



Form ADV Part 2 Brochure

2101 Cedar Springs Road
Suite 1400
Dallas, Texas 75201
www.haymancapital.com

March 28, 2013

This brochure provides information about the qualifications and business practices of Hayman Capital Management, L.P. ("HCM" or the "Adviser"). If you have any questions about the contents of this brochure, please contact us at (214) 347-8050. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities or investment products. Such an offer may only be made to eligible persons by means of delivery of offering memoranda and/or other similar materials that contain a description of the material terms related to such investment.

Additional information about HCM is also available on the SEC's website at: www.adviserinfo.sec.gov. HCM is registered with the SEC as an investment adviser. Being a "registered investment adviser" or describing ourselves as being "registered" does not imply a certain level of skill or training.

Item 2 – Material Changes

The following material changes associated with this annual update as compared to the March 31, 2012, Form ADV Part 2A is presented here.

As of December 31, 2012, HCM ceased to be the investment adviser to Hayman ATP Partners, LP and Hayman Lodgepole, LP.

Table of Contents

Brochure

Table of Contents.....	4
Item 4 - Advisory Business.....	5
Item 5 - Fees and Compensation.....	6
Item 6 - Performance Based Fees and Side-by-Side Management.....	8
Item 7 - Types of Clients	8
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 - Disciplinary Information.....	13
Item 10 - Other Financial Industry Activities and Affiliations	14
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12 - Brokerage Practices.....	14
Item 13 - Review of Accounts	17
Item 14 - Client Referrals and Other Compensation	17
Item 15 - Custody.....	17
Item 16 - Investment Discretion	18
Item 17 - Voting Client Securities.....	18
Item 18 - Financial Information.....	19

Item 4 - Advisory Business

HCM, a Delaware limited partnership with a principal place of business in Dallas, Texas, was founded in December 2005 and is wholly owned, directly and indirectly, by Kyle Bass. HCM has been registered with the Securities and Exchange Commission as an investment adviser since April 2008. As of December 31, 2012, HCM manages approximately \$1.161 billion AUM on a discretionary basis on behalf of its clients.

HCM provides investment management services primarily to private pooled investment vehicles (individually, a “Fund” and collectively, the “Funds”). Investors in the Funds are typically institutions, funds-of-funds, family offices, and high-net-worth individuals. The investment mandates and restrictions of the Funds are described in their respective offering documents. Investors are not permitted to impose their own investment restrictions on the Funds. HCM does not manage client assets on a non-discretionary basis.

The Hayman Funds

HCM is the general partner of Hayman Capital Partners, L.P., a Delaware limited partnership (“HCP” or the “Hayman Onshore Fund”) and is the managing general partner of Hayman Capital Master Fund, L.P., a Cayman Islands exempted limited partnership (the “Hayman Master Fund”). Hayman Offshore Management, Inc., a Cayman Islands exempted company (“HOM”) and affiliate of the Adviser, serves as the general partner of Hayman Capital Offshore Partners, L.P., an exempted limited partnership organized under the laws of the Cayman Islands (“HCOP” or the “Hayman Offshore Fund”) and the Hayman Master Fund. The Adviser serves as investment manager to HCP, HCOP, and the Hayman Master Fund (collectively, the “Hayman Funds”). HCP and HCOP place substantially all of their assets in, and conduct all of their investments and trading activities through, the Hayman Master Fund. The primary purpose of the Hayman Master Fund is to make investments in securities of all types and kinds with a primary focus on global special situation and event-driven investments.

The Japan Funds

HCM is the general partner of Japan Macro Opportunities Partners, L.P., a Delaware limited partnership (“JMOP” or the “Japan Onshore Fund”) and is the managing general partner of Japan Macro Opportunities Master Fund, L.P., a Cayman Islands exempted limited partnership (“JMOMF” or the “Japan Master Fund”). HOM serves as the general partner of Japan Macro Opportunities Offshore Partners, L.P., an exempted limited partnership organized under the laws of the Cayman Islands (“JMOOP” or the “Japan Offshore Fund”) and the Japan Master Fund. The Adviser serves as investment manager to JMOP, JMOOP and the Japan Master Fund (collectively, the “Japan Funds”). The Japan Onshore Fund and Japan Offshore Fund place substantially all of their assets in, and conduct all of their investments and trading activities through, the Japan Hayman Master Fund. The primary purpose of the Japan Master Fund is to make investments in the Japanese foreign currency and interest rate markets.

