

Form ADV Part 2A



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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of BlueMountain Capital Management, LLC (“BlueMountain”). If you have any questions about the contents of this Brochure, please contact Paul Friedman, Chief Compliance Officer, at 212-905-3900 and/or investor@bluemountaincapital.com. 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 BlueMountain also is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with BlueMountain who are registered, or are required to be registered, as investment adviser representatives of BlueMountain.

Although BlueMountain is registered as an investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”), such registration does not imply that BlueMountain or our personnel have a certain level of skill or training.

Item 2 – Material Changes

If you are amending your *brochure* for your annual update and it contains material changes from your last annual update, identify and discuss those changes on the cover page of the *brochure* or on the page immediately following the cover page, or as a separate document accompanying the *brochure*. You must state clearly that you are discussing only material changes since the last annual update of your *brochure*, and you must provide the date of the last annual update of your *brochure*.

On July 28, 2010, the SEC published Release No. IA-3060, “Amendments to Form ADV,” which significantly changed the form and content of the brochure that we must provide to our advisory clients. As a result, this Brochure is materially different from our brochure dated March 2010 we were previously required to make available to our advisory clients. This Brochure has been drafted in accordance with the new format mandated by the SEC.

In the future, this Item 2 (or a separate document accompanying the Brochure) will include the date of the Brochure’s last annual/interim update and a summary of specific material changes that have been made to the Brochure since the time of that update.

Item 3 – Table of Contents

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Item 4 – Advisory Business

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

BlueMountain is an asset manager focused on the credit markets. The firm has been in business since 2003 when it was founded by Andrew Feldstein and Stephen Siderow. BlueMountain currently has approximately 113 employees, inclusive of active partners and affiliate employees, primarily located in its New York and London offices. BlueMountain Capital Partners (London) LLP (“BlueMountain London”) is, both directly and through an affiliate, a wholly-owned subsidiary of BlueMountain which serves as adviser to BlueMountain with respect to issuers based in Europe. BlueMountain has a sub-advisory agreement with BlueMountain London, pursuant to which BlueMountain London provides investment advisory services, trade execution, and general infrastructure support to BlueMountain. BlueMountain London is registered with the Financial Services Authority.

As of December 31, 2010, BlueMountain had \$5,522,142,248 in assets under management. BlueMountain serves as an investment adviser to pooled investment vehicles (“Fund Clients”), including, without limitation, special purpose vehicles for collateralized loan obligations (“CLOs”) or collateralized synthetic obligations (“CSOs”), and institutional accounts (“Institutional Accounts,” and, together with Fund Clients, “Advisory Clients”) that are primarily domestic and foreign limited partnerships, domestic limited liability companies and foreign companies. BlueMountain generally provides investment management and supervisory services to its Advisory Clients on a discretionary basis.

Investments by Fund Clients typically are made through a master-feeder structure, with an affiliate of BlueMountain serving as general partner of Fund Clients organized as limited partnerships, and BlueMountain serving as investment adviser to both the Fund Client that invests through the master fund and the master fund itself. With respect to Fund Clients organized as foreign companies, in some cases a majority of the board of directors of such entities are BlueMountain personnel.

Institutional Accounts are generally organized as single-investor limited partnerships with an affiliate of BlueMountain serving as the general partner of the Institutional Account, or as foreign companies with a majority of the board of directors of such entity comprised of BlueMountain personnel.

Advisory Clients are neither registered under the Securities Act of 1933, as amended, nor registered under the Investment Company Act of 1940, as amended. Accordingly, interests in Advisory Clients are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. No offer to sell interests in these Advisory Clients is made by the descriptions in this Brochure. Please see Item 7 (Types of Clients) of this Brochure for more information with respect to BlueMountain’s clients.

Principal Ownership

BlueMountain’s principal owners (based on a greater than 2.5% ownership stake) are as follows:

- Andrew T. Feldstein – Chief Executive Officer; Chief Investment Officer
- Stephen M. Siderow – President
- Alan J. Gerstein – Managing Principal
- Michael Liberman – Managing Principal; Chief Operating Officer; Chief Risk Officer
- David A. Rubenstein – Managing Principal; Chief Financial Officer; General Counsel; Secretary
- Bryce Markus – Managing Principal
- Derek Smith – Managing Principal

- William H. Reeves – Member
- AMG New York Holdings Corporation – Member

AMG New York Holdings Corporation, a subsidiary of Affiliated Managers Group, Inc. (“AMG”), holds an equity interest in BlueMountain. AMG is a publicly-traded asset management company (NYSE: AMG) with equity investments in other boutique investment management firms (“AMG Affiliates”). Further information on both AMG and AMG’s Affiliates is provided in Item 10.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

BlueMountain is a discretionary investment manager specializing in providing advisory services with respect to investments in credit derivatives (including credit default swaps), corporate and convertible bonds, loans (including corporate loans), collateralized debt obligations and other asset-backed securities and asset-backed financing arrangements. Credit derivatives may relate to individual reference entities or to baskets or portfolios of reference entities (including levered or de-levered tranches of such portfolios or baskets).

BlueMountain’s advisory services also include advice regarding investments in equities or equity derivatives in connection with credit trading strategies and using interest rate derivatives (including futures, swaps and swaptions) and government securities to hedge interest rate risk and spot and forward foreign currency contracts to hedge currency exposures.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

The advisory services provided by BlueMountain to its Advisory Clients are tailored to the investment objectives, investment strategy and investment restrictions, if any, as set forth in the governing documents of Advisory Clients and/or the investment management agreement entered into by BlueMountain with such clients. With respect to Fund Clients, BlueMountain typically does not tailor its advisory services to the individual needs of investors in the Fund Client; accordingly, it typically does not accept investment restrictions imposed by such Fund Client investors. With respect to Institutional Accounts, the terms of such relationship, including any investment restrictions, are individually negotiated.

Each of the Fund Clients may from time to time enter into agreements (“Side Letters”) with one or more of their investors whereby in consideration for agreeing to invest certain amounts in a Fund Client and/or other consideration deemed sufficiently material, such investors may be granted favorable rights not afforded other investors in such Fund Client. Such rights may include one or more of the following: rights to receive reports from the Fund Client on a more frequent basis or that include information not typically provided to other investors that is not prejudicial to other investors; rights to receive reduced rates of incentive fees/allocations and/or management fees earned by BlueMountain, each Fund Client’s general partner and/or other affiliates; and such other rights as may be negotiated between the Fund Client, BlueMountain and such investors. Such agreements may be entered into by the Fund Client and BlueMountain without the consent of other investors in such Fund Client; additionally, except as may be required by “most-favored-nations” clauses, such agreements usually need not be disclosed to other investors in such Fund Client.

D. If you participate in *wrap fee programs* by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

BlueMountain does not participate in “wrap fee arrangements,” whereby clients select BlueMountain to manage funds through an investment program presented to the clients by a third-party program sponsor.

E. If you manage *client* assets, disclose the amount of *client* assets you manage on a *discretionary basis* and the amount of *client* assets you manage on a *non-discretionary basis*. Disclose the date “as of” which you calculated the amounts.

