf of approximately 22 Advisory Accounts and approximately 17 corresponding special purpose vehicles for certain of the Advisory Accounts. *See Fees and Compensation section below for further discussion regarding special purpose vehicles.*

Types of Investments

The Company invests in a variety of distressed instruments (i.e., the obligations of companies which are in bankruptcy, or are perceived to be having financial difficulties) including corporate bonds, corporate bank loans, trade claims, special situation equities, credit default swaps, options, and other instruments as authorized by an Advisory Account. Under certain economic or market conditions when an Advisory Account's portfolio requires a temporary defensive position, the Company has the option to invest in U.S. Government securities, such as Treasury bills, notes and bonds; cash; money market funds; certificates of deposit; time deposits; bankers' acceptances and other short term debt interests.

Fees and Compensation

Compensation received by the Company from Advisory Accounts is generally comprised of fees based on a percentage of assets under management and performance-based amounts. Such fees are negotiable, at the discretion of the Company on a case-by-case basis, for Managed Account clients and Client Fund investors.

Asset-based fees are payable and deducted quarterly as of the last day of the calendar quarter. The Managed Accounts may elect to have the Company either (1) bill them for fees incurred, or (2) deduct fees directly from their assets. The Company deducts fees directly from the Client Funds' assets.

Generally, performance-based compensation is subject to a "high watermark," such that if an investor in a Client Fund suffers an aggregate loss of capital during the period for which performance-based compensation would be applied, no such compensation would be due to the Company or its affiliates until the loss of capital is first recovered. Generally, performance-based compensation will be paid to the respective investment managers of those Client Funds structured as offshore companies, and to the respective general partners of those Client Funds structured as partnerships. Generally, Client Funds have a fiscal year ending on December 31 of each calendar year. The Company (and/or the respective general partner), at its discretion, may waive all or a portion of the performance-based compensation. Such performance-based compensation may be paid or allocated at the Master Fund level for any of the Client Funds.

An early redemption charge may be deducted from a redeeming Client Fund investor's account for any redemption of interests or shares within the applicable lock-up period of the corresponding investment, and generally is paid to the Client Fund to cover the costs attributable to the sale of assets to raise cash for such redemption. The early redemption charges with respect to the Client Funds are as set forth on Table 3. With respect to LCE and LCEO (the "Credit Event Funds"), either a 2% rescission fee may be charged or an additional six (6) month lock-up period may be imposed in the event that an investor rescinds a submitted notice of redemption. With respect to LIL II and LCP II, if an investor rescinds a submitted notice of redemption, an additional twelve (12) month lock-up period may be imposed. Additional details concerning applicable "lock-up" restrictions are set forth in the respective Client Fund's Private Offering Memorandum and Table 4 below.

Notwithstanding the foregoing, the Company has the discretion to agree with investors in the Client Funds to waive or modify the application of any provision of the investment terms applicable to such investor in a "side letter" or in any other manner, without obtaining the consent of any other investor in such Client Fund (other than MFN Investors, as defined below, who may have consent rights). Side letter terms may include, without limitation, lock-up waivers, asset-based fee rebates, and other types of more favorable fee or liquidity terms. The Company may also grant additional transparency or any form of additional disclosure with respect to the performance or operation of a Client Fund to an investor without obtaining the consent of or granting similar rights to the other investors in such Client Fund. In addition, certain investors ("MFN Investors") have negotiated for a "most favored nation" provision, permitting them to elect to receive the benefit of any modification or waiver of terms another investor participating in the same Client Fund receives.

In addition, in December 2007 the Company agreed to reimburse one MFN Investor (a state tax-exempt trust) for a portion of certain shared travel expenses (at state per diem rates) in order to conduct post-investment due diligence on the Company or the Client Fund in which it is invested (currently LIL II). The reimbursement is made by the Company and not the Client Fund. The Company can terminate this arrangement at any time upon 30 days' written notice.

The fees and compensation generally received by the Company and/or its affiliated investment managers with respect to the Client Funds are as set forth on Table 3 below.

TABLE 3

Client Fund	Asset-Based Fee²	Performance-Based Compensation³	Early Redemption Charge
Longacre Capital Partners II, L.P. (Class A & Class D)	1.50% per annum	20%	2%
Longacre International II, Ltd. (Class A & Class D)	1.50% per annum	20%	2%
Longacre Capital Partners II, L.P. (Class B & Class E)	1.25% per annum	20%	4%
Longacre International II, Ltd. (Class B & Class E)	1.25% per annum	20%	4%
Longacre Capital Partners II, L.P. (Class C & Class F)	1.00% per annum	15%	5%
Longacre International II, Ltd. (Class C & Class F)	1.00% per annum	15%	5%
Longacre Capital Partners, L.P.	1.50% per annum	20%	2%
Longacre International, Ltd.	1.50% per annum	20%	2%
Longacre Special Equities Fund, L.P.	1.50% per annum	20%	4%
Longacre Credit Event Fund, L.P.	1.50% per annum	20%	4%
Longacre Credit Event Offshore Fund, Ltd.	1.50% per annum	20%	4%
Longacre Opportunity Fund, L.P.	1.25% per annum	20%	5% prior to initial redemption date and 2.5% thereafter if the investor redeems other than on a regular redemption date
Longacre Opportunity Offshore Fund, Ltd.	1.25% per annum	20%	5% prior to initial redemption date and 2.5% thereafter if the investor redeems other than on a regular redemption date

² Asset-based fees are based on the aggregate fair market value of the relevant Client Fund's net assets.

³ Performance-based compensation is based on net realized and unrealized profits above the high water mark of each year calculated as of the end of each fiscal year and generally paid within 90 days thereof.

The Managed Accounts and the Dedicated Funds pay asset-based fees and performance-based fees that differ from Table 3. In addition, the Company provides investment advisory services to a Managed Account that contains a single holding; the Company does not charge any fees to this Managed Account.

