CLIFFWATER LLC

INVESTMENT ADVISORY SERVICES

Hedge Fund Investment Due Diligence Report
Wexford Spectrum Fund

June 2011

Operations Due Diligence Report provided under separate cover.

Hedge Fund Investment Due Diligence Report

Firm Name:	Wexford Capital LP			
Fund Name:	Wexford Spectrum Fund			
Fund/Strategy Assets:	$3.8 billion			
Style:	Multi-Strategy		**Location:**	Greenwich, CT (headquarters)
Review Date:	June 2011		**Reviewer:**	[redacted]

Summary

People and Organization: Wexford Capital LP ("Wexford" or "the firm") was founded by Charles Davidson and Joseph Jacobs in 1994. The firm currently manages $7.0 billion, including $4.6 billion in three hedge funds and $2.3 billion in 13 vintage year private equity funds. The majority of the assets in the hedge fund business are invested in the multi-strategy Spectrum Fund ("the fund"), which currently has $3.8 billion in assets under management. The firm is based in Greenwich, CT, where most of its 86 employees are located. The management company is owned by the [redacted] partners, with a [redacted] stake held by Mr. Davidson. Wexford has been registered with the SEC since 1997.

Investment Strategy and Process: The Wexford Spectrum Fund pursues an opportunistic, multi-strategy approach to investing that is guided by a strong value bias, global macroeconomic views and consideration of market psychology and sentiment. The fund has a more narrow focus than many other multi-strategy funds and tactically allocates capital among a more limited number of strategies. Underlying strategies include long/short equity (with a particular focus on energy/natural resources, real estate, technology/telecommunications and transportation), bankruptcy/distressed, fixed income macro and commodities.

Performance: Wexford Spectrum has produced strong absolute and risk-adjusted returns on a standalone basis and relative to other multi-strategy funds. Since inception in April 1997 through May 2011, the fund generated an annualized return of 14.42% with volatility of 10.50%, resulting in a Sharpe ratio of 1.02.

Risk Management: Portfolio manager Robert Holtz is responsible for the risk management of the Wexford Spectrum Fund. The strong value bias and contrarian nature of the investment process reinforces the general risk management philosophy that "buying cheap is the best hedge". The majority of the positions are highly liquid and concentration limits are strictly enforced. The fund also utilizes soft stops or flags when trades experienced downside moves greater than 5%.

Operational Analysis: Wexford's back office team of 47 non-investment professionals has developed an institutional-quality platform to handle the wide range of products it trades. The manager has developed processes for trading, reconciliation and valuation for each security type in the portfolio. In addition, the manager has been a Registered Investment Advisor for over 10 years and is also registered with the Commodity Futures Trading Commission and with the National Futures Association. Wexford has an affiliate office in Toronto, Canada and a wholly owned subsidiary office in Tel Aviv, Israel but all its operational professionals are located in their Greenwich, CT headquarters. No material departures from best practices were identified except that the risk management process is not completely independent from the portfolio management process.

Investment Terms: Wexford Spectrum offers standard terms for a multi-strategy fund, including a 1.5% management fee and 20% performance fee. The fund requires a one year hard lock-up period and has quarterly liquidity with 90 day notice period thereafter. There is a multi-tiered gate, although Wexford has not enforced this provision. Investors may elect to invest 10%, 20%, or 30% of their capital in side pockets (or opt out completely).

Recommendation

Wexford Spectrum is recommended for investment in the Multi-Strategy category.

People and Organization

Wexford Capital LP (“Wexford” or “the firm”) was founded by Charles Davidson and Joseph Jacobs in 1994. The firm currently manages $7.0 billion, including $4.6 billion in three hedge funds and $2.3 billion in 13 vintage year private equity funds. While the firm was primarily focused on private equity for the first eight years of its existence, it has experienced substantial growth on the hedge fund side since 2002. The majority of the assets in the hedge fund business are invested in the multi-strategy Spectrum Fund (“the fund”), which currently has $3.8 billion in assets under management. The firm is based in Greenwich, CT, where most of its 86 employees are located. Wexford also maintains small subsidiary offices in Tel Aviv and Toronto. Wexford has been registered with SEC since 1997.

Charles Davidson is the Chairman and Chief Investment Officer of the firm and has responsibility for Wexford’s overall strategic investment direction. He also serves as the Senior Portfolio Manager for the Spectrum Fund. Prior to co-founding Wexford, Mr. Davidson was the Partner in charge of Fixed Income Arbitrage, Risk Arbitrage, Private Equity, Distressed/Bankruptcy and Special Situations at Steinhardt Partners. He worked at Steinhardt Partners for over ten years. Mr. Davidson also previously served as the Head of Domestic Corporate Bond Trading and Proprietary Trading at Goldman Sachs. Mr. Davidson received a BA and MBA from the University of California, Los Angeles.

Robert Holtz serves as the Portfolio Manager for the Spectrum Fund and is responsible for Global Equities and Commodities investing. Mr. Holtz also serves as the Risk Manager of the fund. He joined the firm at inception in 1994 after working at Bear Sterns, where he was a Vice President. Mr. Holtz received a BS from the Wharton School at the University of Pennsylvania.

The Wexford Spectrum Fund is organized as a dual master-feeder structure. Wexford Spectrum Fund, LP, a Delaware limited partnership, serves as the onshore feeder fund. Wexford Offshore Spectrum Fund, a Cayman Islands exempted company, serves as the offshore feeder fund. Both funds allocate investor assets to specific investment opportunities from the feeders as well as to underlying funds, including the Credit Opportunities Fund and the Global Strategies Fund. Wexford Capital, LP, a Delaware limited partnership, serves as the management company for the onshore fund and investment manager for the offshore fund.

Wexford launched its first private equity fund, Wexford Partners Fund I, in 1994 with $33 million in committed assets. Assets under management in the private equity business have grown steadily as the firm has successfully launched 12 additional private equity funds over time. The most recent private equity fund, Wexford Partners XI, LP, was launched in June 2007 with $468 in committed capital. Wexford also launched an Agriculture Fund, which was focused on investing in farmland in the US and Latin America, with approximately $100 million in committed capital in 2011.