As noted above, as of December 31, 2010, the amount of client assets managed by BlueMountain (“AUM”) was \$5,522,142,248. Of this amount, \$5,413,169,244 is managed by BlueMountain on a discretionary basis, and \$108,973,004 is managed by BlueMountain on a non-discretionary basis. Please see Item 5.F of BlueMountain’s Form ADV Part 1A for more information.

Item 5 – Fees and Compensation

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

BlueMountain is compensated for its advisory services generally through a management fee charged to Advisory Clients. BlueMountain typically receives a monthly management fee from Fund Clients – 1/12 of a per annum fee of typically 2%, as applicable, of the net assets of each Fund Client; provided that for those Fund Clients that are CLOs and CSOs, BlueMountain receives a collateral management fee payable quarterly in arrears, typically 1/4 of a per annum fee between 0.20% and 0.50%, as applicable, of the net assets of each CLO or CSO. For those Fund Clients that are part of a master-feeder structure, the management fee is typically paid to BlueMountain by the respective master fund on behalf of the feeder funds. BlueMountain also receives management fees with respect to three CLOs managed by BlueMountain. BlueMountain rebates these fees to Fund Clients to the extent they are attributable to the Fund Client's CLO equity holdings.

In addition, with respect to certain Fund Clients, BlueMountain (or affiliates of BlueMountain acting as general partners or managing members of the Fund Clients) receives performance compensation with respect to each calendar year or lock-up period, typically 20% of net profits allocated to each investor on an annual basis, payable at the end of each year or lock-up period, as the case may be. With respect to other Fund Clients, BlueMountain (or affiliates of BlueMountain acting as general partners or managing members of the Fund Client) receives performance compensation based on an internal rate of return calculation at such times as distributions are made to investors in such Fund Clients; provided that with respect to certain Advisory Clients, performance compensation is payable only if and to the extent a certain minimum rate of return (a "hurdle") is exceeded. Such performance compensation may be subject to a "high water mark" or loss carry forward provisions. See Item 6 for further information with respect to performance compensation.

Depending on the characteristics of the Advisory Client, fees may be higher or lower. BlueMountain reserves the right to waive some or all fees for certain investors in Advisory Clients, including for investors who are affiliated with BlueMountain. Except as described in the following paragraph, the management fee and performance compensation for Fund Clients are generally not negotiable. Fee arrangements for Institutional Accounts are individually negotiated.

As explained above in Item 4, BlueMountain may enter into a Side Letter with Fund Client investors, typically those with the largest aggregate investments in Fund Clients, whereby such investors are granted favorable rights not granted to other investors in the Fund Client including, among other things, rights to receive reduced rates of performance fees and/or management fees earned by BlueMountain, each Fund Client's general partner and/or other affiliates.

To calculate advisory fees, BlueMountain generally relies on prices provided by third-parties (whether dealer quotes or third party data feeds) for purposes of valuing portfolio securities held in Advisory Client accounts. BlueMountain's third-party administrator (the "Administrator") verifies the third party values that BlueMountain receives. In the event of a disagreement between BlueMountain and the Administrator, BlueMountain works with the Administrator to investigate and resolve any differences. Although it is extremely rare for discrepancies to persist after an investigation by BlueMountain and the Administrator, in the event that BlueMountain and the Administrator continue to disagree on the valuation of a position, the Administrator can withhold the net asset value if it is unsatisfied with the valuation. BlueMountain maintains policies and procedures relating to the pricing process.

Except to the extent that better performance increases assets under management and thus the amount of the management fee, management fees are payable without regard to the overall success or income earned by Advisory Clients and therefore may create an incentive on the part of BlueMountain to raise or otherwise increase assets under management to a higher level than would be the case if BlueMountain were receiving a lower or no management fee.

Other fees payable by investors in Advisory Clients are described below.

Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to the fees associated with such Advisory Client. The information contained herein is a summary only and is qualified in its entirety by such documents.

B. Describe whether you deduct fees from *clients*' assets or bill *clients* for fees incurred. If *clients* may select either method, disclose this fact. Explain how often you bill *clients* or deduct your fees.

BlueMountain (or an affiliate) may deduct fees from Advisory Clients' assets. Management fees are generally paid by Advisory Clients to BlueMountain pursuant to a management agreement between the parties.

Performance compensation typically is deducted from Advisory Client assets and allocated to an affiliate of BlueMountain pursuant to the governing documents of the Advisory Client, or paid directly out of Advisory Client assets to BlueMountain pursuant to a management agreement between the parties.

Management fees are generally paid by Advisory Clients to BlueMountain monthly in arrears or in advance. Performance compensation is generally payable at the end of each year or other pre-defined period as set forth in the governing fund documents, as the case may be, and deducted at such time. Performance compensation is also payable by Advisory Clients to BlueMountain or an affiliate at the time an investor withdraws or redeems, as the case may be, from an Advisory Client.

Management fees and performance compensation may be (and have been) waived or modified in the sole discretion of BlueMountain and/or its affiliates, including for investors who are affiliated with BlueMountain.

Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to how fees are paid with respect to their assets. The information contained herein is a summary only and is qualified in its entirety by such documents.

C. Describe any other types of fees or expenses *clients* may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that *clients* will incur brokerage and other transaction costs, and direct *clients* to the section(s) of your *brochure* that discuss brokerage.

BlueMountain's fees are exclusive of Advisory Clients' own organizational (which may be amortized over a period of time), operating and other expenses including (without limitation): (i) investment related expenses, (ii) audit expenses, (iii) administration fees, (iv) legal and accounting expenses, (v) research services and data feeds, (vi) insurance and director fees and (vii) costs of certain BlueMountain personnel that perform certain back- and middle-office services for BlueMountain. For those Fund Clients that are part of a master-feeder structure, each feeder fund will indirectly bear the administrative and other expenses of the master fund pro rata based on its interest in the master fund.

Execution of Advisory Client transactions typically requires payment of a bid/ask spread or brokerage commissions by the Advisory Client. Item 12 (Brokerage Practices) below describes the factors that BlueMountain considers in selecting or recommending broker/dealers for the execution of transactions and determining the reasonableness of their compensation (e.g., commissions). Investment activity may also involve other transaction fees payable by Advisory Clients, such as sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, Advisory Clients may incur certain charges imposed by custodians, broker/dealers, third-party investment consultants, and other third parties, such as custodial fees, prime brokerage fees, consulting fees, administrative fees and transfer agency fees.

Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to the fees and expenses they may pay in connection with an investment in such Advisory Client. The information contained herein is a summary only and is qualified in its entirety by such documents.

D. If your *clients* either may or must pay your fees in advance, disclose this fact. Explain how a *client* may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Management fees applicable to certain Advisory Clients are paid monthly in advance as described in the investment management agreement between such Advisory Client and BlueMountain and/or the governing documents of such Advisory Client. With respect to fee refunds, information about how investors in Advisory Clients may withdraw or redeem interests or shares in an Advisory Client is set forth in the respective Advisory Client's governing documents.