Redemption proceeds to any investor may be paid in kind, including in the form of non-voting, non-redeemable equity interests in a special purpose vehicle (an “SPV”) that will share in future profits and losses derived from certain difficult to value and/or illiquid assets held by the applicable Client Fund as of the redemption date. An SPV will make periodic distributions of proceeds, net of expenses of the SPV, as underlying positions are realized (in transactions that will be carried out on the basis of the investment objectives and strategy of the applicable Client Fund as an ongoing investment enterprise) and will not participate in new opportunities. Any SPV will be managed by the Company or an affiliate thereof, and the Company (or the affiliate) will charge an administrative fee to defray the costs and expenses of such management.

The Company pays reasonable and customary trade claim sourcing commissions to employees of the Company. Such commissions are reimbursed to the Company by the Advisory Accounts. This practice may present a potential conflict of interest and may give the Company, its affiliates, and/or their employees an incentive to recommend investment products based on the commission compensation received, rather than on an Advisory Account’s needs. However, the Company mitigates such risk by providing disclosure to Advisory Accounts and underlying investors and by having a Portfolio Manager and the Company’s Chief Financial Officer (“CFO”) actively monitor employees’ activity in this area. In addition, the Company has adopted policies and procedures that require employees to act in the best interest of Advisory Accounts and maintain research files to document the basis for, and legitimacy of, investment decisions. Please note that the Company charges advisory fees in addition to the aforementioned trade claim sourcing commissions. The Company does not reduce advisory fees, performance-based fees, or any other applicable fees to offset the trade claim sourcing commissions.

Occasionally, as a by-product of the Company’s trade claim-sourcing effort on behalf of the Advisory Accounts, the Company comes across trade claims that although marketable, are not suitable for the Advisory Accounts due to their nature, size, or other criteria. In these cases, we attempt to purchase the trade claims for immediate re-sale, thus realizing a “spread” for the benefit of the Advisory Accounts. In certain cases, the trade claims are too large relative to the position concentration limits, size, or liquidity of the Advisory Accounts for the Advisory Accounts to purchase and sell such trade claims as principal. In those cases, the Company may attempt to arrange a direct transaction between a third-party buyer and seller and earn a fee for itself. The Advisory Accounts would bear adverse tax consequences, such as UBIT, or encounter unwanted effectively connected income issues if the Advisory Accounts received the fee income. In addition, it is important for the Company to arrange these third-party transactions in order to stay in touch with the markets and foster relationships for future transactions suitable for the Advisory Accounts.

Other Fees and Expenses

The Advisory Accounts bear certain ongoing investment-related costs, including, but not limited to, custodial, legal, research-related consultancy and other professional expenses. In addition, Advisory Accounts will incur brokerage and other transaction costs.⁴ The investment management agreements

⁴ Please see the Brokerage Practices section below for further information about this area.

and/or the Private Offering Memoranda of the Advisory Accounts discuss these other expenses and costs in greater detail.

Client Funds also incur other fees and expenses, which are paid to third party service providers, such as audit fees, directors' fees, and administrator fees.

Performance Based Fees and Side-by-Side Management

With the exception of certain Managed Accounts, the Company charges performance-based fees which are fees based on a share of the gains of an Advisory Account's assets.

The fact that the Company is compensated based on the performance of its investments (i.e., realized and unrealized gains) may create an incentive for the Company to make investments on behalf of Advisory Accounts that are riskier or more speculative than would be the case in the absence of such compensation. As a result, performance-based fees earned could be based on unrealized gains that Advisory Accounts may never realize. In addition, with few exceptions, the Company manages Advisory Accounts that are charged a performance-based fee and an asset-based fee. The Company thus may have an incentive to favor Advisory Accounts for which the Company or an affiliate receives a performance-based fee.

However, the Company mitigates such risk by providing disclosure to Advisory Accounts and underlying investors and by instituting a supervisory structure that generally requires multiple layers of review with respect to portfolio management and trade allocation decisions. In addition, the Company has adopted policies and procedures that require employees to act in the best interest of Advisory Accounts and maintain research files to document the basis for, and legitimacy of, investment decisions. Further, the Company's Portfolio Managers are mindful of the investment objectives of the Advisory Accounts, and the Company has a process to monitor compliance with formal investment guidelines and informal risk management guidelines implemented by the Company. Finally, the Company's Investment Committee convenes at least quarterly to oversee the investment process and material investment decisions.

Types of Clients

The Company serves as investment manager to the Client Funds, and specializes in distressed investments including, among other things, corporate bonds, corporate bank loans, trade claims, special situation equities, credit default swaps, and options. Typically, the investors in the Client Funds are institutions, multi-manager funds, and high net worth individuals. The Company also provides discretionary investment sub-advisory or consulting services based on an agreed set of investment guidelines through separately managed accounts to certain fund managers or sponsors, including (a) a long-biased alternative investment fund managed by an established asset management firm, for which the Company manages a concentrated portfolio of generally liquid distressed debt assets; (b) a non-U.S. dedicated pooled investment fund sponsored by an established asset management firm, for which the Company manages a portfolio of reorganized, stressed and special situations equities; (c) a hedge fund-of-funds separate account platform that is in wind-down mode; and (d) a fund-of-funds sponsor for which the Company manages a single holding.

Conditions for Managing Accounts

Details concerning applicable suitability criteria are set forth in the respective Client Fund's Private Offering Memorandum and Subscription Agreements.

Although the Company has the authority to accept subscriptions for any lesser amount, the minimum initial investments are as follows:

- Longacre Capital Partners II, L.P. (Class A and Class D Interests) - \$5,000,000
- Longacre Capital Partners II, L.P. (Class B and Class E Interests) - \$10,000,000
- Longacre Capital Partners II, L.P. (Class C and Class F Interests) - \$20,000,000
- Longacre International II, Ltd. (Class A and Class D Shares) - \$5,000,000
- Longacre International II, Ltd. (Class B and Class E Shares) - \$10,000,000
- Longacre International II, Ltd. (Class C and Class F Shares) - \$20,000,000

- Longacre Capital Partners, L.P. – \$2,500,000
- Longacre International, Ltd. - \$2,500,000

- Longacre Opportunity Fund, L.P. - \$1,000,000
- Longacre Opportunity Offshore Fund, Ltd. - \$1,000,000

- Longacre Special Equities Fund, L.P. - \$1,000,000

- Longacre Credit Event Fund, L.P. - \$500,000
- Longacre Credit Event Offshore Fund, Ltd. - \$500,000

- Longacre Institutional Opportunity Fund, L.P.⁵ – N/A
- Dover Fund, L.P.⁵ - \$100,000
- Dover Offshore Fund, Ltd.⁵ - \$100,000
- Dover Offshore Fund II, Ltd.⁵ - \$100,000

⁵ LIOF and the Dover Funds (i.e., the Dedicated Funds) have been created at the direction of and with significant input from, either a primary underlying investor or a fund-of-funds sponsor with multiple underlying investors. At present, the Company does not actively present the Dedicated Funds to the Company's prospective investors as potential investment options.