Wexford launched its first hedge fund, the Spectrum Fund, in April 1997 with $30 million in assets. Assets have grown steadily over time as a result of many years of strong performance and investor inflows. The Spectrum Fund has been soft closed to new investors for much of its history but is now selectively raising capital from institutional investors.

The firm has also launched three other hedge funds, which serve as standalone vehicles and also receive allocations from the Spectrum Fund. The Wexford Catalyst Fund was launched in December 2004 and currently has $561 million in assets under management. The Catalyst Fund focuses on the energy, natural resources and industrials sectors and invests primarily in related equities and commodities, with smaller allocations to corporate debt securities. The Wexford Credit Opportunities Fund was launched in December 2002 and currently has $286 million in assets under management. The Credit Opportunities Fund invests in high-yield securities, bank loans, distressed debt and special situations equity in order to generate high risk-adjusted returns with minimal drawdowns throughout the credit cycle. The Wexford Global Strategies Fund was launched in January 2007 but was closed in April 2011 due to its inability to gain traction from investors despite strong risk-adjusted returns. The Global Strategies Fund pursued a discretionary, global macro strategy focused on global interest rate and currency markets. Although the standalone fund is now closed, the strategy still receives an allocation from the multi-strategy Spectrum Fund. A detailed history of the firm's assets under management can be found in Exhibit 1.

Exhibit 1
Wexford Capital LP
Assets Under Management ($ millions)

Year End	Total Firm Assets[1]	Spectrum Fund Assets	Catalyst Fund Assets	Credit Opportunities Fund Assets	Global Strategies Fund Assets
1997	392	33	-	-	-
1998	370	53	-	-	-
1999	463	54	-	-	-
2000	465	64	-	-	-
2001	408	93	-	-	-
2002	650	160	-	9	-
2003	1,204	489	-	25	-
2004	1,738	827	11	60	-
2005	4,611	1,505	597	259	-
2006	5,175	1,807	641	424	-
2007	7,060	2,959	943	407	14
2008	5,652	2,661	549	238	14
2009	5,967	2,885	488	246	52
2010	6,512	3,378	511	292	40
2011 (May)	7,000	3,800	561	286	-[2]

[1] Includes approximately $2.3 billion in assets under management in 13 private equity funds as of March 31, 2011.
[2] Wexford terminated the Global Strategies Fund in April 2011. The funds were not able to gain significant traction with investors and it was no longer efficient to keep them operating. However, the global macro fixed income / FX strategy expressed within the Global Strategies Fund continues to be a sub-strategy of the Spectrum Funds.

Exhibit 2
Wexford Capital LP
Personnel Count

	Involved With Fund Strategy	Firm-Wide	Departures Within Last Three Years
Investment Professionals:			
Portfolio Managers	3	4	0
Research Analysts	16	28	13
Traders/Trade Assistants	4	4	0
Risk Management	1*	1*	0
Operations/Back Office:			
Operations	7	7	3
Accounting/Administration	12	26	6
Information Technology	5	5	0
Legal/Compliance	5	6	1
Investor Relations	5	5	5

*Robert Holtz serves as a Portfolio Manager and the Risk Manager for the Spectrum Fund.

As shown in Exhibit 2, Wexford's team consists of 86 people, including 37 on the investment-side and 49 in operations. The investment team for the Spectrum Fund includes 3 portfolio managers, 16 research analysts and 4 traders. The senior investment professionals have worked together for several years and three of the four portfolio managers have worked together for approximately 15 years. Key employees on the operations-side include a chief financial officer and general counsel, both of whom are partners in the firm.

Senior employee turnover has been very low, with one original partner, Shaiy Pilpel, moving into an advisory role. Mr. Pilpel focuses on quantitative modeling and analysis and is currently based in the Tel Aviv office.

The firm has experienced a relatively high level of research analyst turnover, including 13 departures within the last three years on the hedge fund side of the business. Wexford has traditionally hired junior-level professionals either directly out of college or from investment banking analyst programs. Mr. Davidson believes in giving bright younger professionals a chance to prove themselves in the job even if they have limited prior experience. Therefore, it is not particularly surprising that many of these analysts do not perform well or are not a good fit within the organization. Furthermore, the fund's reliance on macroeconomic views for many investment ideas has deemphasized the importance of deep, fundamental analysis of individual securities, which tends to be the skill set of many junior analysts. Finally, it is important to note that investment professionals that do perform well and fit into the Wexford culture tend to have long tenures at the firm. The average tenure of current hedge fund professionals is approximately 6 years, while the average tenure of partners is over 13 years.

Exhibit 3
Wexford Capital LP
Key Investment and Operations Professionals

Name	Title	Years at Firm	Years Exp.	Prior Experience/ Education
Charles Davidson	Chairman and Chief Investment Officer	Incep.	34	Steinhardt Partners, Goldman Sachs & Co. UCLA BA & MBA
Robert Holtz	Portfolio Manager, Spectrum & Catalyst Funds	Incep.	22	Bear Stearns Wharton (U. Penn) BS
Jack Doyle	Portfolio Manager, Credit Opportunities Fund	7	32	ETG, LLC, Lazard Freres, First Boston, E.F. Hutton, Bankers Trust Fordham MBA, Middlebury BA
Kenneth Rubin	Partner	15	32	Bear Stearns, Paul, Weiss, Rifkind, Wharton & Garrison, Weil Gotshal & Manges Stanford JD, Yale BA
Joseph Jacobs	President	Incep.	32	Bear Stearns, Citibank Harvard MBA, Wharton BS
Mark Zand	Partner	15	35	Merrill Lynch, Stuart Brothers, E.F. Hutton NYU MBA, U. Michigan BA
Jay Maymudes	Chief Financial Officer, Partner	17	29	Dusco, Inc., Touche Ross & Co. Queens College BA
Arthur Amron	General Counsel, Partner	17	27	Schulte Roth & Zabel, Debevoise & Plimpton Harvard JD, Colgate BA
Frederick Simon	Partner	16	31	Greycoat Real Estate Corporation, Citibank Hofstra MBA, Union College BA