E. If you or any of your *supervised persons* accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

- 1. Explain that this practice presents a conflict of interest and gives you or your *supervised persons* an incentive to recommend investment products based on the compensation received, rather than on a *client's* needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to *clients*. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.**
- 2. Explain that *clients* have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.**
- 3. If more than 50% of your revenue from advisory *clients* results from commissions and other compensation for the sale of investment products you recommend to your *clients*, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.**
- 4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.**

Neither BlueMountain nor its employees receive, directly or indirectly, any compensation from the sale of securities or investments that are purchased or sold for Advisory Client accounts. BlueMountain is compensated through the stated management fee and performance compensation agreed upon in the

governing documents of the respective Advisory Client. Accordingly, BlueMountain believes that it does not have any conflicts of interest regarding the receipt of additional compensation relating to Advisory Client assets that BlueMountain manages, except as specifically disclosed from time to time.

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

If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.

As described in Item 5, BlueMountain or its affiliate receives performance-based compensation for investment management services provided to Advisory Clients. Performance-based compensation represents an asset manager's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. BlueMountain's performance-based compensation arrangements are typically a percentage of net profits allocated to an investor in an Advisory Client on an annual basis or based on an internal rate of return calculation at such times as distributions are made to investors and, in each case, may be subject to a hurdle.

Performance-based compensation creates certain inherent conflicts of interest with respect to BlueMountain's management of assets. Specifically, our entitlement to performance-based compensation in managing one or more accounts may create an incentive for BlueMountain to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation.

BlueMountain does not currently, and does not expect to in the future, manage both accounts that are charged performance-based fees and accounts that are charged only asset-based fees (i.e., fees based simply on the amount of assets under management in an account). Accordingly, BlueMountain does not consider its fee structure to present any conflicts of interest. As a general matter, since performance-based fees reward an adviser for strong performance in accounts which are subject to such fees, an adviser may have an incentive to favor these accounts over those that have only asset-based fees with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities.

To maintain fair and equitable treatment of all of accounts, BlueMountain has implemented controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure. In particular, BlueMountain periodically reviews its trade allocations. These activities, along with other existing controls, provide an environment that fosters the fair and equitable treatment of all accounts managed by BlueMountain.

Side-by-Side Management

BlueMountain's investment professionals simultaneously manage portfolios for Fund Clients and Institutional Accounts that implement comparable investment strategies (i.e., side-by-side management). The simultaneous management of these different investment products creates certain conflicts of interest, as the fees for the management of certain types of products are higher than others. Nevertheless, when managing the assets of such accounts, BlueMountain has an affirmative duty to treat all such accounts fairly and equitably over time.

Although BlueMountain has a duty to treat all portfolios within an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that BlueMountain use the same investment practices consistently across all

portfolios. In general, investment decisions for each Advisory Client will be made independently from those of other Advisory Clients, and will be made with specific reference to the individual needs and objectives of each Advisory Client. In fact, different client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for portfolios within a similar investment strategy. In addition, BlueMountain will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, particularly if different portfolios have materially different amounts of capital under management by BlueMountain or different amounts of investable cash available. As a result, although BlueMountain manages numerous portfolios with comparable investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Since side-by-side management of various types of portfolios raises the possibility of favorable or preferential treatment of a portfolio or a group of portfolios, BlueMountain periodically reviews its trade allocations. BlueMountain believes that portfolios that are subject to side-by-side management alongside other products are receiving fair and equitable treatment over time.

Item 7 – Types of Clients

Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Types of Clients

BlueMountain provides investment advisory services to pooled investment vehicles operating as private investment funds and institutional accounts typically operating as single-investor limited partnerships or foreign companies.

Conditions for Managing Accounts

The minimum initial investment amount for investors in Fund Clients is generally \$1,000,000, although for the legacy CLOs and the CSOs the minimum was generally between \$250,000 and \$500,000. In general, the minimum investment required for an Institutional Account depends on the type, number, and complexity of the strategies and instruments to be managed in the vehicle and the time horizon of the investment.

These requirements generally can be waived at the discretion of the general partner or the board of directors of the Advisory Client, or their respective delegees, subject to minimum requirements for Fund Clients organized in certain offshore jurisdictions.

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

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that *clients* should be prepared to bear.

BlueMountain is a discretionary asset management firm that follows a comprehensive, multi-strategy approach to credit investing. Each Advisory Client's investment strategy is set forth in a confidential private placement memorandum or other offering documents of such Advisory Client.

BlueMountain's Investment Committee (the "Investment Committee") is comprised of BlueMountain's chief investment officer and three senior portfolio managers. The Investment Committee meets formally each week, and informally day-to-day, to discuss overall market themes, portfolio positioning, capital allocation, and investment opportunities across strategies. BlueMountain's investment process generally consists of identifying trading strategies within and across asset classes and markets by combining:

1. Fundamental research by BlueMountain's research team;
2. Quantitative analysis of price relationships across credit market segments and between the credit markets and other markets by the quantitative strategy team;
3. An understanding of the technical dynamics in the various credit markets (by the trading desk and portfolio managers); and
4. Market insights, macro views, judgment, and discretion of the senior portfolio managers.

BlueMountain's sector analysts undertake in-depth financial analysis of individual names and monitor market developments across the sector. They combine a fundamental, cash flow approach with an understanding of the company's capital structure and specific securities to facilitate absolute and relative value judgments on individual names. Sector analysts make recommendations on outright long or short positions in particular credits, capital structure trades and opportunities that arise between names. Research specialists provide expertise in particular areas of fundamental research to complement sector and name coverage.

BlueMountain's senior portfolio managers oversee the portfolio management team, the members of which are organized by sub-strategy. The portfolio managers analyze trade ideas, monitor the portfolio, perform risk and scenario analyses, and look for investment opportunities within their strategy. The portfolio management team is ultimately responsible for deciding which investment ideas to implement. The team makes these determinations based on the current exposures in the portfolio, the market environment, the relative attractiveness, risk profile, and liquidity of the new position, and the judgment of its members.

BlueMountain's investment strategies can be broadly grouped into the following categories:

Long/Short Credit: Relative value positions (long and short) between or among different credits, groups of credits, sectors, or indices. These positions include cash and derivative instruments.

Capital Structure Trading: Long and short positions in instruments with differing levels of seniority within the capital structure of one issuer. These transactions include secured loan versus unsecured bond, senior bond versus subordinated bond, etc.

Volatility: Investment in relative-value and directional volatility trades.

Curve Trading: Long and short positions across the term structure curve of single name credits or indices (curve steepeners and flatteners).

Structured Corporate Credit: Positions that generally involve baskets or portfolios of credits pooled together and then tranching into classes with varying priorities and risk/return profiles. The credits underlying these transactions may be derivative or cash instruments and the investments themselves may be in derivative or cash form. Advisory Clients may take long or short positions in these transactions.

ABS/RMBS Instruments: Long and short positions in ABX index tranches, as well as directional trades in individual ABS security tranches.

Index Arbitrage: Positions include index versus constituent trades, as well as index versus index trades where a large degree of overlap between underlying constituent names exists.

Bond Basis: Long and short positions involving cash bonds and credit default swaps of the same issuer.

Distressed: Generally long-biased, but also selective short positions, capital structure arbitrage trades and other defensive strategies with respect to companies in financial distress.

Dividends and Other: Investment in index and single-name dividend swaps (or OTC forwards) and options or other derivatives thereon.