Table 4 below sets forth the lock-up periods, redemption frequency and redemption notice periods for the Client Funds (other than the Dedicated Funds):

TABLE 4

Client Fund	Lock-Up Period	Redemption Frequency	Notice Period
LCP II - Class A & D	12 months	Quarterly	90 days but not more than 104 days
LIL II - Class A & D	12 months	Quarterly	90 days but not more than 104 days
LCP II - Class B & E	24 months	Semi-Annually	60 days but not more than 74 days
LIL II - Class B & E	24 months	Semi-Annually	60 days but not more than 74 days
LCP II - Class C & F	36 months	Semi-Annually	60 days but not more than 74 days
LIL II - Class C & F	36 months	Semi-Annually	60 days but not more than 74 days
LCP	12 months	Quarterly	60 days
LIL	12 months	Quarterly	60 days
LCE	6 months	Monthly	30 days but not more than 37 days
LCEO	6 months	Monthly	30 days but not more than 37 days
LSE	6 months	Monthly	30 days
LOF	24 months	Quarterly	90 days but not more than 104 days
LOOF	24 months	Quarterly	90 days but not more than 104 days

Redemptions of interests or shares in the Credit Event Funds are subject to a 50% gate, such that if aggregate withdrawal requests received as of any redemption date represent more than fifty percent (50%) of the net asset value of either Credit Event Fund as of such redemption date, the general partner or the directors, as applicable, may, in their discretion, cause the Credit Event Fund to (i) satisfy all of such redemption requests, or (ii) reduce all redemption requests as of such redemption date *pro rata* so that no more than fifty percent (50%) of the net asset value of the Credit Event Fund is redeemed as of such redemption date.

Each U.S. investor participating in a Client Fund is required to meet certain suitability and net worth qualifications, such as by qualifying as an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act, and/or a “qualified purchaser” as defined in the Investment Company Act, depending on the applicable eligibility requirements of the respective Client Fund. In addition, each U.S. investor in a Client Fund must also satisfy the suitability requirements under Rule 205-3 under the Advisers Act, which prescribes certain requirements which must be satisfied in connection with the Company’s receipt of performance-based compensation.

Methods of Analysis, Investment Strategies and Risk of Loss

Investing in distressed companies is a form of “event-driven” investing whereby the Company bases its decision to invest on the occurrence of an event, usually the confirmation of a bankruptcy plan of reorganization or liquidation that distributes cash and/or securities, or the maturity of a discounted instrument such as a bond or an account receivable that allows the Advisory Account to realize a return on its investment. The types of securities and other instruments in which the Advisory Accounts invest are typically speculative and involve a substantial degree of risk. Therefore, any investor who subscribes, or proposes to subscribe, for an investment in an Advisory Account must be

able to bear the risks involved and must meet the suitability requirements. All Advisory Accounts and investors should be prepared to bear the potential risk of loss, including the potential loss of all capital invested.

In addition, each investment strategy used by the Company has certain material risk factors. Material risk factors related to the distressed debt strategy include price and market volatility, domestic or international economic and political developments, incorrect analysis, restrictions on or non-marketability of the securities or instruments, and lengthy delays in bankruptcy reorganizations. Material risk factors related to the special situation equities strategy include price and market volatility, domestic or international economic and political developments, incorrect analysis, interest rate fluctuations, and changes in exchange rates and exchange control regulations.

The Company uses fundamental analysis to identify investment opportunities in distressed debt and special situation equities for the Advisory Accounts to which the Company provides discretionary investment advice. The Company considers potential investments by analyzing a company's operations, its long-term ability to generate cash flow, its place in its industry, and the future of the industry itself. Emphasis is placed on companies that have a strong franchise that is not easily duplicated, and companies that manufacture a product as opposed to those that provide a service. Generally, companies that have negative cash flow or venture risk would not be considered as a potential investment. The Company's investment research focuses on intensive analysis that measures the value of a distressed company and its surviving business. The research also includes a liquidation analysis of the value of a company's assets and how that value may be distributed to creditors in a bankruptcy. The Company values all the liabilities of a company based on market prices in order to determine the current market value of a company's debt.

In order to achieve the investment goals of its Advisory Accounts, the Company also engages in investment strategies that include derivatives and foreign exchange contracts.

The Company sources new ideas through direct sector/industry research, the media, public filings, broker-dealers and numerous professional relationships. The Company also holds frequent investment meetings in which principals and analysts present new ideas and discuss developments in existing positions.

The Company may invest in more than one segment of a portfolio company's capital structure if the opportunity is appropriate relative to risk while monitoring and assessing the variety of scenarios through which a company may emerge from bankruptcy, pursue a liquidation or complete a balance sheet restructuring. The Advisory Accounts and their investors should recognize the fact that conflicts may arise because portfolio decisions regarding a Client Fund or Managed Account may either harm or benefit the Company or other Client Funds and Managed Accounts. For example, when in the best interests of the Advisory Accounts, the Company will pursue or enforce rights available to creditors with respect to an issuer in which a Client Fund or Managed Account has invested in the debt of such issuer, and those activities may have an adverse effect on the equity holdings of other Client Funds or Managed Accounts. Each Advisory Account will make decisions in its own best interest without regard to the impact on the Company or the other Advisory Accounts. As a result, prices, availability, liquidity and terms of an Advisory Account's investments may be negatively impacted by the Company's activities, and transactions for an Advisory Account may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case. The Company shall have the sole authority to determine how best to deal with conflicts that may arise related to investments in different parts of an issuer's capital structure. Any actual or potential conflicts are

brought to the attention of the Company's Chief Compliance Officer ("CCO") and/or Investment Committee for appropriate consensus resolution.

