

Taylor Woods Capital Management LLC

55 Railroad Avenue, 3rd Floor
Greenwich, Connecticut 06830
203-302-7711

www.taylorwoods.com

Part 2A of Form ADV Firm Brochure March 2016

This brochure ("**Brochure**") provides information about the qualifications and business practices of Taylor Woods Capital Management LLC ("**Taylor Woods**"). If you have any questions about the contents of this Brochure, please contact us at 203-302-7711. 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 Taylor Woods is also available on the SEC's website at: www.adviserinfo.sec.gov.

Taylor Woods is registered as an investment adviser with the SEC pursuant to the Investment Advisors Act of 1940, as amended (the "**Advisers Act**"). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser's skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

This Brochure makes references to products such as private investment funds only for the purpose of describing Taylor Woods' advisory business. This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a confidential private offering memorandum and related subscription materials.

Item 2—Material Changes

This is Taylor Woods' initial filing of the Form ADV Part 2A and as such, there are no material changes to report. In the future, this Item will discuss specific material changes that were made to the brochure and will provide a summary of such changes.

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Item 4—Advisory Business

Taylor Woods Capital Management LLC (“**Taylor Woods**”, the “**Firm**” or the “**Adviser**”) is a Delaware limited liability company formed on October 14, 2010. Taylor Woods is an investment adviser with its principal place of business in Greenwich, Connecticut. Taylor Woods is currently owned and controlled by George (Beau) Taylor, Trevor Woods and Robert Flicker (the “**Principals**”; Messrs. Taylor and Woods are also the “**Managing Members**” of Taylor Woods).

Taylor Woods intends to provide discretionary investment advisory services to clients including separately managed accounts (the “**Managed Accounts**”), and pooled investment vehicles intended for sophisticated investors and institutional investors, including the Taylor Woods Advantage Master Fund LP (the “**Master Fund**”), an exempted limited partnership established and registered with the Registrar of Exempted Limited Partnerships in the Cayman Islands, and two feeder funds, Taylor Woods Advantage Offshore Fund Ltd. (the “**Offshore Feeder Fund**”) a Cayman Islands exempted company; and the Taylor Woods Advantage Fund LP, a Delaware limited partnership (the “**Domestic Feeder Fund**”). Taylor Woods Advantage GP LLC (the “**General Partner**”) a Delaware limited liability company formed on October 20, 2015 serves as the general partner of the Domestic Feeder Fund and the Master Fund.

The Master Fund, Offshore Feeder Fund and Domestic Feeder Fund are collectively referred to as the “**Funds**”, and together with the Managed Accounts, the “**Clients**”. Taylor Woods expects each of the Offshore Feeder Fund and Domestic Feeder Fund (together, the “**Feeder Funds**”) to invest all of its investable assets in the Master Fund. Taylor Woods intends to manage the Funds only in accordance with their own characteristics and not tailor its advisory services to any particular private fund investor (each an “**Investor**”), however, with respect to certain of its Managed Accounts the Adviser may tailor its advisory services, and, in some cases, clients may impose restrictions or requirements with respect to certain investments. In addition, provisions relating to fees, liquidity, expenses and termination rights with respect to Managed Accounts are negotiated on a case by case basis, and certain Clients may have more favorable terms than others.

Effective January 2013, Taylor Woods registered with the U.S. Commodity Futures Trading Commission (“**CFTC**”) as a Commodity Pool Operator (“**CPO**”) and Commodity Trading Adviser (“**CTA**”). Under these registrations, the Firm provides discretionary investment advice to pooled investment vehicles and separately managed accounts investing primarily in global commodity and currency markets (including commodity futures, options on futures, and swaps, foreign exchange spot, forwards and options, and related instruments) (together, the “**Commodity Pool Investors**”). Given the underlying investments of the Commodity Pool Investors, Taylor Woods’ current assets under management do not constitute “regulatory assets under management” as defined for purposes of determining SEC registration, but could do so in the future depending upon any changes in the investment program or use of certain cash management products. Disclosures in this Form ADV Part 2A are generally with respect to the Clients and not the Commodity Pool Investors unless otherwise specified.

Taylor Woods intends to advise regulatory assets under management in excess of U.S. \$100 million within 120 days of being approved as a registered investment adviser with the SEC. As such, Taylor Woods does not currently have regulatory assets under management. Taylor Woods intends to update this Form ADV Part 2A to reflect, among other things, its regulatory assets under management within 120 days of being approved as a registered investment adviser by the SEC.

Item 5—Fees and Compensation

Management Fees (Based on Net Assets)

As investment adviser to the Funds, Taylor Woods intends to receive a management fee at an annual rate of up to 1.5% of the value of the net assets of the Master Fund as of the first business day of each fiscal quarter. Taylor Woods will be entitled to receive a management fee in accordance with each Feeder Fund's confidential private offering memorandum which is generally based on assets under management.

The management fee will be payable in advance, generally as of the first day of each fiscal quarter. The Funds will pay these fees by debiting the accounts of investors in each such Fund, as applicable. Investors will not have the ability to choose to be billed directly for the fees incurred. Management fees with respect to contributions made on a day other than the first day of a fiscal quarter will be pro-rated. Management fees with respect to redemptions made on a day other than the last day of a fiscal quarter will be returned for payment or credit to the redeeming Investor.

The management fee will generally not be negotiable, however, Taylor Woods (or as applicable for certain Fund clients, the General Partner, who is an affiliate of Taylor Woods, or the Board of Directors of the Offshore Feeder Fund) may waive or modify the management fees for investors of the Fund that are the Principals, members, employees or affiliates of Taylor Woods (or General Partner, as applicable), members of the immediate families of such persons, and for certain large or strategic investors.