John Sites	Partner	5	37	Daystar, Rock Creek Partners, Bear Stearns, TCW, First Pennco, Morgan, Keegan & Co. Rhodes College BA
Steven West	Partner	5	26	Sunterra, Coast Asset, IndyMac, First Nationwide, Lehman, Peat Marwick California State Univ, Chico BS
Tony Lundy	Senior Advisor	6	28	Deutsche Bank, Donaldson, Lufkin & Jenrette, Castle & Cooke, Inc. Wharton (U. Penn) BS

The management company is wholly owned by the ten partners, with a [redacted] stake held by Mr. Davidson. All partners have the vast majority of their liquid net worth invested in the various private equity and hedge fund products. Compensation [redacted]

The Wexford Spectrum Fund has a highly diversified investor base that has been relatively stable over time. As of May 2011, institutional investors account for [redacted] of assets, followed by funds of funds at [redacted] high net worth/family offices at [redacted], endowments and foundations at [redacted] and [redacted] employee capital. Along with the rest of the hedge fund industry, the firm's hedge funds experienced sizeable redemptions of over $1 billion, about 25% of assets, at the end of 2008 and in the first quarter of 2009. The Spectrum Fund experienced approximately $700 million in redemptions, or 25% of the fund, during this time period. All redemption requests were honored in cash and the Spectrum Fund experienced net inflows of $300 million during the second half of 2009. Spectrum had net inflows of $179 million during 2010 and estimated net inflows (year-to-date through June 2011) of $280 million.

Investment Strategy and Process

The Wexford Spectrum Fund pursues an opportunistic, multi-strategy approach to investing that is guided by a strong value bias, global macroeconomic views and consideration of market psychology and sentiment. The fund has a more narrowly focused approach than many other multi-strategy funds and tactically allocates capital among fewer strategies. Underlying strategies include long/short equity (with a particular focus on energy/natural resources, real estate, technology/telecommunications and transportation), bankruptcy/distressed, fixed income macro and commodities. Capital allocations among the strategies have varied significantly as market conditions have evolved over time. Each strategy is described in more detail below.

The investment process begins with a top-down analysis of global macroeconomic conditions, which is primarily developed by CIO Charles Davidson. This analysis may include directional views on economic variables such as commodity prices, credit spreads, country-specific equity markets or interest rates. These views are then shared with the portfolio managers and analysts and are revised, strengthened or weakened based on input from other team members. After broad macroeconomic views are developed and refined, the portfolio managers then turn their attention to specific sectors, industries or asset classes. The portfolio managers and analysts attempt to express these views by developing customized trades that can be implemented in the relevant sectors or asset classes in the most efficient and risk-controlled manner.

The fund generally does not devote significant resources to analyzing company-specific fundamentals because the portfolio managers believe that at least 70% of the movement in equity prices (and a greater percentage for most other asset classes) is driven by market and macroeconomic factors. However, the portfolio managers and analysts may occasionally conduct fundamental research on companies in sectors that they have a particular expertise, such as energy and transportation. In particular, the largest long positions in the portfolio are generally companies that Wexford has analyzed over time and in which the portfolio managers have a high conviction fundamental view.

The fund strongly emphasizes managing capital with a consideration of market cycle and sentiment. In particular, Wexford Spectrum will focus on buying opportunities and will increase the net exposure of the fund when there is widespread fear or early momentum in the market. The portfolio managers attempt to benefit from contrarian positioning and act as liquidity providers in challenged markets. The fund will focus on selling opportunities and reduce the net exposure of the fund when there is widespread market greed or exhaustion. The portfolio managers are highly cognizant of crowded trades and they attempt to avoid these situations whenever possible.

One of the main differentiators for the Wexford Spectrum Fund is that the firm also manages a series of private equity vehicles, which provides substantial breadth and depth of resources in the industries which the funds focus on. The firm owns a number of private businesses and has direct access to senior management, suppliers and customers as a result of its board participation and other private investment activities. This provides multiple benefits, including access to proprietary macroeconomic data points on commodity prices and competitive trends and primary research on customer trends and supply/demand dynamics. Importantly, Wexford's senior investment professionals have substantial personal investments both in the hedge funds and the private equity funds. This incentivizes a collaborative approach in which information is readily shared between the two sides of the firm.

Mr. Davidson promotes a highly communicative and collaborative environment. He works directly with Mr. Holtz and the other portfolio managers in order to share ideas and find the most efficient ways to express his global macroeconomic views. While Mr. Davidson has often been quite prescient in developing his macroeconomic views, the collaborative portfolio management process serves as an important sanity check so that the fund is invested in the highest conviction ideas based on the input of multiple investment professionals with different backgrounds and areas of focus.

The portfolio managers focus on implementing their macroeconomic views by constructing a well-diversified portfolio and controlling risk largely independent of whether their predictions turn out to be accurate. Trades are often implemented using highly diversified, customized baskets of securities and are primarily executed electronically. High conviction macroeconomic ideas may result in the development of numerous baskets that are all predicated on the same view (or closely related insights). As noted above, the use of company-specific fundamental analysis is limited, with the exception of certain high conviction equity and distressed debt investments. For example, if the fund wants to express a bullish view on the Japanese stock market, Wexford will construct a market-weighted basket of hundreds of individual Japanese equity securities. This approach greatly reduces the potential adverse impact of company-specific events and tends to be a more effective method for exploiting pricing discrepancies than simply purchasing the Nikkei 225 Index.

While the Spectrum Fund has historically invested the majority of its assets in equities and commodities, the portfolio managers have proven adept at tactically allocating capital among other strategies as macroeconomic conditions have evolved. In particular, the fund substantially increased its allocations to investment grade fixed income and distressed/high yield at the end of 2008 in order to capitalize on historically wide spreads. As credit markets stabilized, the fund substantially reduced its exposure to corporate credit instruments. Exhibit 4 provides an overview of the historical strategy allocations of the fund.