Disciplinary Information

The Company and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to the evaluation of the Company or its personnel by Advisory Accounts and/or their underlying investors.

Other Financial Industry Activities and Affiliations

For Client Funds formed as limited partnerships, the Company or an affiliate serves as investment manager and general partner. The Company serves as investment manager for all Client Funds organized as Cayman Islands exempted companies. Investments in any of the Client Funds of which the Company or any affiliate is investment manager or general partner are conducted on a private placement basis and prospective investors are solicited only by means of the current Private Offering Memorandum of the relevant Client Fund.

In addition, LSEFM and LEFM, act as investment managers to certain Client Funds and conduct their operations in accordance with the Advisers Act as if they were each a registered investment adviser, as identified in the Advisory Business section of this brochure. Pursuant to a sub-management agreement with LSEFM, the Company provides substantially all day-to-day investment management services to LSELP.

The Company, LSEFM, and LEFM also serve as managers of the SPVs. Investors in certain Client Funds who elected to redeem all or a portion of their investments as of certain quarter-ends (and, in some cases, month-ends) since December 31, 2008, received a small portion of their redemption proceeds in the form of pro rata interests in the SPVs.

The Company and other related persons act as investment advisers, investment managers, or general partners to certain Advisory Accounts.

Since the Company has more than one Advisory Account, the Company's personnel cannot devote their exclusive attention to any single Advisory Account. On occasion, the interests of one Advisory Account may conflict with those of another. For example, certain Client Funds have similar investment mandates. As a result, it is sometimes necessary for the Company to allocate limited opportunities among them rather than allocate the entire opportunity to any one Advisory Account. The Company seeks to make those allocations in a fair and equitable manner.

The Company may receive material non-public information about an entity on behalf of one Advisory Account (for example, as a member of a creditors committee in a bankruptcy or as a holder of bank debt), which restricts the Company from trading in the securities of the entity not only for that Advisory Account but for all other Advisory Accounts, some of which could be disadvantaged by the trading restriction.

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

The Company has instituted a Code of Ethics, predicated on the principle that the Company and its employees owe a fiduciary duty to the Company's Advisory Accounts and investors. Accordingly,

employees of the Company must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of the Company's Advisory Accounts and investors. At all times, employees of the Company will (i) place the Company's Advisory Accounts' and investors' interests ahead of the Company's and their own interests, (ii) pre-clear certain personal securities transactions, (iii) report personal securities transactions at least quarterly, (iv) provide the Company with a detailed summary of certain investment holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest, (v) abide by the Company's Insider Trading Policy, (vi) avoid taking advantage of their position of employment (i.e., employees will not accept investment opportunities, gifts, or other gratuities from individuals seeking to conduct business with the Company, other than in accordance with the Company's Gift Policy), and (vii) maintain full compliance with the Federal Securities Laws, including, but not limited to, Section 204A and Rule 204A-1 of the Advisers Act. The Company shall, upon request, furnish Advisory Accounts investors, prospective Advisory Accounts, and prospective investors with a copy of the Code of Ethics.

The Company currently does not permit discretionary personal trading of individual equities and corporate bonds by employees in unmanaged accounts. Notwithstanding the foregoing, employees may (but will not be obligated to) sell existing positions ("Legacy Positions") in unmanaged personal accounts, subject to applicable restrictions and approval requirements set forth below.

In the event a Covered Entity⁶ has a Legacy Position in a company that the Company is analyzing and/or considering for potential investment ("Analyzing") or in which one or more of the Company's Advisory Accounts holds a position ("Holding") or in which the Company is otherwise restricted ("Restricted"); the Covered Entity must not sell or otherwise transfer such investment in such company until the Company is no longer Analyzing and/or Restricted, or the Advisory Accounts are no longer Holding, whichever is later.

Notwithstanding the foregoing restrictions but subject to the Company's pre-clearance policy and reporting policy, employees are permitted to invest in mutual funds, ETFs, hedge funds, master limited partnerships (organized as exchange-traded or as funds) and other similar pass-through investments, brokerage accounts managed professionally with no input or direction whatsoever from the Covered Entity ("Broker-Managed Accounts"), and/or other accounts managed on a fully discretionary basis by a money manager and over which the Covered Entity has no direct or indirect influence or control ("Professionally-Managed Accounts", and together with "Broker-Managed Accounts", collectively, "Third Party Managed Accounts"). The CCO will determine, on a case-by-case basis, whether an account or transaction qualifies for any of the foregoing exceptions. Third Party Managed Accounts can be opened or maintained subject to (i) prior written certification from the broker that the employee exercises no direct or indirect influence or control over the accounts and (ii) submission of the investment management agreement(s).

Based on the foregoing policies, the Company does not expect employees to have any significant investments in the same securities (or related securities such as warrants, options, or futures) that such employees recommend to Advisory Accounts. In addition, the Company does not expect to encounter

⁶ Covered Entities include all employees of the Company, and their respective spouses, children, grandchildren, parents, and other relatives living in the same household as such employee ("Covered Individuals"), and all organizations controlled by Covered Individuals ("Covered Organizations", and together with Covered Individuals, collectively, "Covered Entities"). All Covered Entities are deemed "Access Persons" as that term is defined in the Advisers Act.

any material instances when employees buy or sell securities for Advisory Accounts at or about the same time that such employees buy or sell the same securities for their own accounts. Finally, the Company does not expect to encounter any material instances where employees recommend to Advisory Accounts, or buy or sell for Advisory Accounts, securities in which such employees have a material financial interest.

The Company's policy is to prohibit principal transactions. Consequently, neither the Company nor any employee may engage in a principal transaction with one of the Advisory Accounts. The Company does not have any stand-alone proprietary trading accounts. However, in the event more than 25% of a Client Fund is owned by the Company, its affiliates, their principals, their employees, and/or their relatives, and is thus deemed to be a proprietary account, no direct transactions involving such Client Fund and another Advisory Account shall occur. To the extent such Client Fund and another Advisory Account wish to trade in the same security in opposite directions, such transactions may be permitted provided the transactions are executed using two separate counterparties or using the same counterparty on two different days.