Performance Based Profit Allocations (Incentive Based)

In addition to the management fee, at the end of each fiscal year, the Adviser or the General Partner intends to receive an incentive allocation of up to 20% of net profits, subject to a loss carryforward, or "high water mark". For the Funds, fees and allocations will be described in further detail in each Feeder Fund's confidential private offering memorandum.

The performance based profit allocations will generally not be negotiable, however, Taylor Woods (or as applicable for certain Fund clients, the General Partner, who is an affiliate of Taylor Woods, or the Board of Directors of the Offshore Feeder Fund) may waive or modify the performance based profit allocations for investors of the Fund that are the Principals, members, employees or affiliates of Taylor Woods (or General Partner, as applicable), members of the immediate families of such persons, and for certain large or strategic investors.

Other Types of Fees or Expenses

In addition to Taylor Woods' fees, Fund investors are expected to bear indirectly the fees and expenses that will be charged to the Funds. Those expenses will vary and typically include, but will not be not limited to: (i) expenses related to the research, due diligence and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments, including, without limitation, the following: expenses of any subsidiary, joint venture or special purpose vehicle in which the Master Fund invests; third-party investment sourcing fees; fees and expenses related to obtaining research and market data (including, without limitation, any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data, such as Capital IQ and Bloomberg Terminals); due diligence expenses including, without limitation, consulting and appraisal fees; travel expenses; brokerage, and prime brokerage and futures commission merchant fees, commissions and expenses; expenses relating to reorganizations, restructurings and workouts; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; fees and expenses of proxy research and voting services; and fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants; (ii) organizational and reorganizational expenses; and (iii) operational

expenses, including, without limitation, the following: fees and expenses of the administrator; fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations), facilitate and manage the order execution of securities or otherwise manage the Funds or any trading subsidiary, portfolio management systems, risk management systems and order management systems; fees and expenses of third-party risk management products, models and services; fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys and accountants; the costs of any litigation or investigation involving activities of the Funds or any trading subsidiary; third-party audit and tax preparation expenses; insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance covering the General Partner, Taylor Woods and the members, partners, officers, employees and agents of any of them, and each member of the advisory committee; fees, expenses (including, without limitation, expenses related to the organization and conduct of directors' and shareholders' meetings (including, without limitation, travel, lodging and meal expenses), and director registration fees) and salaries of any trading subsidiary's directors and officers; fees and expenses of the advisory committee; costs of preparing and distributing reports and notices; entity-level taxes; fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of the Funds or any trading subsidiary, including, without limitation, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Annex IV, Form CPO-PQR, Section 13 filings, Section 16 filings and other similar regulatory filings); expenses incurred in connection with the offering and sale of the shares/interests of the Feeder Funds and other similar expenses related to the Funds, including, without limitation, those expenses related to AIFMD and distribution of shares of the Offshore Feeder Fund in Switzerland; extraordinary expenses, including, without limitation, the following: indemnification expenses; fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of the Funds or any trading subsidiary. The Funds will not have a pre-determined limit on their ordinary or extraordinary operating expenses. The Funds actual annual operating expenses will be disclosed in the particular Fund's year-end audited financial statements, which will be provided to each Investor.

Taylor Woods intends to cause the Feeder Funds to bear a pro rata share of the expenses associated with the Master Fund. If any of the above expenses are incurred jointly for the account of the Funds and any other investment funds or trading accounts sponsored or managed by the General Partner, Taylor Woods or their affiliates, Taylor Woods intends that such expenses be allocated among the Funds and such other funds or accounts in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as Taylor Woods considers fair and reasonable. Generally, Fund expenses, other than the management fee and any expenses that the Board of Directors of the Offshore Feeder Fund or the General Partner, as applicable, determines should be allocated to a particular investor or investors, will be charged against the shares/interests of all the investors in the applicable Fund on a pro rata basis. To the extent that expenses to be borne by a Fund are paid by the General Partner or Taylor Woods, such Fund will reimburse such party for such expenses. For additional information on other types of fees or expenses charged to the Funds, please see such Feeder Fund's confidential private offering memorandum and other governing documents.

Managed Accounts

All fees and profit allocation for Managed Accounts are subject to negotiation and established pursuant to each Managed Account's investment management agreement. Managed Account holders will bear the expenses charged to their Managed Account, as more fully described in the investment management

agreement establishing each Managed Account. Those expenses will vary and may typically include, but will not be not limited to, many of the expenses set forth above.

For information on brokerage costs, please also see “Item 12—Brokerage Practices”.

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

Taylor Woods and its investment personnel may provide investment management services to multiple clients. As stated in “Item 5—Fees and Compensation”, Taylor Woods, or an affiliate, intends to receive an incentive allocation which will be based on a share of capital appreciation of the Client's assets. If the Adviser or the General Partner is compensated based on trading profits, this may create an incentive for Taylor Woods to make investments on behalf of its Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the incentive allocation expected to be received by the Adviser or the General Partner will be based primarily on realized and unrealized gains and losses. As a result, the incentive allocation could be based on unrealized gains that underlying investors may never realize.