Exhibit 4
Wexford Spectrum Fund
Historical Strategy Allocations

[redacted]

The strategies that the fund pursues are described in more detail below:

Equities/Commodities: The fund invests globally in equities and commodities in the energy, natural resources and industrials sectors. The strategy includes investments in integrated major oil companies, oil and gas exploration companies, oil and gas drilling, refining and marketing companies, metals and mining firms, basic industrial companies and related commodities, including oil, natural gas, product and distillates, coal and metals. The equities portfolio will also selectively invest in financials, healthcare, consumer discretionary and information technology companies. The fund tends to maintain a long bias in its equities/commodities portfolio and attempts to limit exposure to company-specific factors. While most investments in this area are well-diversified baskets, the portfolio managers will occasionally express fundamental views on larger positions in the energy, natural resources and industrials sectors.

Fixed Income – Distressed/HY: This strategy includes investments in distressed debt, high yield, bank loans and restructured equity securities. Investments in this area are managed by Jack Doyle, portfolio manager for the Credit Opportunities Fund, in collaboration with Mr. Davidson. The portfolio managers attempt to limit the duration of the book and maintain a sufficient level of liquidity. Industry exposures vary over time as market opportunities present themselves but the fund has recently focused on financials, telecommunications services, energy and consumer discretionary companies. The portfolio managers may conduct comprehensive company-specific fundamental analysis where necessary, particularly in the case of distressed debt investments. However, it is important to note that Wexford prefers not to be involved in complex, restructuring or workout situations which require substantial time commitments, legal resources and reduced liquidity.

Fixed Income – Investment Grade: The Wexford Spectrum Fund has historically not been heavily involved in purchasing lower-yielding investment grade fixed income securities. However, the fund substantially increased its allocations to this area beginning in the fall of 2008 in order to capitalize on the substantial market dislocation that existed at that time. Investments in this area are managed by Jack Doyle, portfolio manager for the Credit Opportunities Fund, in collaboration with Mr. Davidson. The portfolio managers will generally not conduct substantial fundamental analysis in this area and will tend to focus on sectors such as energy and industrials in which the firm has an expertise.

Fixed Income – Government: This strategy may include long and short investments in shorter duration government securities in the United States and Europe. Investments in this area are managed by Kenneth Rubin, portfolio manager for the Global Strategies Fund, in collaboration with Mr. Davidson. The Spectrum Fund primarily utilizes this book as a cash management vehicle for the overall fund. However, the portfolio managers will express directional, global macroeconomic views using government fixed income securities when appropriate. For example, the fund participated in early TALF issuances when market yields were still attractive. Furthermore, it is important to note that this book has had a net short exposure with negative duration and a particularly bearish stance on European fixed income securities for the past eighteen months.

CIO Charles Davidson has a record of developing and communicating strong directional macroeconomic views which have usually, but not always, been quite prescient. For example, here is his description of the opportunity set from his “Investment Outlook” of July 22, 2008:

> *Despite our general loathing of investing in the financial sector, we think the impending workout of the sector could be the next big five year trade. One of the key takeaways that we took from the various government pronouncements on Fannie Mae and Freddie Mac last week was that the Fed and Treasury have two bailouts left in them, and Fannie and Freddie are it. Everyone else is on their own and we should not expect many additional Bear Stearns-type deals where the U.S. government takes material economic risk. Before the dust settles in the U.S., we expect that at least one investment bank and scores of regional banks will fail, while the survivors will need to raise, collectively, hundreds of billions of new equity capital.*

Below is an example of a macroeconomic prediction from the Q1 2008 quarterly commentary that turned out to be less accurate:

> *We still do not believe the U.S. economy is in recession and, if we are wrong about that, we think a recession will be shallow and short-lived (the distinction between a mild recession and no recession is largely irrelevant to everyone but the academics at the National Bureau of Economic Research who will get back to us sometime in 2009 as to whether or not a recession occurred)… We expect equity markets will continue to push higher off of March’s “Bear Bottom” and think most indices will end the year up significantly from current levels.*

It is important to emphasize that the fund protected capital quite well during 2008, despite the inaccuracy of the Q1 2008 macroeconomic prediction shown above. As economic conditions started to deteriorate further in the summer and fall of 2008, the fund quickly reduced both gross and net exposures and increased its cash position. The high liquidity of the portfolio allowed the portfolio managers to cut risk quickly when their relatively bullish initial forecast did not play out as anticipated. These actions left the fund with plenty of “dry powder” which could be deployed into several opportunities at highly distressed prices during the fourth quarter of 2008 and the first quarter of 2009. One of these investments is described below:

<u>Trade Example</u>

[redacted]

[redacted]

[redacted] Issue Spread vs. Treasuries

[redacted]

Portfolio Characteristics

The Wexford Spectrum Fund invests globally across asset classes, including equities, corporate bonds, distressed debt, commodities and government fixed income securities. Because the fund primarily utilizes a basket approach to investing, the fund is highly diversified across thousands of small, mostly liquid positions and the top positions will never dominate the portfolio. Fund investments are well diversified by market capitalization, credit rating and duration, with a bias towards large cap equities, higher rated debt securities and shorter duration government instruments. Equity positions, which have historically accounted for the largest allocation in the portfolio, are well diversified by industry sector, with higher concentrations in the energy, materials and industrial sectors. The fund is also geographically diversified, with approximately 35% of the portfolio currently invested outside the U.S. As noted above, the fund utilizes little or no leverage and most of the strategies will not utilize any borrowing, with the exception of the fixed income/macro strategy.

The portfolio managers have varied the gross and net exposures of the fund as they have managed the portfolio to market cycle and sentiment. Gross exposures are expected to range from 50% to 225% and net exposures are expected to range from -25% to +90%. Exposures currently stand near the middle of the expected range. The portfolio is primarily invested in highly liquid securities, and illiquid (Level III) assets are currently 6% of the fund. With the exception of distressed debt, 90% of the portfolio can generally be liquidated in one day and 95% in one week. The fund launched a side pocket program in the summer of 2008 and investors can now elect to invest up to 10%, 20% or 30% of their capital into the side pocket (or opt out completely). The fund has only completed a few deals since the inception of the side pocket program but expects to complete more as market conditions continue to normalize. Many of these deals are expected to be sourced from the private equity side of the business.