In evaluating securities, the main sources of information used by BlueMountain include, but are not limited to: quantitative data provided by third-party vendors; financial newspapers and magazines; research materials prepared by third parties; corporate rating services; annual reports, prospectuses and filings with the SEC; and company press releases. However, BlueMountain relies on its traders, portfolio managers, research analysts and quantitative strategists for generating and vetting trade ideas. BlueMountain generates internally 100% of the research that it ultimately relies upon to make investment decisions.

Investors in Advisory Clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

All securities investments risk the loss of capital. No guarantee or representation is made that an Advisory Client will achieve its investment objective or that investors will not lose all or substantially all of their investment in the Advisory Client. Purchases of interests in Advisory Clients are suitable only for investors of substantial financial means who can make a long-term investment, can bear the risk of loss of their entire investment in the Advisory Client and have no need for liquidity of their investment.

Each of BlueMountain's strategies has the potential for Advisory Clients' assets to decline in value. The nature of Advisory Client's investments involves certain risks, and the use of investment techniques (such as hedging, leverage and short selling) may carry additional risks. Some of the specific risks to which Advisory Client assets may be susceptible are as follows:

Concentration of Investments

BlueMountain generally seeks to maintain a diversified portfolio of investments. However, Advisory Clients may at certain times hold relatively few investments. Advisory Clients could be subject to

significant losses if they hold a large position in a particular investment that declines in value or is otherwise adversely affected.

Volatility

The market value of certain of an Advisory Client's investments may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, the macro business and economic environment, specific developments or trends within a company or in any particular industry, the market's overall perception of risk, general economic conditions, the condition of certain financial markets, domestic and international economic or political events, prevailing credit spreads, changes in prevailing interest rates and the financial condition of counterparties.

Liquidity of Investments

In some circumstances investments are relatively illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. Accordingly, BlueMountain's ability to respond to market movements may be impaired and Advisory Clients may experience adverse price movements upon liquidation of its investments.

Financial Model Risk

Most, if not all, of an Advisory Client's investments and investment strategies require the use of quantitative and qualitative valuation models developed by BlueMountain and third-parties. As market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful model may become outdated or inaccurate, perhaps without BlueMountain recognizing the change before significant losses are incurred. An Advisory Client's model risk extends to the valuation of its investments, most of which will be made on the basis of internal BlueMountain models in the absence of any readily determinable market value. The valuations so determined may differ materially from values that are actually realized.

Currency Exposure

Interests in Advisory Clients are issued and withdrawn in U.S. Dollars. The assets of Advisory Clients may, however, be invested in securities and other investments which are denominated in currencies other than U.S. Dollars. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. BlueMountain usually seeks to hedge the foreign currency exposure of Advisory Clients. However, Advisory Clients are necessarily subject to foreign exchange risks. In addition, prospective investors in Advisory Clients whose assets and liabilities are predominately in other currencies should take into account the potential risk of loss arising from fluctuations in value between the U.S. Dollar and other currencies.

Possible Positive Correlation

One of the goals in incorporating non-traditional investment strategies such as those to be utilized by Advisory Clients into a portfolio or series of portfolios is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress, when the risk control benefits of diversification may be most important, that an Advisory Client will, in fact, be negatively- or non-correlated with a traditional portfolio of stocks or bonds.

Short Selling

BlueMountain may engage in short selling. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. Additionally, there can be no assurance that securities necessary to cover a short position will be available for purchase.

Leverage

Advisory Clients employ leverage for the purpose of making investments and to hedge their exposure to market and credit risk. The use of leverage creates special risks and may significantly increase the Advisory Client's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, increases the Advisory Client's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the value of interests in the Advisory Client to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the value of the interests in the Advisory Client may decrease more rapidly than would otherwise be the case.

Spread Trading Risks

A part of an Advisory Client's trading operations may involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. In addition, such positions entail substantial risk that the price differential could change unfavorably, causing a loss to the spread position. In periods of trendless, stagnant markets and/or deflation, many alternative investment strategies have materially diminished prospects for profitability.

Arbitrage Transaction Risks

Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. BlueMountain may employ these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent an Advisory Client is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

Hedging Transactions

The success of an Advisory Client's hedging strategy is subject to BlueMountain's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of an Advisory Client's hedging strategy is also subject to BlueMountain's ability to recalculate, readjust, and execute hedges continually and in an efficient and timely manner.

While an Advisory Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Advisory Client than if it had not engaged in any such hedging transactions. For a variety of reasons, BlueMountain may not seek to establish a perfect correlation between such hedging instruments and the risks being hedged. Such imperfect correlation may prevent the Advisory Client from achieving the intended hedge or expose the Advisory Client to risk

of loss. In addition, BlueMountain may not hedge a risk inherent in the Advisory Client because a hedge may not be available or is too costly in light of the likelihood of the possible risk actually occurring, or because the risk simply was not anticipated.

Counterparty Risk

An Advisory Client is subject to the risk of the inability of any counterparty (including prime brokers) to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

*Advisory Client investors and prospective investors in Advisory Clients are provided with a confidential private placement memorandum or other offering documents of the respective Advisory Client that provide a detailed description of the material risks related to an investment in the Advisory Client. Such investors are advised to carefully review **all** risk factors set forth in such documents.*

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Fixed Income Obligations

An Advisory Client's investments in fixed income obligations are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). Changes in interest rates may cause a decline in the market value of an investment. With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. Bonds and other fixed income securities generally involve less market risk than stocks. However, the risk of bonds can vary significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. The bonds of some companies may be riskier than the stocks of others.

Foreign Securities

Advisory Clients may invest in securities and other instruments of foreign corporations and foreign countries. Investing in such securities involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including, among other things: political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; imposition of withholdings and other taxes; and certain government policies that may restrict the Advisory Client's investment opportunities. In addition, accounting and financial reporting standards that prevail in many foreign countries are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in many foreign countries than in the U.S.

Asset-Backed Securities

Advisory Clients may invest in asset-backed securities including, but not limited to, interests in pools of receivables. These securities may be in the form of pass-through instruments or asset-backed obligations. The securities, many of which are issued by non-governmental entities and carry no direct or indirect

government guarantee, present certain risks primarily because these securities may not have the benefit of a security interest in the related collateral.

Convertible Securities

An Advisory Client may invest in convertible securities. Convertible securities provide higher yields than the underlying equity securities, but generally offer lower yields than non-convertible securities of similar quality. The value of convertible securities fluctuates, as do bonds, in relation to changes in interest rates and, in addition, fluctuates in relation to the underlying common stock.