The formula for calculating such fees may differ (i) between Funds and Managed Accounts; (ii) from one Client to the next; and (iii) among investors within a given Client depending on (a) the terms of the relevant Client accounts; (b) the class of interests selected by an Investor; and (b) when a given Client invested with the Adviser. This may create a conflict of interest with respect to the allocation of investment opportunities between Funds and Managed Accounts and among Funds with the same or substantially similar strategies. Taylor Woods is committed to allocating the investment opportunities on a fair and equitable basis and has established order aggregation and allocation policies and procedures to address the potential conflict of interest (See “Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” and “Item 12—Brokerage Practices”). These policies and procedures are intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. As necessary, Taylor Woods will review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. In addition, Taylor Woods' procedures also require the objective allocation for limited opportunities to ensure fair and equitable allocation among accounts. These areas will be monitored by Taylor Woods' Chief Compliance Officer, Chief Operating Officer and Chief Financial Officer.

Notwithstanding the Firm's policies and procedures, the investment performance of the Clients and any other future clients may differ due to numerous factors, including but not limited to, (i) the frequency of additions and withdrawals of assets to applicable accounts; (ii) different counterparty fees and expenses associated with applicable accounts; (iii) relative differences in account balances; (iv) trading following additions or withdrawals of capital to an account; (v) tax, legal or regulatory requirements; and (vi) any other risk parameters, instructions or restrictions imposed by a particular Client.

Item 7—Types of Clients

Taylor Woods' clients consist of Managed Accounts and the Funds that are intended for sophisticated investors and institutional investors. Investment advice will be provided directly to Funds subject to Taylor Woods' direction and control, and not individually to every Fund investor(s). With respect to certain of its Managed Accounts the Adviser may tailor its advisory services, and, in some cases, clients may impose restrictions or requirements with respect to certain investments.

With respect to the Funds, any initial and additional subscription minimums will be disclosed in the confidential private offering memorandum for each of the Funds. The minimum initial subscription will be U.S. \$5 million.

Taylor Woods, or an affiliate of Taylor Woods or the Board of Directors of the Offshore Feeder Fund, may waive such minimum.

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

Taylor Woods' objective is to achieve risk-adjusted absolute returns through investments in a diversified portfolio of high-yield and other corporate fixed income securities, bank loans, trade claims, and preferred and common equity securities. Taylor Woods will seek to achieve its investment objective for its Clients through fundamental research, trading acumen and integrated risk management to react to changing market conditions. Taylor Woods intends to seek to exploit overvalued and undervalued opportunities as well as other inefficiencies in the market. As a result, the portfolio will consist of both long and short positions, as well as relative value opportunities. Taylor Woods expects that the Client maintains a diversified portfolio of investments across the capital structure, generally comprised of high yield and other corporate fixed income securities, bank loans, trade claims, and preferred and common equity securities. Taylor Woods may also take positions on behalf of the Client in securities of less liquid companies that are near payment or covenant default, but which Taylor Woods believes have a strong prospect for the realization of favorable returns through recovery or through restructuring and equity participation over a longer period of time.

For additional information on investment strategies and associated risks, please see each Client's confidential private offering memorandum or other governing documents.

There can be no assurance that Taylor Woods' investment strategies will be successful or that the Client's investment objective will be achieved.

The description contained herein is a brief overview of the investment strategy and financial instruments that may be used to achieve Taylor Woods' investment objective. The list is not intended to be complete:

Event Driven Opportunities. Taylor Woods believes that event-oriented investing is attractive because situational complexity and market dynamics can lead to significant price distortions. Corporate special situations are often characterized by: (i) extraordinary corporate events; (ii) complex operating businesses, capital structures and securities; (iii) transitions in credit quality; (iv) legal and regulatory changes; and (v) limited research coverage. The complexity inherent in these special situations can introduce uncertainty which Taylor Woods believes often masks the underlying value of businesses, securities and other financial instruments. In addition, Taylor Woods believes that the collective effect of these dynamics can create exaggerated market activity which can result in inefficient pricing of securities and other financial instruments relative to their intrinsic value.

Distressed Securities. Taylor Woods intends to cause the Client to invest in distressed and high yield bonds in an attempt to capture value through bankruptcies and corporate restructurings. Taylor Woods believes opportunities in this category arise for several reasons, including but not limited to overreaction to temporary situations, behavioral finance, prejudice towards bankruptcy, credit downgrades, fraud, legislation, regulatory change and disappointing events. A fresh, objective and experienced analysis of a distressed company might uncover value that is inconsistent with the market's prevailing consensus, thereby presenting an investment opportunity. In other situations, non-economic reasons provide opportunity such as the temporary mispricing of securities when high yield funds and banks sell their bonds and loan participations. The complexity of the restructuring process often results in distressed securities priced at expected returns that more than compensate for the risks. On occasion, Taylor Woods may choose to engage more actively in a restructuring process.

High Yield Securities. Taylor Woods may cause the Client to invest in public and private high yield securities that are trading at prices that Taylor Woods believes to be inconsistent with their underlying value. High yield securities are fixed income securities of highly leveraged companies that are rated below investment grade by one or more of the nationally recognized rating agencies. These securities typically pay a fixed interest coupon at higher rates than bank debt or investment grade bonds and may include deferred, zero or pay-in-kind payment terms, or cash-pay terms. The obligations represented by these securities are generally unsecured, may be subordinate to other obligations of the obligor, and may be convertible into equity. Taylor Woods intends to cause the Client to focus on investments in high yield securities of companies that Taylor Woods believes will improve their financial condition and may be likely to achieve an investment grade rating within approximately one year. The high yield securities in which Taylor Woods intends to cause the Client to invest will generally be “stressed” or “fallen angel” credits trading below issue price, rather than new issues or securities trading at a premium to their issue price.