The Company does not recommend that the Managed Accounts invest in Client Funds managed by the Company.

Brokerage Practices

The Company seeks to obtain the best execution in making its decisions regarding brokerage allocation for the Advisory Accounts, taking into account such factors as, without limitation, the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the level of anonymity provided; the number of errors committed by each broker; access to liquidity and investment opportunities; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Company's other selection criteria. The Company is authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide the Company with investment and research information. In addition, since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. Therefore, although the Company generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Such practices may occur if the Company determines that such prices or commissions are reasonable in relation to the overall brokerage and research products and services provided.

The Company may occasionally participate in or source certain investments (including trade claims) for the Advisory Accounts from or through (a) investors or entities that are related to investors and/or (b) unaffiliated counterparties with whom the Company has an ongoing business relationship that is unrelated to buying and selling financial instruments. These transactions may give the appearance of a conflict of interest. The Company will review all such potential conflicts of interest to ensure that such investment sources are capable of providing the best price and overall execution as to a particular transaction.

In addition, the Company periodically reviews counterparty and other risks associated with prime brokers and custodians. At present, a combination of Goldman Sachs & Co., J.P. Morgan Clearing Corp. and BNP Paribas Prime Brokerage, Inc. serve as custodians and prime brokers for the Advisory Accounts. In addition, JP Morgan Chase & Co. and HSBC Global Asset Management (USA) Inc. serve as the primary custodians for the Advisory Accounts' cash.

Soft Dollars

The Company does not currently maintain any formal soft dollar arrangements. However, certain brokerage firms provide the Company with proprietary and third-party research and other brokerage products and services (e.g., trading desk access, investor conferences, broker-sponsored management team dinners, etc.). The Company has determined that it would obtain these services regardless of the amount of commissions it generates throughout the year. Therefore, the Company is not "paying-up" for proprietary and third-party research and other brokerage products and services.

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides that a person who exercises investment discretion with respect to an account will not be deemed to have acted unlawfully or to have breached a fiduciary duty solely by reason of such person's having caused the account to pay a broker more than the lowest available commission if such person determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by such broker. Should the Company enter into any formal soft dollar arrangements in the future, the Company intends to only acquire brokerage and research products and services that fall within the safe harbor afforded by Section 28(e).

In receiving research, trading desk access, or other products or services from the brokerage firms with which the Company does business, the Company receives a benefit because it does not have to produce or pay for the research, products, or services. As such, the Company may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its Advisory Accounts' interest in receiving most favorable execution. In certain circumstances, the Company may cause Advisory Accounts to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for the research, trading desk access, or other products and services received. However, the Company has determined that it would obtain these services regardless of the amount of commissions it generates throughout the year, and the Company only does business with brokerage firms if it determines that such prices or commissions are reasonable in relation to the overall brokerage and research products and services provided.

The Company does not direct brokerage to particular broker-dealers solely due to the reception of particular research and other products and services received from such broker-dealers. Rather, the Company evaluates all of the previously described factors in determining where to execute transactions. The Company does not have any obligation to direct a certain amount of commissions or transactions to any particular brokerage firm.

The Company uses the research, trading desk access, and other peripheral benefits received from brokerage firms to benefit or service all of the Company's Advisory Accounts. However, the Company does not necessarily seek to allocate such benefits to Advisory Accounts proportionately to the amount of trading activity or commissions generated by particular Advisory Accounts.

Referrals

The Company does not consider, in selecting or recommending broker-dealers to execute transactions, whether the Company or a related person receives client or investor referrals from a broker-dealer or other third party. To the extent that the Company receives such referrals, they do not constitute a material aspect of the Company's marketing efforts. Notwithstanding, the Company may have an incentive to select or recommend a broker-dealer based on its interest in receiving referrals, rather than on its Advisory Accounts' interest in receiving most favorable execution. The Company understands its fiduciary duty to seek to achieve best execution with respect to Advisory Account transactions and does not have any policy of directing Advisory Account transactions to a particular broker-dealer in return for referrals.

Trade Allocation and Aggregation

The Company requires all trades to be allocated in a manner that treats each Advisory Account fairly. The Company's Portfolio Managers are responsible for determining trade allocations. Generally, trades are executed together for the Advisory Accounts for which the Company deems the investment to be suitable based on disclosed investment objectives and other relevant factors as described in greater detail below (a "regular allocation"). The Company generally aggregates trades for investments that traditionally allow for trade aggregation. If aggregated trades are not filled at a uniform price, the Company will, to the greatest extent possible, allocate the trades such that the order for each Advisory Account is filled at the same effective price. However, there are instances in which a trade will be executed for a single Advisory Account and, in such event, will be documented accordingly. For example, occasionally trades are not aggregated due to significant cash flow into or out of certain Advisory Accounts. More specifically, this may occur to raise cash (for redemptions) or rebalance positions (for subscriptions) or for other reasons deemed in the best interest of the Company's Advisory Accounts.

The Company's Portfolio Managers will issue written trade allocation instructions prior to each trade. In doing so, a Portfolio Manager may indicate that a "regular allocation" be applied for Advisory Accounts grouped in a specific "unit" of Advisory Accounts. A "regular allocation" is defined as follows:

 Buys/Short Sales – allocation percentages are based upon beginning of the month assets under management of the Advisory Accounts as determined by the CFO or his designee.

 Sales/Cover Short – allocation is based on the timing of the purchase (short sale) of each Advisory Account's holdings with the oldest lots relieved first amongst the Advisory Accounts. If an Advisory Account has older lots than the other Advisory Accounts in the respective "unit," then those lots will be relieved first and thereafter pro rata amongst the Advisory Accounts, unless the Portfolio Manager specifically identifies an Advisory Account to which a trade should be allocated due to investor subscriptions or withdrawals in that Advisory Account. This policy is designed so as not to favor a particular Advisory Account over time.