Derivatives

An Advisory Client may invest in derivative financial instruments. Derivative financial instruments include futures, options, interest rate swaps, forward currency contracts and credit derivatives such as credit default swaps. In addition, Advisory Clients may from time to time utilize both exchange-traded and over-the-counter futures, options and contracts for differences, as part of its investment strategy and for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that an Advisory Client may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

The trading of over-the-counter derivatives subjects an Advisory Client to a variety of risks including: (i) counterparty risk, (ii) basis risk, (iii) interest rate risk, (iv) settlement risk, (v) legal risk, and (vi) operational risk. Counterparty risk is the risk that one of an Advisory Client's counterparties might default on its obligation to pay or perform generally on its obligations. Basis risk is the risk that the normal relationship between two prices might move in opposite directions. Interest rate risk is the general risk associated with movements in interest rates. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Transactions in over-the-counter derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Options

An Advisory Client may engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

Debt Securities

An Advisory Client may invest in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. An Advisory Client may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. An Advisory Client may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. Subsequent to its purchase by an Advisory Client, an issue of securities may cease to be rated or its rating may be reduced. Neither event will require sale of such securities by an Advisory Client, although BlueMountain will consider such event in its determination of whether an Advisory Client should continue to hold the securities. The market value of securities in lower-rated categories is more volatile than that of higher quality securities. In addition, an Advisory Client may have difficulty disposing of certain of these securities because there may be a thin trading market. The lack of a liquid secondary market for certain securities may have an adverse impact on an Advisory Client's ability to dispose of such securities and may make it more difficult for an Advisory Client to obtain accurate market quotations for purposes of valuing the Advisory Client and calculating its net asset value.

Loan Participations and Assignments

Advisory Clients may invest in fixed- and floating-rate loans, which investments generally are in the form of loan participations and assignments of portions of such loans. Participations and assignments involve credit risk, interest rate risk, liquidity risk, and the risks of being a lender. Participations in commercial loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a corporate borrower, and generally are offered by banks, other financial institutions, or lending syndicates. Advisory Clients may invest in funded term loans through participations and assignments. When purchasing loan participations, an Advisory Client assumes the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary, and may only be able to enforce its rights through the lender, and may assume the credit risk of the lender in addition to the borrower. The participation interests in which an Advisory Client invests may not be rated by any nationally recognized rating service.

Investments in loans through a direct assignment of a financial institution's interests with respect to the loan may involve additional risks to an Advisory Client. For example, if a loan is foreclosed, an Advisory Client could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that, under emerging legal theories of lender liability, an Advisory Client could be held liable as a co-lender. It is unclear whether loans and other forms of direct indebtedness offer securities laws protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, an Advisory Client relies on BlueMountain's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Advisory Client.

*Advisory Client investors and prospective investors in Advisory Clients are provided with a confidential private placement memorandum or other offering documents of the respective Advisory Client that provide a detailed description of the material risks related to an investment in the Advisory Client. Such investors are advised to carefully review **all** risk factors set forth in such documents.*

Item 9 – Disciplinary Information

If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

BlueMountain is obligated to disclose legal or disciplinary events that would be material to a client's or prospective client's evaluation of BlueMountain's advisory business or the integrity of its management. BlueMountain does not have any such legal or disciplinary events to report.

Item 10 – Other Financial Industry Activities and Affiliations

A. If you or any of your *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Neither BlueMountain nor any of its management persons are registered, or have an application pending to register, as a broker/dealer or a registered representative of a broker-dealer.

B. If you or any of your *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

Neither BlueMountain nor any of its management persons are registered, or currently have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

C. Describe any relationship or arrangement that is material to your advisory business or to your *clients* that you or any of your *management persons* have with any *related person* listed below. Identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how you address it.

- 1. broker-dealer, municipal securities dealer, or government securities dealer or broker**
- 2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
- 3. other investment adviser or financial planner**
- 4. futures commission merchant, commodity pool operator, or commodity trading advisor**
- 5. banking or thrift institution**
- 6. accountant or accounting firm**
- 7. lawyer or law firm**
- 8. insurance company or agency**
- 9. pension consultant**
- 10. real estate broker or dealer**
- 11. sponsor or syndicator of limited partnerships.**

With respect to Item 10.C.2, affiliates of BlueMountain serve as general partner of Fund Clients organized as limited partnerships. With respect to Fund Clients organized as foreign companies, in some cases a majority of the board of directors of such companies are BlueMountain personnel. Institutional Accounts are generally organized as single-investor limited partnerships with an affiliate of BlueMountain serving as the general partner of the Institutional Account, or as foreign companies with a majority of the board of directors of such company being BlueMountain personnel.

BlueMountain’s affiliates, principals and employees may from time to time purchase interests in certain Fund Clients, and investments by such parties generally are not subject to the management fees or performance-based fees described in Item 5, above. The offering memorandum of each Fund Client that is provided to each potential investor discloses this fact.

With respect to Item 10.C.3, BlueMountain’s wholly-owned subsidiary, Blue Mountain Capital Partners (London) LLP (“BlueMountain London”), serves as adviser to BlueMountain with respect to issuers based in Europe. BlueMountain has a sub-advisory agreement with BlueMountain London, pursuant to which BlueMountain London provides investment advisory services, trade execution, and general

infrastructure support to BlueMountain and is compensated by BlueMountain for its services. BlueMountain London is registered with the Financial Services Authority. BlueMountain does not consider its relationship with BlueMountain London to create a material conflict of interest with Advisory Clients.

Affiliated Managers Group, Inc. (“AMG”), a publicly traded asset management company (NYSE:AMG) with equity investments in boutique investment management firms, holds an equity interest in BlueMountain. AMG also holds equity interests in certain other investment advisers (“AMG Affiliates”). Each of the AMG Affiliates, including BlueMountain, is operated autonomously and independently, and except as described in this Brochure, BlueMountain does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them. Moreover, the AMG Affiliates do not formulate advice for BlueMountain’s clients. As such, AMG’s ownership interest in BlueMountain does not, in BlueMountain’s view, present any potential conflict of interest for BlueMountain with respect to our clients. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at www.amg.com.

The following entities are Advisory Clients or affiliates of BlueMountain:

Entity	General Partner/Managing Member
Blue Mountain Credit Alternatives Fund L.P.	Blue Mountain Credit GP, LLC
Blue Mountain Credit Alternatives Fund Ltd.	n/a
Blue Mountain Credit Alternatives Master Fund L.P.	Blue Mountain CA Master Fund GP, Ltd.
BlueMountain Equity Alternatives Fund L.P.	BlueMountain Equity GP, LLC
BlueMountain Equity Alternatives Fund Ltd.	n/a
BlueMountain Equity Alternatives Master Fund L.P.	BlueMountain Equity GP, LLC
BlueMountain Long/Short Credit Fund L.P.	BlueMountain Long/Short Credit GP, LLC
BlueMountain Long/Short Credit Fund Ltd.	n/a
BlueMountain Long/Short Credit Master Fund L.P.	BlueMountain Long/Short Credit GP, LLC
BlueMountain Distressed Fund L.P.	BlueMountain Distressed GP, LLC
BlueMountain Distressed Fund Ltd.	n/a
BlueMountain Distressed Master Fund L.P.	BlueMountain Distressed GP, LLC
BlueMountain-GRF Fund Ltd.	n/a
BlueMountain-GRF Master Fund L.P.	BlueMountain-GRF GP, LLC
BlueHorizon Fund I Ltd.	n/a
BlueHorizon Fund I, LLC	BlueMountain GP Holdings, LLC
BlueHorizon Fund I (Onshore) Repackaging Ltd.	n/a

BlueHorizon Fund I (Offshore) Repackaging Ltd.	n/a
BlueHorizon Fund II Ltd.	n/a
BlueHorizon Fund II, LLC	BlueHorizon Fund II GP, LLC
BlueMountain Timberline Ltd.	n/a
BlueMountain Financial Holdings, LLC	BlueMountain Capital Management, LLC
BlueMountain Productions, LLC	Blue Mountain Credit Alternatives Master Fund, LP
BlueMountain CLO Ltd.	n/a
BlueMountain CLO II Ltd.	n/a
BlueMountain CLO III Ltd.	n/a
TIERS BlueSierra CSO Portfolio Credit Linked Trust, Series 2007-35	n/a
TIERS BlueSierra CSO Portfolio Credit Linked Trust, Series 2007-36	n/a
TIERS BlueSierra CSO Portfolio Credit Linked Trust, Series 2007-38	n/a

With respect to Item 10.C.11, BlueMountain and its related persons have established a number of limited partnerships and companies suitable for investment by sophisticated individuals and entities meeting certain eligibility requirements.