Equity Securities. Taylor Woods intends to cause the Client to opportunistically invest in common and preferred equity securities that Taylor Woods believes are mispriced. Taylor Woods may cause the Client to invest long or short in the equity securities of companies that Taylor Woods believes are fundamentally or structurally compelling, or companies undergoing significant transitional events that may be a catalyst for value creation, including restructurings, tender offers, liquidations, recapitalizations, spinoffs, or asset transfers. Taylor Woods’ equity investments, on behalf of the Client, may also include “follow-on” exposure to deleveraging companies with which Taylor Woods is familiar as a result of a prior or existing credit markets investment in the company. Additionally, Taylor Woods may cause the Client to hold equity securities received in a bankruptcy reorganization where Taylor Woods believes there is continued upside potential. Taylor Woods employs a value-oriented approach to analyzing and monitoring equity investments, focusing on companies with sustainable cash flows, private market values, improving credit metrics and limited liquidity risks.

Other Investments. Taylor Woods may cause the Client to invest in securities on a global basis, with a focus on issuers based in the U.S., Canadian and western European markets. Taylor Woods may cause the Client to invest its excess funds in short-term investments, including U.S. Government securities, U.S. Government Agency securities, commercial paper, certificates of deposit, bankers’ acceptances and other cash equivalents. Taylor Woods may also cause the Client to invest, from time to time, in futures contracts and options on futures in accordance with the Client’s investment program as a whole.

Risks

Investors should carefully consider the risks involved in an investment in a Client. The risks discussed below relate to Taylor Woods’ investment strategy and methods of analysis, and the discussion is not intended to be a complete explanation of all the risks involved in an investment in a Client. All investing involves a risk of loss, and the investment strategy offered by Taylor Woods could lose money over short or even long periods. No guarantee or representation is made that Taylor Woods’ investment strategy or implementation of a Client’s investment program, including, without limitation, the Client’s investment objective, diversification strategies or risk monitoring goals, will be successful. Performance could be hurt by a number of different market risks.

Cybersecurity Risk

As part of its business, Taylor Woods processes, stores and transmits large amounts of electronic information, including information relating to the transactions of Clients and personally identifiable information of Investors. Similarly, service providers of Taylor Woods or the Clients, especially the administrator of a Client, may process, store and transmit such information. Taylor Woods has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Taylor Woods may be susceptible to compromise, leading to a breach of Taylor Woods' network. Taylor Woods' systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Taylor Woods or a Client's administrator may also be susceptible to compromise. Breach of Taylor Woods' information systems may cause information relating to the transactions of a Client and personally identifiable information of Investors to be lost or improperly accessed, used or disclosed.

The service providers of Taylor Woods and the Clients are subject to the same electronic information security threats as Taylor Woods. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Clients and personally identifiable information of Investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Taylor Woods' or the Client's proprietary information may cause Taylor Woods or the Clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Clients and the Investors' investments therein.

Material Investment Strategy Risks**Event-Driven**

The success of Taylor Woods' event-driven investment strategy depends upon Taylor Woods' ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Firm had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the

results of Taylor Woods' operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

Capital Structure Arbitrage

The success of Taylor Woods' capital structure arbitrage strategy depends upon its ability to identify and exploit the relationships between movements in different securities within an issuer's capital structure (including, bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. There can be no assurance that Taylor Woods will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which Taylor Woods will seek to invest will reduce the scope for Taylor Woods' investment strategies. In the event that the perceived mispricings underlying Taylor Woods' positions fail to materialize, these investment strategies could be unsuccessful or result in losses.

Long/Short

The success of Taylor Woods' long/short investment strategy depends upon Taylor Woods' ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of Taylor Woods' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying Taylor Woods' positions were to fail to converge toward, or were to diverge further from values expected by Taylor Woods, the account may incur a loss. In the event of market disruptions, significant losses can be incurred which may force Taylor Woods to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Taylor Woods' long/short strategies may become outdated and inaccurate as market conditions change.

Diversification and Concentration

Taylor Woods may select investments that are concentrated in a limited number or types of securities. In addition, Taylor Woods may cause the Client's portfolio to become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Short Selling

The success of Taylor Woods' short selling investment strategy depends upon Taylor Woods' ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that Taylor Woods will be able to maintain the ability to borrow securities sold short. In such cases, the Client can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some

cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and Taylor Woods may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though Taylor Woods secures a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing Taylor Woods to purchase the security on behalf of the Client at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by Taylor Woods on behalf of the Client.

Long-Term

The success of Taylor Woods' long-term investment strategy depends upon Taylor Woods' ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, Taylor Woods may forego value in short-term or temporary investments in order to be able to avail the Client of additional and/or longer-term opportunities in the future. Consequently, Taylor Woods may not capture maximum available value in the short-term, which may be disadvantageous, for example, for the investors who redeem/withdraw all or a portion of their shares/interests of a Client before such long-term value may be realized by the Client.

Relative Value

The success of Taylor Woods' relative value investment strategy depends upon Taylor Woods' ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that Taylor Woods will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for Taylor Woods to maintain a position. Even pure arbitrage positions can result in significant losses if Taylor Woods is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which Taylor Woods seeks to invest will reduce the scope for its investment strategies. In the event that the perceived mispricings underlying the Client's positions were to fail to converge toward, or were to diverge further from, relationships expected by Taylor Woods, the Client may incur losses. Even if Taylor Woods' relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs for the Client.

Short-Term Market Considerations

Taylor Woods' trading decisions may be made on the basis of short-term market considerations and the portfolio turnover rate could result in significant trading related expenses.

Leverage and Borrowing

Leverage for Investment Purposes

The use of leverage will allow Taylor Woods to make additional investments on behalf of the Client, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Client's portfolio. The

effect of the use of leverage by Taylor Woods in a market that moves adversely to its investments could result in substantial losses to the Client, which would be greater than if the Client were not leveraged.