The Company will occasionally deem it appropriate to deviate from the standard allocation procedures. This may occur, for example, if instruments are not severable and thus can only be allocated to one Advisory Account with respect to a given trade. The Company will seek to treat Advisory Accounts equitably over time and shall address any deviations from standard allocation procedures when making subsequent allocation determinations, taking into account relevant Advisory Account mandates, the materiality of particular trades, and other relevant factors. Deviations from the Company's allocation guidelines will be made in a fair and equitable manner, and will be approved by

the CCO, Chief Operating Officer or CFO in order to detect and prevent any potential concerns in this area.

Partial Fills

At times, the Company will not be able to purchase or sell all of the securities ordered on behalf of Advisory Accounts in a single day. In the case of a “partial fill,” securities will be allocated pro rata among Advisory Accounts for which orders have been submitted, according to the original orders.

De Minimis Reallocations

The Company reserves the right to reallocate securities to avoid a de minimis allocation. What constitutes a de minimis allocation shall be determined by a Portfolio Manager or trader after giving consideration to the size of the allocation relative to the size of the Advisory Account.

Cross Trades

The Company infrequently uses “cross” trades for Advisory Accounts. A cross trade occurs when the Company purchases and sells a particular investment between two or more Advisory Accounts under the Company’s management. The Company utilizes cross trades only when it specifically deems the practice to benefit each Advisory Account. The Company reviews the terms of each cross transaction, including the consideration paid or received by each Advisory Account, which must be fair and reasonable for each participant. Finally, certain Managed Accounts have negotiated a requirement that written consent be obtained prior to engaging in any cross transaction. The Advisory Accounts must not be considered “plan assets” for purposes of ERISA in order to participate in a cross trade. In addition, the Company will not engage in any cross trades with respect to positions in which the Company is restricted (i.e., in receipt of potential material, non-public information or otherwise restricted from trading), unless an exception can be made in accordance with federal securities laws. In such exceptional cases, the Company will (i) obtain and document third-party support for the valuation and (ii) first consult with and receive written approval of the CCO and qualified outside counsel. Finally, the Company does not receive additional compensation when crossing trades for Advisory Accounts.

Cross trades involve the potential conflict that the Company will favor one particular Advisory Account over another. For example, the Company may have a conflict to favor an Advisory Account that generates more revenue for the Company based on its fee structure. As another example, the Company may favor a particular Advisory Account if the Company, its affiliates, their principals, and/or their employees have a material ownership interest in the Advisory Account. Cross trades involve the potential conflict that the Company could move an investment that has performed poorly, or that the Company expects to perform poorly in the near future, to a particular Advisory Account if the Company cannot find a willing buyer/seller in the open market. The Company attempts to mitigate such conflicts by providing full disclosure of its practices in this area as well as through the internal review and consensus internal approval of cross trades.

Trade Errors

All trade errors will be investigated and resolved by the CFO, in consultation with the CCO, as soon as practicable taking into account the facts surrounding the trade, including the liquidity of the security involved. For example, if the Company has under-allocated securities in a purchase transaction, the Company will complete the order as soon as reasonably practicable at the price at which the original securities were purchased. If the Company has over-allocated securities in a purchase transaction and the Company determines that it is suitable for the other Advisory Accounts participating in the order to purchase additional securities, the Company may reallocate such securities among the other Advisory

Accounts at the original trade date price. If the over-allocated securities would not be suitable for the other Advisory Accounts, the Company may transfer the over-allocated portion into its trade error account or sell the over-allocated portion into the market. If the erroneous transfer or sale results in a loss for an Advisory Account, the Company's trade error account will reimburse the Advisory Account. If the erroneous transfer or sale results in a gain to a Client Fund, the gain will remain in the Company's trade error account until the end of the year. If the gain has not been offset by subsequent losses in the trade error account during the remainder of such year, such amount will be contributed to charity. If the erroneous transfer or sale results in a gain to a Managed Account, the gain will remain with the Managed Account.

Review of Accounts

The Company's Portfolio Managers act in consensus to make all investment decisions for LCP, LIL, LCP II, LIL II, DFLP class A, and DOF class A. Investment decisions for the Credit Event Funds are primarily made by Steven Weissman. Investment decisions for LSELP, LOF, LOOF, LIOF, and class B of the Dover Funds are primarily made by Vladimir Jelisavcic. One or both of Vladimir Jelisavcic and Steven Weissman are the primary Portfolio Manager(s) for the Managed Accounts. The Company's investment professionals each are individually responsible for ongoing monitoring and analysis of an investment he or she has recommended to the principals for an Advisory Account. The primary Portfolio Managers are responsible for monitoring the portfolios of the Advisory Accounts with respect to certain characteristics, such as exposures to specific investments and overall sector, geographic and asset class exposures. Messrs. Jelisavcic and Weissman monitor such characteristics on a weekly basis at minimum.

Investment personnel review domestic and international events on a daily basis to evaluate how such events may impact Advisory Account portfolios. In addition, investment guidelines, cash flows, security allocations, trade order size, and liquidity levels are monitored for each Advisory Account. Portfolio managers regularly analyze securities for investment in Advisory Accounts.

In addition, the Company has formed an investment committee (the "Investment Committee") that monitors and/or addresses (i) the investment performance of the Advisory Accounts' portfolios, (ii) potential conflicts of interest, (iii) the suitability of investment opportunities allocated to the portfolios, (iv) approval of investment guidelines and investment allocation procedures, and (v) investor communications and disclosures. The Investment Committee will also review (i) the Advisory Accounts' performance against selected benchmarks and (ii) the overall liquidity, leverage (if any), and investment risks of the portfolios, including whether such characteristics and risks have been adequately disclosed to Client Fund investors and Managed Account clients. At least semi-annually, the Investment Committee will review (i) the suitability of private equity investments (if any) in the portfolios and (ii) the disclosures made to Client Fund investors and Managed Account clients to determine completeness and accuracy, as well as whether any amendments or new disclosures are required. Annually, the Investment Committee will review proxy voting procedures. Quarterly reviews include reviews of portfolio pumping (i.e., boosting the price of holdings at the end of a reporting period) and window dressing (i.e., removing certain holdings at the end of a reporting period) in Advisory Accounts.