D. If you recommend or select other investment advisers for your *clients* and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

Not applicable.

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

A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any *client* or prospective *client* upon request.

BlueMountain has established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest arising between and among Advisory Client accounts as well as between Advisory Client accounts and BlueMountain and its personnel.

BlueMountain strives to adhere to the highest industry standards of integrity, professionalism and trust. To this end, BlueMountain has adopted a Code of Ethics (the “Code”) that generally requires BlueMountain employees to comply with all applicable federal securities laws, place the interests of clients first, avoid conflicts of interest, not take inappropriate advantage of the employee’s position, adhere to certain restrictions with respect to the receipt and giving of gifts and safeguard confidential information. Each employee is required to report to BlueMountain’s Chief Compliance Officer or Chief Executive Officer any known or suspected violations of the Code or law.

Each newly hired employee receives a copy of the Code and is required to certify that he or she has read and understands it. Training is provided for employees with respect to the Code and their duties under it. On an annual basis, each BlueMountain employee must certify that he or she has read and understands the Code, has complied with its provisions and has disclosed, pre-cleared and arranged for the reporting of all transactions in securities consistent with the requirements of the Code.

Personal Trading

The Code also places restrictions on the personal trading of employees, including the requirement that employees arrange to have duplicates of certain brokerage statements provided to BlueMountain. BlueMountain’s Chief Compliance Officer or his designee reviews a sample of personal transaction and holdings reports to ensure that such transactions are being conducted in a manner consistent with the Code. Except with respect to certain exempted transactions, no BlueMountain employee may purchase or sell any security without first obtaining pre-clearance from BlueMountain’s Chief Compliance Officer or his designee. BlueMountain also enforces a 30-day holding period for personal securities transactions.

BlueMountain monitors adherence to the personal trading policy by regularly conducting random checks on employee trading accounts. BlueMountain cross-checks the personal account statements with the approved trades list to ensure that all executed trades in single names were pre-approved.

Insider Trading/Material Non-Public Information; Privacy

BlueMountain maintains an Insider Trading Policy that includes policies and procedures prohibiting the use of material non-public information that are designed to prevent the misuse of material, nonpublic information by BlueMountain and its officers, directors and employees. In accordance with these policies, to prevent trading of public securities based on material, non-public information, BlueMountain maintains, regularly updates and makes available on its intranet site a “restricted” securities list. Companies about which non-compliance employees have, or are expected to have, material, non-public information are generally placed on the restricted list. While an issuer is on the restricted list, BlueMountain and each person subject to the Insider Trading Policy is prohibited from purchasing, selling or recommending the purchase or sale of that issuer’s securities in personal accounts and BlueMountain’s Advisory Client accounts.

BlueMountain has a separate privacy policy designed to protect the security, confidentiality, and integrity of non-public, personal information of its clients.

Political Contributions

The Code includes a preclearance requirement for all political contributions.

BlueMountain will provide a complete copy of the Code to any client or prospective client upon request. Such requests may be addressed to Paul Friedman, Chief Compliance Officer, at 212-905-3900 and/or investor@bluemountaincapital.com.

B. If you or a *related person* recommends to *clients*, or buys or sells for *client* accounts, securities in which you or a *related person* has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Examples: (1) You or a *related person*, as principal, buys securities from (or sells securities to) your *clients*; (2) you or a *related person* acts as general partner in a partnership in which you solicit *client* investments; or (3) you or a *related person* acts as an investment adviser to an investment company that you recommend to *clients*.

As described above in Item 10, BlueMountain serves as the investment manager to its Advisory Clients, and a related person of BlueMountain serves, directly or through a wholly owned subsidiary, as general partner of Advisory Clients organized as limited partnerships. With respect to each Advisory Client organized as a foreign company, BlueMountain personnel typically serve on the board of directors of such company.

BlueMountain may from time to time recommend that certain of its Advisory Clients invest a portion of their investable assets in other Advisory Clients, typically in connection with a master-feeder fund structure. Such arrangements are described in the offering memoranda or other governing documents of Advisory Clients. BlueMountain and its related persons also recommend interests in Advisory Clients to prospective investors.

BlueMountain may cause an Advisory Client to buy or sell securities directly from or to another Advisory Client, although such internal cross transactions occur infrequently. With respect to any such transaction (i) the transaction must be effected at a price that is fair to clients on both sides of the trade, (ii) neither BlueMountain nor any of its affiliates may receive any compensation for effecting the trade and (iii) the trade must be in the best interests of both Advisory Clients.

BlueMountain's principals, employees or other related persons may from time to time purchase interests in one or more Fund Clients and such investments generally are not subject to the management fees or performance-based fees described above in Item 5. The offering memorandum of the applicable Fund Client provided to each potential investor discloses this fact.

The fact that BlueMountain's related persons, in their capacities as general partners of certain Advisory Clients, and BlueMountain's principals, employees and other related persons have financial ownership interests in Advisory Clients creates a potential conflict in that it could cause BlueMountain to make different investment decisions than if such parties did not have such financial ownership interests. BlueMountain may have an incentive to favor accounts in which such persons have an interest with respect to trading opportunities, trade allocation and allocation of investment opportunities.

BlueMountain has adopted stringent rules to detect and prevent conflicts of interest that arise when BlueMountain's related persons own, buy or sell securities. The Code requires BlueMountain employees

to place the interests of clients first, and on an annual basis each BlueMountain employee must certify that he or she has read and understands the Code and has complied with its provisions. Each principal and employee of BlueMountain is required to adhere to BlueMountain's personal trading rules. These rules require, except with respect to certain exempted transactions, that BlueMountain's principals and employees obtain prior written consent from BlueMountain's Chief Compliance Officer or his designee before effecting any securities transaction for their own accounts, irrespective of whether the principal or employee is on notice that the security in question is the subject of a recommendation to an Advisory Client. Principals and employees must furnish to BlueMountain's Chief Compliance Officer or his designee duplicate copies of their brokerage statements. The Chief Compliance Officer must make available duplicate copies of his brokerage statements for review by BlueMountain's Chief Executive Officer or members of BlueMountain's compliance staff. BlueMountain's personal securities transaction pre-clearance and reporting requirements are described in Item 11.A.