Borrowing for Cash Management Purposes

Taylor Woods expects to have the authority to borrow on behalf of the Client for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which Taylor Woods can borrow will affect the operating results of the Client.

Collateral

The instruments and borrowings utilized by Taylor Woods to leverage investments on behalf of the Client may be collateralized by all or a portion of the Client's portfolio. Accordingly, Taylor Woods may pledge the Client's securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Client's margin accounts decline in value, the Client could be subject to a "margin call," pursuant to which Taylor Woods must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the Client can apply essentially discretionary margin, "haircut," financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Client may have similar rights. There can be no assurance that Taylor Woods will be able to secure or maintain adequate financing.

Costs

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Client's portfolio.

Lack of Control

Taylor Woods may invest on behalf of the Client in debt instruments and equity securities of companies that it does not control, which it may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which Taylor Woods does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Client's interests. In addition, Taylor Woods may share control over certain investments with co-investors, which may make it more difficult for it to implement its investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Clients and the Investor's investments therein.

Hedging Transactions

Taylor Woods may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Client's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Client's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Client's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit

or currency exchange rate on any of the Client's securities; (vii) protect against any increase in the price of any securities Taylor Woods anticipates purchasing at a later date; or (viii) act for any other reason that Taylor Woods deems appropriate. Taylor Woods will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Taylor Woods may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While Taylor Woods may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Discretion of Taylor Woods; New Strategies and Techniques

While Taylor Woods will generally seek to employ the representative investment strategies and techniques discussed herein, Taylor Woods (subject to the policies and control of the Board of Directors) expects to have considerable discretion in the types of securities the Client may trade and expects to have the right to modify the investment strategies and techniques of the Client without the consent of the Investors. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Client. In addition, any new investment strategy or technique developed by Taylor Woods may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Client.

Risks Associated with Types of Investments that are Primarily Recommended

Undervalued and Overvalued Securities

The identification of investment opportunities in undervalued and overvalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued or overvalued securities offer the opportunity for above-average capital appreciation or depreciation, respectively, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from Taylor Woods' investments, on behalf of the Client, may not adequately compensate for the business and financial risks assumed.

Distressed Obligations

The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there will be no minimum credit standard that is a prerequisite to Taylor Woods' investments in any security. Obligations in which Taylor Woods invests may be less than investment grade. The level of

analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing Taylor Woods' investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which Taylor Woods invests, the Clients may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from Taylor Woods' investments, on behalf of the Client, may not compensate the investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to Taylor Woods of the security in respect to which such distribution was made.

Debt Securities

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Dealer Market Making

The value of Taylor Woods' fixed-income investments, on behalf of the Client, will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed-income market, which are affected by the ability of dealers to "make a market" in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed-income market, which could impair the Client's profitability or result in losses.

Interest Rate Risk

Changes in interest rates can affect the value of Taylor Woods' investments, on behalf of the Client, in fixed-income instruments. Increases in interest rates may cause the value of Taylor Woods' debt investments to decline. Taylor Woods may experience increased interest rate risk to the extent it invests (on behalf of the Client), if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Zero-Coupon and Deferred Interest Bonds

Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

High-Yield

Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, Taylor Woods may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

Taylor Woods may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically, such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Client may be paid interest in kind in connection with its investments (caused to be made by Taylor Woods) in corporate debt and related financial instruments (e.g., the principal owed to the Client in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Clients may experience substantial losses.

Mezzanine Debt

Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of Taylor Woods to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company or similar event, Taylor Woods' debt investment therein (on behalf of the Client) will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt

Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt

Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination

When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Equitable Subordination

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). If Taylor Woods engages in such conduct, the Client may be subject to claims from creditors of an obligor that debt held by the Client should be equitably subordinated.

U.S. Credit

U.S. credit trading involves investing in long and short positions in corporate credit-related products, including, but not limited to: unsecured or secured corporate securities and their derivatives,

bank loans, bespoke risk tranches, equity and equity-related securities and various other similar investments. Taylor Woods may also invest in highly structured ABS products such as CDOs, CLOs and other structured credit products to enhance returns through structural leverage. These classes of securities are issued in connection with highly structured transactions that depend on cash flows generated from a portfolio of specific credits to generate coupon and principal payments. In evaluating potential investment opportunities, Taylor Woods will rely heavily on a bottom-up analysis, which may include analysis of an issuer's current and future revenues, EBITDA, free cash flow generation, liquidity, balance sheet quality, capital structure, corporate structure, enterprise valuation, balance sheet and operational leverage, fixed charge coverage and industry comparables. In addition, Taylor Woods' analysts consider the potential for event risk or liability restructuring that could affect an issuer's creditors. Individual issuer debt ratings are considered, but are not viewed as a proxy for credit quality. There will be no minimum credit rating for instruments in which Taylor Woods may cause the Client to invest and Taylor Woods may cause the Client to invest in securities below investment grade, distressed or defaulted securities.

Distressed Debt

Distressed debt trading involves acquiring assets that are undervalued as a result of the financial distress of the issuer or holder, whereby Taylor Woods believes a substantial portion of the assets' value may be recovered over time through a restructuring of the issuer, assets or otherwise. These investments may include: senior debt (both secured and unsecured), bank loans, high-yield bonds, and other obligations of financially distressed and/or highly leveraged issuers. To determine value of potential assets, Taylor Woods performs comprehensive, bottom-up financial analyses, including financial statement analysis, financial forecasting, management review, industry analysis, and debt covenant analysis. In addition, Taylor Woods intends to employ its extensive experience in structuring and negotiating complex transactions, its network of prominent industrial, financial, legal and restructuring contacts, and other sources of technical expertise to select and closely monitor its investments.