Exhibit 5
Wexford Spectrum Fund
Historical Exposures

Exhibit 6
Wexford Spectrum Fund
Portfolio Characteristics as of April 2011*

	[redacted]
Total number of positions	
Types of securities	
Gross exposure as % of NAV	
Gross long exposure as % of NAV	
Gross short exposure as % of NAV	

[redacted]

Performance

Wexford Spectrum has produced strong absolute and risk-adjusted returns on a standalone basis and relative to other multi-strategy funds. Since inception in April 1997 through May 2011, the fund generated an annualized return of 14.42% with volatility of 10.50% resulting in a Sharpe ratio of 1.02. As shown in Exhibit 7, this ranks very favorably relative to other hedge funds (as represented by the HFRI Fund Weighted Composite Index) and other multi-strategy funds (as represented by the HFRI Relative Value Index).

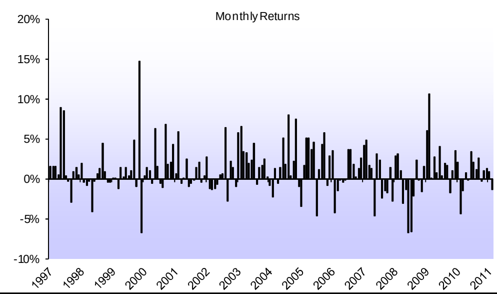
While Wexford Spectrum did experience a drawdown of -13.87% in 2008, the fund weathered the financial crisis relatively well and posted a strong 30.76% gain during 2009. Performance during this period as a whole compares favorably to other hedge funds.

As shown in Exhibit 8, Wexford Spectrum Fund has historically shown sensitivity to Asian and emerging markets equities, as well as commodities. This is consistent with the fund's focus on the energy, natural resources and industrials sectors, which have been sensitive to supply/demand dynamics from higher growth Asian and emerging markets economies. The fund has shown little in the way of sensitivity to U.S. and European equity markets. Furthermore, the contrarian nature of the fund's investment philosophy has also resulted in no statistically significant sensitivity to high yield spreads or non-U.S. sovereign bonds. The statistically significant negative exposure to US Treasuries is consistent with the fund's long-biased approach to investing in equities, commodities and other risky asset classes. Finally, since inception, the fund has shown relatively low correlations to other hedge funds.

Exhibit 7
Wexford Spectrum Fund, L.P.
Performance as of May 2011

[redacted]

Fund Return	1-Year	3-Years	5-Years	Inception
Wexford Spectrum Fund, L.P.	[redacted]			
[redacted]				
S&P 500 TR	[redacted]			
Barclays Aggregate Bond Index				
3 Month Libor Rate				



[redacted]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	HFRI FW
2011	-0.32%	1.00%	1.22%	0.85%	-1.43%								1.30%	1.96%
2010	-1.80%	0.99%	3.51%	2.10%	-4.43%	-1.55%	0.66%	-0.19%	3.38%	2.06%	1.18%	2.54%	8.45%	10.25%
2009	-0.16%	-1.65%	1.50%	5.99%	10.53%	0.05%	2.73%	0.69%	4.07%	0.27%	1.96%	1.71%	30.76%	19.98%
2008	-1.84%	1.43%	-2.83%	2.77%	3.13%	0.93%	-3.04%	-1.34%	-6.75%	-6.70%	-2.23%	2.28%	-13.87%	-19.03%
2007	0.16%	1.27%	2.61%	4.12%	4.78%	1.67%	1.27%	-4.62%	3.09%	2.34%	-2.47%	-1.49%	13.03%	9.96%
2006	5.78%	-0.92%	2.79%	3.46%	-4.34%	-1.53%	-0.20%	-0.40%	-0.14%	3.59%	3.63%	1.81%	13.90%	12.89%

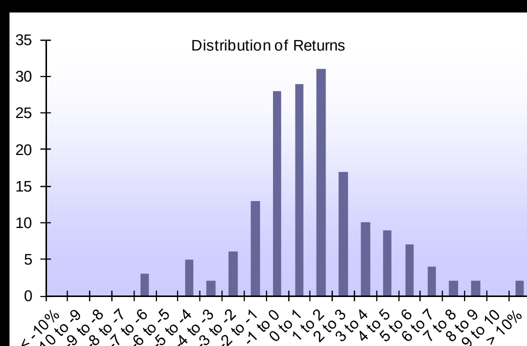
[redacted]

Hedge Fund Research, Inc. ("HFR") is the source and owner of the HFR data contained or reflected in this report and all trademarks related thereto. This report relies upon the accuracy and completeness of financial information obtained through the fund manager. We have not conducted an independent verification or an audit of such information. Past performance does not guarantee future performance. The information contained herein is confidential financial information, which should not be disclosed to third parties except as required by applicable law.

Exhibit 8
Wexford Spectrum Fund, L.P.
Risk Characteristics as of May 2011

[redacted]

[redacted]



[redacted]

Hedge Fund Research, Inc. ("HFR") is the source and owner of the HFR data contained or reflected in this report and all trademarks related thereto.This report relies upon the accuracy and completeness of financial information obtained through the fund manager. We have not conducted an independent verification or an audit of such information. Past performance does not guarantee future performance. The information contained herein is confidential financial information, which should not be disclosed to third parties except as required by applicable law.

Risk Management

Portfolio manager Robert Holtz is responsible for the risk management of the Wexford Spectrum Fund. The strong value bias and contrarian nature of the investment process reinforces the general risk management philosophy that "buying cheap is the best hedge". As noted above, the fund focuses on selling opportunities when there is widespread market greed or when it is involved in crowded trades. The portfolio managers focus on buying opportunities when there is fear in the market or when they can secure attractive pricing by acting as liquidity providers.