Additional conflicts are present in connection with the receipt by BlueMountain or an affiliate of management and performance-based fees. Except inasmuch as performance affects asset size and thus the amount of the management fee, management fees are payable without regard to the overall success or income earned by Advisory Clients and therefore may create an incentive on the part of BlueMountain to raise or otherwise increase assets under management to a higher level than would be the case if BlueMountain were receiving a lower or no management fee. Performance-based fees also create certain inherent conflicts of interest with respect to BlueMountain's management of assets. Specifically, BlueMountain's entitlement to a performance-based fee in managing one or more accounts may create an incentive for it to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation.

C. If you or a *related person* invests in the same securities (or related securities, *e.g.*, warrants, options or futures) that you or a *related person* recommends to *clients*, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

BlueMountain's employees are permitted to make securities transactions in their personal accounts. This presents potential conflicts in that an employee could make improper use of information regarding an Advisory Client's holdings or future transactions or research paid for by the Advisory Clients. BlueMountain manages the potential conflicts of interest inherent in employee trading by strict enforcement of the Code, which includes pre-clearance and reporting requirements as described above in Item 11.A.

D. If you or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for your own (or the *related person's* own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Please refer to Items 11.A, 11.B and 11.C.

Item 12 – Brokerage Practices

A. Describe the factors that you consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.

a. Explain that when you use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your *clients*’ interest in receiving most favorable execution.

c. If you may cause *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

d. Disclose whether you use soft dollar benefits to service all of your *clients*’ accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.

e. Describe the types of products and services you or any of your *related persons* acquired with *client* brokerage commissions (or markups or markdowns) within your last fiscal year.

f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

BlueMountain has authority for selecting the broker-dealer used in each transaction for Advisory Clients and for negotiating the fees to be paid to the broker-dealer in connection with such transactions. In choosing brokers and dealers, BlueMountain is not required to consider any particular criteria. For the most part, BlueMountain seeks the best combination of brokerage expenses and execution quality but, as discussed below, BlueMountain is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. In evaluating “execution quality”, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions is a principal factor, but other factors are also relevant, including: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; reliability, responsiveness and financial stability of the broker dealer; the size of the transaction; availability of securities to borrow for short sales; and the market for the security. In addition to execution quality, BlueMountain may consider whether a broker or dealer may provide access to management of companies in which BlueMountain has invested or is considering investing on behalf of its clients, though such considerations are not typically a part of BlueMountain’s selection process. Advisory Clients may pay commissions to such firms in an amount greater than the amount another firm might charge.

In addition to execution quality and access to management, BlueMountain may consider the value of various research products or services, beyond execution, that a broker-dealer provides to Advisory Clients or BlueMountain, though such considerations are not typically a part of BlueMountain's selection process. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with "soft dollars." Because such research products or services could benefit BlueMountain or its affiliates, BlueMountain may have a conflict of interest in allocating Advisory Client brokerage business. BlueMountain currently maintains no formalized "soft dollar" arrangements with broker-dealers but may do so in the future. In the event that BlueMountain enters into such arrangements, BlueMountain intends to keep the use of "soft dollars" within the parameters of Section 28(e) of the Securities Exchange Act of 1934.

On a quarterly basis, BlueMountain's Chief Compliance Officer or his designee reviews the quality of BlueMountain's execution and the effectiveness of its order execution arrangements and execution policy.

From time to time trade errors may occur with respect to transactions made on behalf of Advisory Clients. BlueMountain generally bears the cost of correcting trade errors.

2. Brokerage for *Client* Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a *related person* receives *client* referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving *client* referrals, rather than on your *clients'* interest in receiving most favorable execution.

b. Explain the procedures you used during your last fiscal year to direct *client* transactions to a particular broker-dealer in return for *client* referrals.

In selecting broker-dealers and negotiating the fees to be paid to them, BlueMountain takes into consideration the factors described in Item 12.A.1 above. BlueMountain does not consider, in selecting or recommending broker-dealers, whether BlueMountain or its related persons receive client referrals from a broker-dealer or third party.

As part of its broker selection analysis, BlueMountain considers a broker-dealer's ability to provide BlueMountain with the opportunity to participate in capital introduction events sponsored by the broker-dealer and to refer investors to Fund Clients. BlueMountain does not, however, select broker-dealers solely, or even largely, based upon such factors and does not direct Advisory Client transactions to a particular broker-dealer in return for referrals. BlueMountain recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to BlueMountain or refer investors to Fund Clients. BlueMountain receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that results from capital introduction services and investor referrals. Similarly, BlueMountain receives a performance-based fee and accordingly could receive a larger performance-based fee in any given profit period as a result of an increase in assets under management that results from capital introduction services and investor referrals. The potential for higher fees presents a potential conflict in that BlueMountain has an incentive to favor broker-dealers that provide services that have a direct impact on fees even if those broker-dealers rate unfavorably in other categories that are part of BlueMountain's broker selection analysis. BlueMountain addresses this potential conflict through its broker selection review process, which requires that key BlueMountain individuals look at a broker-dealer's performance in a wide variety of categories. Such reviews allow BlueMountain to determine when broker-dealers that outperform in capital introduction and investor

referrals under perform in other areas. In such situations, BlueMountain may provide heightened scrutiny to a relationship with a broker-dealer.

3. Directed Brokerage.

a. If you routinely recommend, request or require that a *client* direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their *clients* to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of *client* transactions, and that this practice may cost *clients* more money.

b. If you permit a *client* to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of *client* transactions. Explain that directing brokerage may cost *clients* more money. For example, in a directed brokerage account, the *client* may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the *client* may receive less favorable prices.

BlueMountain does not have any directed brokerage arrangements.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various *client* accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to *clients* of not aggregating.

BlueMountain may but is under no obligation to combine orders on behalf of Advisory Clients with orders for other accounts for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, BlueMountain allocates the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. While BlueMountain believes combining orders in this way is, over time, advantageous to all participants, in particular cases the average price could be less advantageous to one Advisory Client than if such Advisory Client had been the only account effecting the transaction or had completed its transaction before the other participants.

Some of BlueMountain's Advisory Clients may use comparable strategies or make the same investment decisions based on a different strategy. In the event a determination is made that two or more Advisory Clients should purchase or sell the same securities at the same time, the securities will generally be allocated pro rata (to the extent feasible) in a manner believed to be equitable to each. Typically, this involves allocating a trade pro-rata between Advisory Clients based on the amount of capital allocated to the specific strategies in the different Advisory Clients. Circumstances may occur, however, in which an allocation could have adverse effects on such Advisory Clients with respect to the price or size of securities positions obtainable or salable.

On a periodic basis, BlueMountain's portfolio managers monitor the proportional amounts allocated to all Advisory Clients to determine whether such allocations are fair and equitable over time.

Item 13 – Review of Accounts

A. Indicate whether you periodically review *client* accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the *supervised persons* who conduct the review.

A Senior Portfolio Manager of BlueMountain generally reviews the portfolios of each Advisory Client each business day to determine if they are consistent with applicable investment objectives and restrictions. The Portfolio Managers will also consider whether the portfolio should change investments based on various factors, including but not limited to, changes in company fundamentals, advisers, key industry personnel, analysts, news and press releases, general market conditions and assessment of the financial consequences of world events derived from general information or such other material as is appropriate under the particular circumstances.