Event-Driven Equities

Event-driven equity trading involves investing opportunistically in securities of companies Taylor Woods believes are undergoing, or may undergo, significant corporate activity or internal or external catalytic change. These situations may include, without limitation: announced or anticipated mergers and acquisitions, tender offers, restructurings, reorganizations, spin-offs/split-offs, asset sales, liquidations, bankruptcies and other events that may be expected to impact the absolute or relative value of securities. In response to, or in anticipation of, such an event, Taylor Woods will analyze the business and financial conditions of the affected issuer, the processes surrounding the event and determine how the anticipated outcome of the event may affect the trading prices of the issuer's securities. Based on this analysis, Taylor Woods may structure investments that seek to maximize potential returns. Such an investment may involve all aspects of an issuer's capital structure, as well as derivative products.

Loan Investments

Taylor Wood's success in the area of loan investing will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, Taylor Woods will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

Bank Loans

Bank loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of Taylor Woods to directly enforce its rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Clients.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

Equity Securities

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Clients may suffer losses if they invest in equity instruments of issuers whose performance diverges from Taylor Woods' expectations or if equity markets generally move in a single direction and Taylor Woods has not hedged against such a general move. The Client also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Preferred Stock

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Initial Public Offerings

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as

developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Client's shares of interests, as applicable.

Derivative Instruments

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which Taylor Woods may cause the Client to participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Clients.

Call Options

The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options

The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Index or Index Options

The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether Taylor Woods will be able to cause the Client to realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

Index Futures

The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort

the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by Taylor Woods, on behalf of the Client, also is subject to Taylor Woods' ability to correctly predict movements in the direction of the market.

Credit Default Swaps

Credit default swaps can be used to implement Taylor Woods' view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, Taylor Woods may cause the Client to sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Client to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Taylor Woods may also cause the Client to buy credit default protection with respect to a referenced entity if, in Taylor Woods's judgment, there is a high likelihood of credit deterioration. In such instance, the Client will pay a premium regardless of whether there is a credit event.

Futures Contracts

The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Client's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent Taylor Woods from promptly liquidating unfavorable positions of the Client and subject the Client to substantial losses or prevent Taylor Woods from causing the Client to enter into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Non-U.S. Futures Transactions

Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations

will vary depending on the foreign country in which the transaction occurs. For these reasons, Taylor Woods may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Forward Contracts

Taylor Woods may cause the Client to enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which Taylor Woods would otherwise recommend, to the possible detriment of the Client. In its forward trading, Taylor Woods may cause the Client to be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which Taylor Woods trades on behalf of the Client. Client assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. Taylor Woods may order trades for the Client in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Client to the risk of loss.

Contracts for Differences

Contracts for differences (“CFDs”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer’s initiative. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect

correlation between the return on the Client's obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Client's financial risk.

Exotic Options

Exotic options are typically, but not always, traded over-the-counter ("**OTC**"). OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. Taylor Woods may cause the Client to incur substantial costs by entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "**path dependent**". This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "**path**" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

The foregoing is a summary of the material risks involved in Taylor Woods' investment strategies. Further discussion of risk factors related to the Clients will be presented in each Feeder Fund's confidential private offering memorandum, and other governing documents.

Item 9—Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the investment adviser or the integrity of the investment adviser's management. Taylor Woods has no legal or disciplinary events to report at this time.

Item 10—Other Financial Industry Activities and Affiliations

As discussed in “Item 4 – Advisory Business”, in addition to advising the Clients, Taylor Woods is the CPO to certain commodity pools and the CTA to certain investors, and is a registered CPO and CTA with the Commodity Futures Trading Commission, and is a member of the National Futures Association. In addition, the Principals of Taylor Woods are registered as principals and associated persons with the National Futures Association.

Taylor Woods and its affiliates have entered into an arrangement with a strategic investor (the **"Strategic Investor"**), whereby the Strategic Investor provided a significant capital contribution to certain Commodity Pool Investor accounts at inception, and may continue to make investments in such accounts. In consideration for such capital contribution, the Strategic Investor (i) is entitled to receive a portion of the asset based and performance based compensation discussed in Items 5 and 6, (ii) has received certain information, transparency and consent rights with respect to the Fund that exceed what is available to other clients and Fund investors, and (iii) has other rights that are in addition to, and may be more favorable than, the rights of other clients and Fund investors. The Strategic Investor is not a related person as defined in the instructions to the Form ADV, or sponsor or promoter on behalf of Taylor Woods, and does not have any role in discretionary investment of client assets.

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

Taylor Woods' Code of Ethics (the "**Code**") sets forth the ethical and fiduciary principles and related compliance requirements under which Taylor Woods operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, allocation of investment opportunities, and personal trading.

Pursuant to the Code, employees of Taylor Woods are permitted to maintain personal securities accounts provided that such accounts are disclosed to Taylor Woods and that any personal trading is consistent with applicable law and with the Code. Generally, and subject to certain specified exceptions, the Code provides that employees may not transact for their own respective personal trading accounts any specific securities or commodity and foreign exchange investments that Taylor Woods may also buy, sell or hold for clients.

The Principals and certain employees of Taylor Woods (including members of the Fund's investment team) intend to invest, directly and/or indirectly, in a Fund. Such investors may be in possession of information relating to such Fund that is not available to other investors and prospective investors. The Principals and employees may invest in other accounts with similar or different strategies than the Funds. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to the investors. Investments by the Principals and employees in a Fund and/or other accounts could incentivize the Principals and employees to increase or decrease the risk profile of such Fund.