The portfolio is highly liquid with thousands of individual positions, none of which is expected to have a material impact on the performance of the fund. Concentration limits are closely monitored by Mr. Holtz and individual names are typically less than 50 bps of NAV, baskets less than 5%, and industry sector exposures less than 30%. Furthermore, the portfolio managers closely monitor liquidity, and position size relative to trading volume is tightly constrained. In particular, individual equity positions are required to be sized at less than 1/3 of daily trading volume. Except for distressed debt positions, the fund is managed so that 90% of the portfolio can be liquidated with limited market impact in one day and 95% can be liquidated in one week.

The risk manager does not enforce strict stop loss rules but downside moves greater than 5% per position (or basket) trigger flags or soft stops. At this point, the trade is closely reevaluated by Mr. Holtz, in collaboration with the portfolio manager responsible for the investment, and the position size is usually cut back. A recent example of such an action can be found in the fund's bullish view on oil and natural gas prices, which is based on Mr. Davidson's belief in the "peak oil" supply theory. Despite Mr. Davidson's conviction in the theory, oil prices have recently been hurt by the turmoil in Europe and signs of weakness in the U.S. economic recovery. As the bullish trade is implicitly exposed to global GDP growth, the portfolio managers believed that it was prudent to reduce exposure in the short term and will ideally re-initiate the trade at a lower entry point in the future.

The portfolio is highly diversified across geographies, sectors, and security types. Approximately 35% of the portfolio is invested outside of the U.S., no sector currently accounts for more than 20% of capital and no asset class accounts for more than 50% of gross exposure. On the fixed income side, the portfolio is concentrated in shorter duration securities and generally focuses on higher rated, more liquid securities.

The Wexford Spectrum Fund weathered the economic crisis of 2008 relatively well with a drawdown of -13.87%. The high level of liquidity in the fund allowed the portfolio managers to quickly reduce the exposure of the fund in the summer and fall of 2008 and to significantly increase its cash position. This provided the fund with plenty of available "dry powder" to capitalize on the significant number of market opportunities created by highly distressed valuations at the end of 2008 and in the first half of 2009. Therefore, the fund was able to rebound strongly with a 30.76% gain in 2009, even though the fund's gross exposures were lower than the historical average.

Investment Terms

Summary Comments
Wexford Spectrum offers standard terms for a multi-strategy fund, including a 1.5% management fee and 20% performance fee. The fund requires a one year hard lock-up period and has quarterly liquidity with 90 day notice period thereafter. There is a multi-tiered gate, although Wexford has not enforced this provision. Investors may elect to invest 10%, 20%, or 30% of their capital in side pockets (or opt out completely), but the fund has historically not made many private investments in its hedge funds.

Term	
Fees and expenses	
Management fee	1.5%
Performance fee	20%

High water mark	Yes
Hurdle rate	No
Fee payment frequency	Monthly management fees; annual performance fee
Fund expenses	43 bps
Typical fund expenses	Legal, audit and tax expenses, administration expenses, and expenses relating to research, including subscriptions, data fees and travel expenses
Offsets to expenses	The management fee will be offset by 50% of all closing, consulting, advisory, directors', transaction, break-up and other similar fees
Subscriptions	
Minimum initial investment	$1 million
Minimum subsequent investments	No
Frequency	Monthly
Timing	First business day of each month
Notification period	Two business days
Other subscription provisions	None
Redemptions	
Frequency	Quarterly, following the lock-up period
Timing	Last business day of the fourth full calendar quarter following the contribution date; last business day of each quarter thereafter
Notification period	90 days
Gate	20% at the fund level, in which case redemption requests will be reduced to no more than 25% of each withdrawing investor's capital account (onshore) or number of shares (offshore) per quarter
Distribution of proceeds	90% paid within 45 business days, balance paid after completion of audited financials Distributions can be made in cash or kind
Suspension provisions	The Board of Directors may suspend redemptions (offshore only)
Other withdrawal provisions	None
Liquidity	
Lock-up	One-year lock-up on each contribution
Early withdrawal penalties	None
Key man provisions	None
Transferability	Only with the prior written consent of the General Partner (onshore) or Board of Directors (offshore)
Side pockets for illiquid investments	Each investor may elect not to participate in side pockets or to participate in side pockets up to 10%, 20% or 30%. Investors may elect to change their election for future side pockets at any time upon 90 days' written notice
Side letters	None for better fees or liquidity terms