Each domestic Client Fund furnishes each of its investors with a quarterly statement of the performance and net asset value of the investor's interest in such domestic Client Fund. Each offshore Client Fund furnishes each of its investors with a monthly statement of the performance and net asset value of the investor's interest in such offshore Client Fund. In addition, each Client Fund furnishes

each of its investors with a quarterly investor letter describing the Client Fund's performance and that of selected investments in the Client Fund. The Company provides investors with completed K1 tax statements, as required, and annual audited financial statements prepared in accordance with generally accepted accounting principles. In addition, the Company provides to investors upon request the following reports with respect to the Client Fund in which such investor holds an interest: (i) performance estimates, (ii) quarterly performance attribution reports, (iii) monthly transparency reports, and (iv) performance reports for the Client Funds.

To the extent there is activity, monthly account statements are sent directly to Managed Accounts by their custodian(s). In addition, Managed Account clients receive quarterly newsletters and standard performance packages describing general performance of the Company's Advisory Accounts.

Client Referrals and Other Compensation

The Company currently pays legacy fees to an unaffiliated third party for prior client solicitation services with respect to investors previously admitted to the Client Funds. The contract with such third party has been terminated.

The broker-dealers that have entered into prime brokerage arrangements with the Company may occasionally provide the Company with introductions to potential investors. Capital introduction is a service provided by prime brokers and is designed to "introduce" hedge fund managers to potential investors, typically through individual meetings or in a conference format that includes other unaffiliated investment advisers. Although capital introduction is customarily offered as a "free" service, various conflicts of interest are presented by such arrangements. While the Company does not compensate these broker-dealers based on capital introductions, the Company may be incentivized to use the services of a specific prime broker due to the broker's ability to raise capital for the Company. In addition, the Company benefits from arrangements where investors are referred to the Company because its management fees are generally based upon a percentage of assets managed and its incentive or performance based fees are generally based upon a percentage of net profits on such assets. Thus, the more assets the Company has under management, the higher its management fee income and, potentially, its incentive fee income.

There is also a direct conflict between the prime brokers' desire to increase their revenues by raising capital through their prime brokerage services. The prime broker and/or its affiliates generally receive fees/commissions as a result of the Company's decision to utilize its services as follows: custodian of Advisory Accounts managed by the Company; securities transactions executed on behalf of the Company's Advisory Accounts; and lending securities to the Company's Advisory Accounts as part of the relevant investment strategy (i.e., short sales). While the relationship may present the appearance of a conflict of interest, the availability of the foregoing products and services to the Company is not contingent upon the Company committing to the prime brokers any specific amount of business (assets in custody or trading commissions). In addition, capital introduction programs do not represent a material aspect of the Company's marketing efforts.

Custody

The Company supervises the completion of audits of the Client Funds by an independent public accountant as well as the distribution of audited financial statements prepared in accordance with generally accepted accounting principles, to Client Fund investors within 120 days of each Client Fund's fiscal year end. The independent public accountant that conducts the audit is registered with, and subject to regular inspection by, the PCAOB.

To the extent there is activity, monthly account statements are sent directly to Managed Accounts by their custodian(s), and trade information is sent to Managed Accounts by the Company. Managed Account clients should carefully review custodian statements and should compare the information from this independent source with the trade information provided by the Company.

Investment Discretion

The Company buys and sells securities and other instruments for the Advisory Accounts on a discretionary basis in a manner consistent with each Advisory Account's investment objectives, guidelines, and restrictions, as set forth in the Private Offering Memorandum of each Client Fund and the investment management agreement of each Managed Account.

The Company is authorized to make the following determinations in accordance with each Advisory Account's objectives, guidelines, and restrictions without obtaining prior consent from any Advisory Account or investor: (1) which securities or other investment instruments to buy or sell; (2) the total amount of securities or other investment instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

Client Fund investors generally do not have the ability to limit the Company's discretionary authority. Managed Account clients may place limitations on the Company's discretionary authority, subject to the Company's acceptance of such limitations, in the form of investment guidelines and restrictions. Such limits may include instructions to not trade or hold the securities of particular issuers (e.g., securities of companies that earn revenue relating to gambling or from the sale of alcohol, tobacco, pornography, and firearms), concentration limitations with respect to individual positions or sectors, and other guidelines and restrictions as the Company may accept in its sole discretion. The Company tracks all formal guidelines and restrictions in order to ensure adherence to same. The Company's Portfolio Managers, back-office personnel, and CCO monitor transactions and positions to detect and prevent any potential breaches.

In addition to any formal investment objectives, guidelines, and/or restrictions contained in the Private Offering Memoranda and investment management agreements, the Company maintains certain informal risk management guidelines. Examples of such informal guidelines include, without limitation, number of core positions, maximum sector exposure, illiquid asset exposure, maximum short exposure, and geographic exposure. These guidelines are informal limits only and may be amended or varied at any time and from time-to-time.

Voting Client Securities

The Company retains responsibility for voting Client Fund proxies and will not accept direction from investors. With respect to Managed Accounts, the relevant investment management agreement (or similar document) will indicate whether the Company is authorized to review and act on proxies. With respect to the Managed Accounts for whom the Company has authorization to vote proxies, such Managed Accounts may direct the Company as to how to vote in a particular solicitation.

Managed Accounts that vote their own proxies should receive their proxies or other solicitations directly from their custodian or a transfer agent. If the Company inadvertently receives proxy voting materials for Managed Accounts that vote their own proxies, it will forward such materials to the Managed Accounts and instruct the sender to forward such materials directly to the Managed Accounts in the future. Managed Accounts that vote their own proxies may contact the Company (by calling the

number listed on the cover page of this brochure) if they have questions regarding a particular proxy solicitation.