Taylor Woods has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and policies with respect to allocation of investment opportunities, as set forth below.

Taylor Woods may manage investments on behalf of more than one Client or other account that have investment programs that are similar to or overlap with each other, and may, therefore, participate with each other in investments. It is the policy of Taylor Woods to allocate investment opportunities among all accounts fairly, to the extent practical and in accordance with each account's applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those accounts for which participation in the respective opportunity is considered appropriate. However, Taylor Woods will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any account solely because Taylor Woods purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any account if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the account. As necessary, Taylor Woods will review investment allocations for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. In addition, Taylor Woods' procedures also require the objective allocation for limited opportunities to ensure fair and equitable allocation among accounts. These areas will be monitored by Taylor Woods' Chief Compliance Officer, Chief Operating Officer and Chief Financial Officer (See "Item 6—Performance Based Fees and Side-by-Side Management").

Taylor Wood's Code is available to any investor or prospective investor upon request by contacting Taylor Woods' Chief Compliance Officer, at (203) 302-7711.

Taylor Woods may determine that it would be in the best interests of the Clients and one or more other accounts to transfer a security from one account to another (each such transfer, a “Cross Trade”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the accounts, or to reduce transaction costs that may arise in an open market transaction. If Taylor Woods decides to engage in a Cross Trade, Taylor Woods will determine that the trade is in the best interests of both of the accounts involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those accounts. Taylor Woods generally intends to execute Cross Trades, if at all, with the assistance of a broker-dealer that executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two accounts may occur as an “internal cross”, where Taylor Woods instructs the custodian for the accounts to book the transaction at the price determined in accordance with its valuation policy. If Taylor Woods effects an internal cross, Taylor Woods will not receive any fee in connection with the completion of the transaction.

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest in an account by the General Partner, Taylor Woods or its personnel, the General Partner and Taylor Woods will comply with the requirements of Section 206(3) of the Advisers Act.

Item 12—Brokerage Practices

Taylor Woods expects to have sole discretion on broker-dealers used and commissions paid. When selecting broker-dealers and negotiating commission rates, Taylor Woods will be guided by the principal objective of seeking to obtain best execution for the Clients including, but not limited to, the financial stability and reputation of the broker-dealer, and the quality of investment research, investment strategies and special execution capabilities.

In making its decisions regarding the allocation of brokerage transactions for the Clients, Taylor Woods seeks to obtain the best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the reliability and financial responsibility of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to Taylor Woods and the Clients; (v) the value of brokerage services over and above trade execution provided to Taylor Woods and the Clients, including commitment of capital, access to company management, access to deal flow, the provision by the brokers of capital introduction, talent introduction, marketing assistance, and consulting with respect to technology, operations and equipment (vi) confidentiality, and (vii) liquidity. Although Taylor Woods generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

The broker-dealers that will enter into prime brokerage arrangements with Taylor Woods may occasionally provide Taylor Woods with introductions to potential Client investors. Taylor Woods will not compensate these broker-dealers and such introductions will have no bearing on the placement of securities transactions.

The term “soft dollars” refers to a means of paying brokerage firms or other third parties for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities transactions executed through broker-dealers by an investment manager on behalf of advisory clients. Taylor Woods does not maintain soft dollar relationships, therefore does not authorize to direct brokerage to firms which furnish or pay for research and/or brokerage services within the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”).

Other broker-dealers through which Taylor Woods effects transactions may provide Taylor Woods with investment research and other products and services that are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to Taylor Woods on an unsolicited basis and without regard to the rates of commissions charged or paid by Taylor Woods or the volume of business Taylor Woods directs to such broker-dealers.

Taylor Woods may place transactions with a broker that (i) provides Taylor Woods with the opportunity to participate in capital introduction events sponsored by the Broker or (ii) refers investors to the Clients or other products advised by Taylor Woods, if otherwise consistent with seeking best execution; provided Taylor Woods is not selecting the broker in recognition of the opportunity to participate in such capital introduction events or the referral of investors. Taylor Woods’ Chief Compliance Officer, Chief Operating Officer, Chief Financial Officer and Associate Portfolio Managers will meet monthly in an

effort to identify and mitigate compliance risks associated with brokerage relationships, and to evaluate the Brokers used by Taylor Woods to execute trades using the foregoing factors.

As discussed, Taylor Woods does not currently engage in soft dollar arrangements. To the extent Taylor Woods does engage in such arrangements, it will limit the use of “soft dollars” to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”) and will adopt procedures accordingly.

Trade errors and similar human errors involving transactions in accounts directly or indirectly held by the Client or any derivatives contracts or other similar agreements may occur. Such errors may include, for example, (i) the placement of orders (either purchases or sales) in excess of, or less than, the amount of securities the account intended to trade; (ii) the sale of a security when it should have been purchased; (iii) the purchase of a security when it should have been sold; (iv) the purchase or sale of the wrong security; (v) the purchase or sale of a security contrary to regulatory restrictions or investment guidelines or restrictions of the account; (vi) incorrect allocations of trades between the account and any other account that does not trade *pari passu* with the account; (vii) keystroke errors that occur when entering trades into an electronic trading system; and (viii) typographical or drafting errors. Such errors may result in losses or gains. Taylor Woods generally will seek to detect such errors prior to settlement and promptly correct and/or mitigate them. To the extent an error is caused by a counterparty, such as a broker-dealer, Taylor Woods will seek to recover any losses associated with such error from the counterparty.