Appendix: Glossary

Alpha	Measure of a fund's excess returns over market indices. Alpha represents the portion of a portfolio's returns attributable to manager skill.
Arbitrage Strategy	A hedge fund style that aims to profit from the discrepancy in valuation between related securities, which may include equities, fixed income, derivatives, etc. An example is convertible arbitrage, which attempts to exploit the mispricing between embedded options in convertible bonds and the underlying security.
Beta	Measure of a portfolio's return sensitivity to a market index. The higher the beta, the greater the sensitivity to the market. A portfolio with a beta of 1.0 should move directly in line with the market index.
Convexity	A measure of the sensitivity of a bond's duration to changes in interest rates. Bond portfolios with positive convexity are structured to have greater upside, when interest rates decline, than downside when interest rates increase.
Credit Strategy	A hedge fund style that typically invests in high yield and high grade bonds, bank loans, credit default swaps and structured products. Managers use fundamental credit analysis to identify mispriced debt instruments and express their views through long and short positions.
Derivative	A security whose price is derived from the value of one or more of the underlying variables, commonly the price of another security. An example is a call option which gives the holder the right, but not the obligation, to buy an asset at a specified price for a limited period of time. Derivatives can be used to hedge risk, speculate, or establish arbitrage positions.
Distressed Strategy	A hedge fund style that seeks to take advantage of corporate securities in default, under bankruptcy protection, in distress or heading toward such a condition, or in liquidation. Some distressed managers attempt to add value by becoming actively involved in the restructuring process.
DV01	The hypothetical mark-to-market impact on a fixed income portfolio of a 1 basis point increase in the credit spread of each asset.
DV1%	The hypothetical mark-to-market impact on a fixed income portfolio of a 1% increase in the credit spread of each asset.
Early Withdrawal Penalty	A fee assessed to investors that redeem assets prior to the expiration of a "soft" lock-up. The penalty is a percentage of assets, typically 2% to 5%, and these fees generally accrue to the fund.
Equity Long/Short Strategy	A hedge fund style that primarily allocates capital to long and short positions in equities and equity derivatives. Exposures range from net long to market neutral to dedicated short. Some equity long/short funds focus on specific sectors (e.g., technology and healthcare) or regions (e.g., Asia and Europe).
Event Driven Strategy	A hedge fund style that aims to profit from the mispricing of securities related to hard and/or soft catalysts. Examples include mergers (merger arbitrage), restructurings, bankruptcies, litigation, regulatory and legislative changes.
F-Stat (p-value)	Measure of the statistical significance of a regression. A smaller p-value associated with the F-stat indicates a higher level of statistical significance. For example, a p-value of .01or less indicates significance at the 99% level.
Expense Ratio	All expenses charged to the fund other than those related to trading and financing. These expenses typically include organizational expenses; fund legal, compliance, audit and administrative fees (including middle/back office services); directors' fees and expenses; fund-related insurance costs and research and data fees. Charges related to entering into, maintaining, and financing a position are not included in the ratio. These charges would typically include commissions, margin and other finance charges ("carry"), stock loan costs net of short rebate, brokerage charges, intermediation fees, and any other execution or finance related charges.
Fund of Funds	An investment vehicle that invests in a portfolio of hedge funds.
Gate	A restriction on the amount that investors can redeem from a hedge fund in a given period. Gates are designed to help prevent problems associated with large redemption requests during a specific period. Fund level gates establish this limit as a percentage of all holdings in the fund, potentially allowing redeeming investors to receive a percentage greater than the gate amount. Investor level gates limit each investor's withdrawal to a specific percentage of their account.
General Partner	The partner responsible for the management and investment decisions of the fund.
Global Macro Strategy	A hedge fund style focused on taking advantage of structural macroeconomic imbalances and trends. Global macro managers generally have broad mandates to invest globally

	across all asset classes. These managers tend to employ leverage and have exposure to global interest rates, currencies, commodities and equities.
High Water Mark ("HWM") (also Modified HWM)	The value that a portfolio must exceed before incentive fees can be assessed. The HWM is the highest net asset value previously achieved, and ensures that the manager does not earn performance fees on gains until previous losses are recaptured. A modified HWM allows the manager to earn a reduced (one-half) incentive fee during recovery, with the full incentive fee resuming after recovering 200% of earlier losses. A modified HWM helps a manager retain talented employees during weak performance periods.
Information Ratio ("IR")	Commonly used measure of a manager's risk-adjusted alpha versus a benchmark or set of market indices. The IR is the ratio of excess fund returns to tracking error. LIBOR is an appropriate benchmark for evaluating absolute return strategies, with a high IR indicating consistent outperformance.
Kurtosis	Positive kurtosis measures the tendency of returns to deviate from a "normal" distribution and exhibit "fat tails" where there is a greater frequency of large losses and large gains versus what would be normally predicted. Investors should be cautious of hedge funds whose returns exhibit high positive kurtosis, also known as tail risk.
Leverage	The use of explicit debt (i.e. borrowing) or implicit debt (i.e. derivatives) to achieve investment positions that exceed invested capital (NAV), thereby amplifying return but also increasing risk. A common leverage calculation is the ratio of gross notional exposure to invested capital. For example, a $100 investment in BP stock coupled with a $100 short sale of Exxon stock yields gross notional exposure of $200. Leverage in this example can be described in at least two ways: a. The portfolio has 200% gross exposure (equal to $200 gross notional exposure divided by $100 NAV) b. The portfolio is one time (1x) levered (equal to $100 in debt divided by $100 NAV) As illustrated in the example, the $200 gross notional exposure equals the absolute value total of both $100 long ("gross long") and $100 short ("gross short") asset exposures. The measurement of gross notional exposure varies by asset class: • *Equities* – the market value of long and short positions • *Corporate Debt and Municipal Bonds* – the market value of long and short positions • *US Treasuries (and other highly rated government debt)* – the market value of long and short positions, adjusted to a 10 year bond equivalent maturity (approximate 9 year duration), so that a $100 exposure to a 2 year duration bond is recognized as a lower risk compared to a $100 20 year duration bond. The $100 3 year duration bond is said to have a $33 10 year bond equivalent exposure ($100 times 3, divided by 9) while the $100 20 year duration bond is said to have a $222 10 year bond equivalent exposure ($100 times 20, divided by 9) • *Options* – the delta adjusted exposure rather than the total notional value of the underlying reference asset. Delta adjusted exposure represents the implied shares/holdings necessary to hedge the options position • *Credit Default Swaps* – total notional exposure of the underlying reference credit • *Interest Rate Swaps* – total notional exposure (expressed as 10-year bond equivalent, per the duration adjustment process described above) to reference security or index • *Futures/Forwards* – total notional exposure to reference security or index
Limited Partner	Investors are limited partners in the hedge fund and are "limited" in that they have no voice in hedge fund investment or operational matters, and their losses are limited to amounts invested.
Liquidity	The ease with which a hedge fund can convert its holdings to cash. Funds with higher liquidity can close out of positions more easily and with fewer costs.
Lock-up	The period of time before an investor is eligible to redeem from a hedge fund. Lock-ups of one or two years are typical, and may apply to each subsequent investment. The liquidity of the strategy typically influences the length of the lock-up. For example, distressed funds typically have longer lock-up periods than macro and equity long/short funds.
Hard	Assets can not be redeemed during the lock-up period.
Soft	Assets may be redeemed prior to expiration of the lock-up period, but an early redemption penalty must be paid.
Management Fee	Compensation for management of the hedge fund. Management fees typically range from 1% to 2% of assets.
Macro Overlay	A supplemental component of a portfolio designed to change the exposure of the underlying portfolio to various macroeconomic factors.