Under Section 206(4)-6 of the Advisers Act, the Company has implemented written policies and procedures governing its activities in this area. The Company's written policy requires the Company to vote Advisory Account proxies in the best interest of its Advisory Accounts. However, the policy permits the Company to abstain from proxy votes when (i) in the reasonable opinion of the Company, the outcome of the vote most likely will not be determined by how the Company may vote and thus the cost of voting appears to exceed the potential benefit to the Advisory Account, or (ii) the subject of the vote does not appear likely to have a material impact on the value of the investment held by the Advisory Account.

The Company's Controller or his designee is responsible for maintaining the following records: (1) a copy of each proxy statement, (2) a record of each vote cast (or abstained from), (3) as reasonably available, any documentation or explanation that supports the rationale for each vote (or abstention),⁷ and (4) information on any potential conflicts of interest.

The Company's CCO and Controller will be notified, and the Company's Controller will maintain a record of, conflicts of interest that may arise in the proxy voting process (e.g., if a third-party attempts to influence the Company's vote on a material issue; Client Fund investor, Managed Account client, or employee holds a material personal stake in a public company, serves as an executive or director of a public company, or consists of an investment account or pension plan of a public company; etc.). In such event, the Company's vote on such issue must be approved, in advance, by the Company's senior management, with oversight by the CCO. The Company will retain all reasonably available documentation evidencing its consideration of proxy voting matters associated with potential conflicts of interest and its attempt to make decisions in the best interest of the Advisory Accounts.

For those Client Funds organized using a "master/feeder" structure, the Feeder Funds usually do not directly hold securities. As such, the Company will normally carry out proxy voting at the Master Fund level.

Client Fund investors and Managed Account clients may contact Howard Zauderer, the CCO of the Company, at 212-259-4325 or hzauderer@longacrellc.com, for a copy of the proxy policy and information with respect to how the Company voted securities.

Class Action Lawsuits

The Company recognizes that as a fiduciary it has a duty to act with the highest obligation of good faith, loyalty, fair dealing and due care. If class action documents are received by the Company on behalf of its Advisory Accounts, the Company generally will either participate in, actively opt out of, or take no action with respect to such class action lawsuit. However, certain Managed Accounts may specifically retain authority to take action with respect to class actions or may otherwise require the Company to coordinate with the Managed Account prior to taking action with respect to class actions. The relevant investment management agreements will dictate the Company's course of action with respect to class actions. The Company will determine if it is in the best interest of the Advisory Accounts to recover funds from a class action. When a recovery is achieved in a class action,

⁷ The Company will use reasonable efforts to prepare documentation supporting the rationale for a vote only when the Company does not vote in line with management and when the Company abstains from voting. Otherwise, the understanding is that the appropriate employee has reviewed the proxy voting matter and agreed with management.

Advisory Accounts that owned shares in the company subject to the action have the option to either: (1) opt out of the class action and pursue their own remedy; or (2) participate in the recovery achieved via the class action.

Other Related Matters

The Company also invests in certain types of assets that carry with them potential activist roles in the management of the issuer. The Company's active management of such assets includes, but is not limited to, participation in endorsements, ad hoc committees and bankruptcy hearings. These activities do not have proxy notices associated with them, thereby falling outside of the specific rules adopted by the SEC. However, as a fiduciary, the Company manages such activities in the best interest of each Advisory Account.

Financial Information

The Company has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Advisory Accounts.

Index of Certain Defined Terms

“Advisers Act”: Investment Advisers Act of 1940, as amended.

“Advisory Accounts”: Client Funds and Managed Accounts

“CCO”: Chief Compliance Officer

“CFO”: Chief Financial Officer

“Client Fund”: pooled investment vehicles, including private investment partnerships and foreign investment companies under management of the Company, organized to invest in securities and other financial instruments.

“Company”: Longacre Fund Management, LLC

“Credit Event Funds”: LCEM, LCE, and LCEO.

“Dedicated Funds”: Those Client Funds which have been created at the direction of, and with significant input from, either a primary underlying investor or a fund-of-funds sponsor with multiple underlying investors.

“DFLP”: Dover Fund, L.P.

“DMF”: Dover Master Fund, L.P.

“DMF II”: Dover Master Fund II, L.P.

“DOF”: Dover Offshore Fund, Ltd.

“DOF II”: Dover Offshore Fund II, Ltd.

“Dover Funds”: DFLP, DOF, and DOF II.

“Feeder Funds”: those U.S. Client Funds and Offshore Client Funds that invest substantially all of their capital and conduct their investment programs and trading activities through a Master Fund.

“LCE”: Longacre Credit Event Fund, L.P.

“LCEM”: Longacre CE Master Fund, L.P.

“LCEO”: Longacre Credit Event Offshore Fund, Ltd.

“LCP”: Longacre Capital Partners, L.P.

“LCP II”: Longacre Capital Partners II, L.P.

“LE II”: Longacre Europe II, Ltd.

“**LEFM**”: Longacre European Fund Management, LLC

“**LIL**”: Longacre International, Ltd.

“**LIL II**”: Longacre International II, Ltd.

“**LIM**”: Longacre IM Holdings, L.P.

“**LIOF**”: Longacre Institutional Opportunity Fund, L.P.

“**LMF**”: Longacre Master Fund, Ltd.

“**LMF II**”: Longacre Master Fund II, L.P.

“**LOF**”: Longacre Opportunity Fund, L.P.

“**LOOF**”: Longacre Opportunity Offshore Fund, Ltd.

“**LQP**”: Longacre Capital Partners (QP), L.P.

“**LSEFM**”: LSE Fund Management, LLC

“**LSELP**”: Longacre Special Equities Fund, L.P.

“**Managed Accounts**”: separately managed accounts for specific clients for whom the Company provides investment advisory or consulting services based on an agreed set of investment guidelines.

“**Master Funds**”: LMF, LMF II, DMF, DMF II, and LCEM.

“**Offshore Client Funds**”: LIL, LIL II, LOOF, DOF, DOF II, and LCEO.

“**Portfolio Managers**”: The principals of the Company – John Brecker, Vladimir Jelisavic, and Steven Weissman.

“**SPV**”: special purpose vehicle that holds certain difficult to value and/or illiquid assets held by a Client Fund as of a redemption date.

“**U.S. Client Funds**”: LCP, LCP II, LOF, LIOF, DFLP, LCE, and LSELP.