B. If you review *client* accounts on other than a periodic basis, describe the factors that trigger a review.

Please see Item 13.A.

C. Describe the content and indicate the frequency of regular reports you provide to *clients* regarding their accounts. State whether these reports are written.

Shareholders and limited partners of Fund Clients generally receive unaudited monthly or quarterly written reports describing the performance of such Fund Clients and annual reports containing audited financial statements and other indicia of performance. The content and frequency of written reports received by Institutional Accounts is as mutually agreed by such Institutional Account and BlueMountain.

Advisory Client investors and prospective investors in Advisory Clients should refer to the private placement memorandum or other offering documents of the respective Advisory Client for detailed information with respect to the reports they will receive in connection with an investment in such Advisory Client. The information contained herein is a summary only and is qualified in its entirety by such documents.

Item 14 – Client Referrals and other Compensation

A. If someone who is not a *client* provides an economic benefit to you for providing investment advice or other advisory services to your *clients*, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

BlueMountain does not receive any monetary compensation or any other economic benefit from a non-client for BlueMountain's provision of investment advisory services to a client.

B. If you or a *related person* directly or indirectly compensates any *person* who is not your *supervised person* for *client* referrals, describe the arrangement and the compensation.

From time to time BlueMountain enters into arrangements with third party marketers whereby BlueMountain compensates third parties who introduce Fund Client investors to BlueMountain. Such compensation typically takes the form of a percentage of the management fees, performance fees and performance allocations received by BlueMountain (or affiliates of BlueMountain acting as general partner or managing members of certain Fund Clients) from such investors. The fees paid to such marketers are paid by BlueMountain and are not borne by Fund Clients. The terms that third party marketer-sourced investors receive are similar to the standard terms that internally-sourced investors receive (e.g., no preferential access to closed products, no lower account minimums, no reduced fees, etc.). Such arrangements are conducted in manner that is consistent with Rule 206(4)-3 under the Advisers Act and relevant SEC guidance.

Item 15 – Custody

If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.

BlueMountain and its related persons serving as general partners to, or managing members of, Advisory Clients are deemed, under federal securities laws, to have custody of the assets of most of the Advisory Clients by virtue of their status as investment manager, general partner or managing member, respectively. BlueMountain and such related persons do not have actual physical custody of any Advisory Client assets; rather, all such assets are held in the name of each applicable Advisory Client by an independent qualified custodian. Such Advisory Clients are typically audited annually, and investors receive annual financial statements, as required by applicable law. The CLOs and CSOs, which are trusts, present an exception to this presumption of custody for purposes of federal securities laws because their assets are held in the custody of their respective trustees.

The qualified custodian(s) for Advisory Clients currently are BNY Mellon, JP Morgan, BNP Paribas, Deutsche Bank, Morgan Stanley, UBS and Pershing, except as otherwise noted in Advisory Client offering documents. BlueMountain reviews Advisory Client custodial arrangements from time to time and may appoint additional or substitute custodians.

Item 16 – Investment Discretion

If you accept *discretionary authority* to manage securities accounts on behalf of *clients*, disclose this fact and describe any limitations *clients* may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

BlueMountain generally provides investment management and supervisory services on a discretionary basis on behalf of its Advisory Clients. As described in Item 4.C, the advisory services provided by BlueMountain are tailored to the investment objectives, investment strategy and investment restrictions, if any, as set forth in the governing documents of Advisory Clients and/or the investment management agreement entered into by BlueMountain with such clients. With respect to Fund Clients, BlueMountain does not tailor its advisory services to the individual needs of investors in the Fund Client and does not accept investment restrictions imposed by such Fund Client investors. With respect to Institutional Accounts, the terms of such relationship, including any investment restrictions, are individually negotiated.

Advisory Client investors typically execute a subscription agreement and governing documents of the Advisory Client in connection with their investment in the Fund Client that each contain a power of attorney that generally grants an affiliate of BlueMountain certain powers related to the orderly administration of the affairs of the Fund Client.

Please see Item 4 for additional information regarding BlueMountain's advisory services.

Item 17 – Voting Client Securities

A. If you have, or will accept, authority to vote *client* securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your *clients* can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your *clients* with respect to voting their securities. Describe how *clients* may obtain information from you about how you voted their securities. Explain to *clients* that they may obtain a copy of your proxy voting policies and procedures upon request.

From time to time, an issuer of an equity security that is owned by an Advisory Client will conduct a proxy solicitation of its shareholders to vote on various matters. BlueMountain has adopted policies and procedures for voting proxies received by Advisory Clients. As a general rule, the investment management agreements between BlueMountain and its advised clients delegate the power to vote such proxies to BlueMountain, although certain Advisory Clients, such as Institutional Accounts, may retain proxy voting rights or issue guidelines with respect to the voting of such proxies by BlueMountain. Investors in Fund Clients do not have the ability to direct proxy votes.

Unless the power to vote proxies for an Advisory Client is reserved to that client, BlueMountain's Chief Executive Officer or his designee is responsible for voting proxies. BlueMountain has engaged Broadridge Financial Solutions Inc. (the "Proxy Agent") to facilitate the voting of proxies through its ProxyEdge electronic voting platform. BlueMountain's proxy voting procedures require that the Proxy Agent vote proxies related to securities held by an Advisory Client in a manner in the best interest of such Advisory Client. As such, proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management and increase shareholder value. These goals are typically met through BlueMountain's general mandate to the Proxy Agent to cast proxy votes in favor of management proposals, unless after careful evaluation of the issue presented on the ballot BlueMountain directs the Proxy Agent to vote against such a proposal. Prior to voting, the Proxy Agent verifies that it has the authority to vote, and if so, will determine with BlueMountain whether it is subject to guidelines issued by the Advisory Client.

If the Chief Executive Officer or the Proxy Agent determines that a material conflict may exist between an Advisory Client's interests and BlueMountain's interest or between two or more Advisory Client's interests, the Chief Executive Officer is required to inform the Chief Compliance Officer of such material conflict and the Chief Compliance Officer then determines the appropriate course of action.

Information regarding how Advisory Clients' proxies have been voted in the past and a copy of BlueMountain's Proxy Voting Policies and Procedures will be provided by BlueMountain to its clients upon request. BlueMountain's compliance team may be contacted at investor@bluemountain.com.

B. If you do not have authority to vote *client* securities, disclose this fact. Explain whether *clients* will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) *clients* can contact you with questions about a particular solicitation.

As a general rule, the investment management agreements between BlueMountain and its advised clients delegate the power to vote such proxies to BlueMountain, although certain Advisory Clients, such as Institutional Accounts, may retain proxy voting rights or issue guidelines with respect to the voting of such proxies by BlueMountain.

Item 18 – Financial Information

A. If you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, include a balance sheet for your most recent fiscal year.

1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.

2. Show parenthetically the market or fair value of securities included at cost.

3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.

Not applicable.

B. If you have *discretionary authority* or *custody* of *client* funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to *clients*.

BlueMountain is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Advisory Clients.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

BlueMountain has not been the subject of a bankruptcy petition at any time during the past ten years.