Margin (Encumbered Cash)	Cash posted as collateral with a broker or exchange to satisfy the trading requirements of derivative contracts.
Margin-to-equity ratio	The percentage of portfolio capital posted as margin with a broker or exchange (i.e., margin capital divided by total capital). In a portfolio composed entirely of derivative contracts, this number represents the percentage of encumbered cash in the portfolio. This is a common measure of leverage used by CTA managers, since it is proportional to the amount of notional exposure per dollar of capital. For example, if one CTA portfolio has a higher margin-to-equity ratio than another, all else being equal, the former portfolio has higher leverage.
Master-Feeder Fund Structure	A fund structure which allows for onshore and offshore fund vehicles to be managed as a single portfolio.
Master Fund	The master fund is that part of a master-feeder structure into which the feeder funds invest and which manages the single combined investment portfolio. The master fund is generally a non-US corporate entity.
Feeder Funds	Two separate legal entities, one a U.S. onshore partnership (LP) and the other a non-U.S. offshore corporation (LTD) which accommodates investor groups with different tax and regulatory needs.
Max Drawdown	The greatest investment loss experienced by a hedge fund, measured from peak (prior highest cumulative return) to valley (subsequent lowest cumulative return).
Multi-Strategy	A hedge fund style that opportunistically allocates capital to various hedge fund strategies and uses diversification to reduce asset-class and single-strategy risks. Ideally, multi-strategy portfolio managers tactically shift capital among strategies in order to capitalize on current market opportunities. Some multi-strategy funds act as a collection of traders, while others have a more formal organizational structure.
Net Asset Value (NAV)	A fund’s total assets less total liabilities.
Notional Exposure	The total dollar exposure represented by a position. Due to leverage, this amount may be greater than the equity in the position. For example, a CDS contract offering $1 million of protection has a notional value of $1 million even though the cost of the contract itself is likely to be a small fraction of that amount.
Gross Long	The total notional exposure of all long positions in a portfolio. Long positions benefit from increases in securities prices.
Gross Short	The total notional exposure of all short positions in a portfolio. Short positions benefit from decreases in securities prices.
Net	The difference between a portfolio’s gross long and gross short exposures. A net long position indicates a higher portion of long positions in the portfolio, and that the portfolio should generally benefit from an increase in asset prices. A net short position indicates the opposite.
Total Gross	The sum of a portfolio’s gross long and gross short exposures.
Offshore Fund	Hedge funds which are registered/domiciled in offshore jurisdictions such as the Cayman Islands, British Virgin Islands, and Luxembourg. Offshore funds provide eligible investors with tax benefits and regulatory relief. Because offshore funds are administered outside of the U.S., non-U.S. investors and tax exempt U.S. investors such as ERISA pension funds can take advantage of tax benefits.
Onshore Fund	A fund with a U.S. legal domicile under the tax and regulatory locale of the fund manager. Most onshore funds are limited partnerships registered under Delaware law.
Performance (Incentive) Fee	The manager's share of the profits above the high water mark and net of management fees and expenses. The fee is typically 20%.
Serial Correlation	The correlation between current and past returns. In an efficient market, there should be no correlation between returns from one period to the next. Some hedge funds, particularly credit oriented funds, exhibit positive serial correlation which indicates that security pricing may be “sticky” and not change from period to period.
Sharpe ratio	Commonly used measure of a manager’s risk-adjusted alpha in relation to a risk-free asset. The Sharpe ratio is equal to excess returns divided by excess risk. A high Sharpe ratio indicates that a manager has generated high risk-adjusted returns.
Side Letter	An addendum to the partnership and subscription agreement which stipulates key terms for a particular investor, such as negotiated fee levels, MFN (Most Favored Nation) clauses, transparency requirements, or special liquidity terms.
Side Pocket	A segregated portion of a portfolio that may be used to hold illiquid, less frequently priced securities. Once a holding is placed in a side pocket, only current investors participate in its performance. Subsequent investors do not share in the gains/losses associated with assets previously placed in side pockets. Performance fees are paid when side pocket

	investments are realized. Assets placed into side pockets are not available for withdrawal until the investments are realized.
Skew	Skew measures the tendency of returns to deviate from a symmetrical distribution. Given two return distributions with the same mean and standard deviation, the distribution with the higher positive skew would be more desirable. Several hedge fund styles, particularly arbitrage strategies, exhibit return patterns that are negatively skewed, an undesirable trait but one that can be managed through style diversification at the portfolio level.
Soft Dollars	Commission credits from trading securities that can be used to pay for research or other services that brokers provide to hedge funds and that are intended for the benefit of investors. Most funds operate under the SEC 28e safe harbor rules that restrict soft dollar use to research only.
Suspension Provisions	A hedge fund provision that allows the manager to suspend all redemptions, generally to deal with extraordinary market circumstances.
T-Stat (p-value)	Measure of the statistical significance of an individual independent variable in a regression. A smaller p-value associated with the T-stat indicates a higher level of statistical significance. For example, a p-value of .01 indicates significance at the 99% level.
Tail Risk	A form of risk that arises when portfolio returns deviate from a “normal” distribution and exhibit “fat tails” where there is a greater frequency of large losses and large gains versus what would be predicted. Although technically positive kurtosis, tail risk is usually associated with downside risk in an extreme scenario.
Tracking Error	Measure of the volatility of an investment's performance relative to a benchmark.
Transferability	The terms under which an investor may transfer ownership rights to another investor. Typically requires the approval of the manager or administrator.
Unencumbered Cash	Unencumbered cash is equal to cash holdings less margin requirements.
VAMI	The Value Added Monthly Index (VAMI) reflects the growth of a hypothetical $1,000 in a given investment over time.
Value at Risk (VaR)	The potential loss in value of a portfolio given a specific time horizon and probability. For example, if a portfolio has a one day 5% VaR of $1 million, there is a 5% chance the portfolio will lose more than $1 million on any given day.