Pursuant to the exculpation and indemnification that are expected to be provided by the Clients to Taylor Woods and its affiliates and personnel, Taylor Woods and its affiliates and personnel will generally not be liable to the Clients for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud, and the Clients, as applicable, will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Clients, absent bad faith, gross negligence, willful misconduct or actual fraud. As a result of these provisions, the Clients (and not Taylor Woods) will benefit from any net gains resulting from trade errors and will be responsible for any net losses (including additional trading costs) resulting from trade errors and similar human errors, absent bad faith, gross negligence, willful misconduct or actual fraud. Taylor Woods will reimburse the Clients for losses for which Taylor Woods is responsible under the exculpation provisions.

Taylor Woods will determine whether the purchase or sale of a security is appropriate with regard to the Client and any other accounts. Taylor Woods may, but will not be obligated to, purchase or sell such a security on behalf of such accounts with an aggregated order, when such aggregation is expected to be in the best interest of all participating accounts. When an aggregated order is filled through multiple trades at different prices on the same day, each participating account will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each account’s participation in the order (or allocation in the event of a partial fill) as determined by Taylor Woods. In the event of a partial fill, allocations may be modified on a basis that Taylor Woods deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by Taylor Woods. As a result, certain trades in the same security for one account (including an account in which Taylor Woods and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another account, and orders placed later may not be filled entirely or at all,

based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

Item 13—Review of Accounts

Client portfolios will be reviewed with regard to positions held, risk, exposure and proper settlement on a daily basis by the portfolio manager, the traders, and other senior Taylor Woods management, where appropriate. The review will also be conducted to determine whether investment positions should be maintained in view of current market conditions. Matters that will be reviewed will also include specific adherence to investment guidelines and the performance of each Client and account.

Significant market events affecting the prices of one or more investment positions in the Clients or accounts, trade errors and changes in the investment objectives or guidelines of a particular Client or account may trigger additional reviews.

Monthly account balances will be reviewed by Taylor Woods' operations and finance staff. Fund investors will receive reports or have the ability to access reports from each Fund's administrator's (CITCO Fund Services and/or its affiliates) secure website. Fund investors will also receive audited financial statements for the Funds within 120 days of year end. Clients that have managed accounts with Taylor Woods will receive daily or monthly reports in their capacity as account holder from applicable brokers and custodians detailing the estimated holdings and any change in account value.

Item 14—Client Referrals and Other Compensation

Taylor Woods will not directly or indirectly compensate any person for Investor or client referrals.

Item 15—Custody

With respect to the custody of assets held by the Funds, Taylor Woods relies on the exception under Rule 206(4)-2(b)(4) of the Advisers Act, pursuant to which the Adviser is exempted from, or deemed to be in compliance with, certain requirements under Rule 206(4)-2 relating to custody of client assets. In accordance with the conditions of that exception: (i) the Funds will be audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board; (ii) the Funds' audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles; and (iii) Taylor Woods (or the Fund's administrator) will deliver such annual audited financial statements to Investors within 120 days after the end of each Fund's fiscal year.

Taylor Woods does not have custody of the funds and securities it manages for Managed Accounts.

Item 16—Investment Discretion

Taylor Woods intends to enter into an investment management agreement with each Client, pursuant to which Taylor Woods will be granted discretionary trading authority. Taylor Woods' investment decisions and advice with respect to each Client will be subject to such Client's investment objectives and guidelines as set forth in its confidential private offering memorandum or investment management agreement. In addition, Taylor Woods will be responsible for managing the business and investments of the Clients and for certain administrative matters as set forth in the Clients' offering documents or investment management agreements.

Item 17—Voting Client Securities

Where authorized to vote proxies by the relevant account agreement, Taylor Woods intends to vote Clients' proxies in a manner that serves the best interests of the Clients, as determined by Taylor Woods in its sole discretion. To that end, Taylor Woods will take care to vote proxies in a way that it believes is consistent with its fiduciary duty, will cause the Clients' securities to increase the most or decline the least in value. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. Taylor Woods' Chief Operating Officer or an authorized person designated by the Chief Operating Officer will be responsible for identifying the proxies upon which Taylor Woods will vote, consulting with the portfolio manager(s) to vote the proxies in the best interest of Clients, and submitting the proxies promptly and properly.

Taylor Woods will vote its Clients' proxies in the best interest of its Clients and not its own interests. In voting proxies, Taylor Woods will seek to avoid material conflicts of interest between the interests of itself on the one hand and the interests of its Clients on the other. If Taylor Woods determines that it is facing a material conflict of interest in voting a proxy, its procedures will provide for a Proxy Voting Committee (the "**Committee**") to convene and to determine the appropriate vote.

Taylor Woods complete proxy voting policy and procedures will be memorialized in writing and made available to each Client investor upon request. In addition, Taylor Woods will maintain a record of all of the proxy votes cast on behalf of Clients.

Securities Class Actions

As a fiduciary, Taylor Woods will always seek to act in Clients' best interests with good faith, loyalty, and due care. Where authorized to participate in class actions, the Chief Compliance Officer, in consultation with the portfolio manager, will determine the best course of action for the Adviser's Clients, which may include (i) participating in a recovery achieved through a class action; or (ii) opting out of the class action and separately pursue their own remedy. The Chief Compliance Officer will oversee the completion of Proof of Claim forms and any associated documentation, the submission of such documents to the claim administrator, and the receipt of any recovered monies where necessary. The Chief Compliance Officer will maintain documentation associated with Clients' participation in class actions.

Item 18—Financial Information

Taylor Woods is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of any bankruptcy petition.