The investments received from investors in the Japan Funds at each closing are maintained in a special memorandum account on the books and records of the Japan Master Fund, each referred to as a “tranche”. An investor is only entitled to the assets of the Japan Funds attributable to the tranche in which it invests.

The Mortgage Funds

HCM is the general partner of Hayman Mortgage Credit Partners, L.P., a Delaware limited partnership (“HMCP” or the “Mortgage Onshore Fund”) and is the managing general partner of Hayman Mortgage Credit Master Fund, L.P., a Cayman Islands exempted limited partnership (“HMCMP” or the “Mortgage Master Fund”). HCM serves as the general partner of Hayman Mortgage Credit Offshore Partners, L.P., an exempted limited partnership organized under the laws of the Cayman Islands (“HMCOP” or the “Mortgage Offshore Fund”) and the Mortgage Master Fund. The Adviser serves as investment manager to HMCP, HMCOP and the Mortgage Master Fund (collectively, the “Mortgage Funds”). The Mortgage Onshore Fund and Mortgage Offshore Fund place substantially all of their assets in, and conduct all of their investments and trading activities through, the Mortgage Master Fund. The primary purpose of the Mortgage Master Fund is to make investments in asset-backed securities, including residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), automobile and credit card asset-backed securities, collateralized debt and loan obligations and other structured products.

Separate Accounts

HCM occasionally provides investment management services to unaffiliated private investment vehicles and other institutional accounts (“Separate Accounts”). The investment mandates and other terms of Separate Accounts are negotiated with each client.

Item 5 - Fees and Compensation

Investors in the Funds, as well as any owners of separate accounts, are subject to the fees and expenses described below. HCM has the authority to negotiate these fees and expenses at its discretion. HCM has waived or negotiated lower fees or expenses for certain clients and investors, including third-party solicitors (if any), current and former employees and their family members.

The management fee is prorated for investments made in the middle of a billing period. In the event that the advisory services of the Adviser are terminated prior to the end of any calendar quarter, a proportionate amount of the applicable management fee will be refunded to such client or investor, as applicable. As described below, certain investments may be subject to withdrawals fees. Investors in the Funds should consult the offering documents for the relevant Fund for a detailed description of the fees and expenses applicable to their investment.

HCM does not bill the investors in the Funds for management fees or performance allocations. Rather, management fees are deducted from the assets of the applicable Funds on a quarterly basis, generally at the beginning of each calendar quarter, except

to the extent that contributions are made to any Fund during a quarter, in which cases the applicable management fee will be prorated and charged at the time of such contribution. Each Fund charges its applicable management fee to the capital accounts or shares, as applicable, of each investor in such Fund accordingly. Similarly, the performance allocations are made within the applicable Funds generally at the end of each year, or sooner with respect to any investments withdrawn or redeemed from a Fund at any time other than at the end of a fiscal year.

The Hayman Funds

Investors in the Hayman Onshore Fund and the Hayman Offshore Fund are subject to the following fee schedule:

Quarterly Management Fee:	0.5% (2% annually), payable in advance
Performance Allocation:	20% of net profits (subject to high water mark), payable at the end of each calendar year or upon withdrawal
Withdrawal Fee:	6% for withdrawals within first year of each investment, payable to the Fund

The Japan Funds

Investors in the Japan Onshore Fund and the Japan Offshore Fund are subject to the following fee schedule:

Quarterly Management Fee:	0.3125% (1.25% annually), payable in advance
Performance Allocation:	20% of distributions after return of initial capital, 35% after a 10X return on initial capital payable upon withdrawal
Withdrawal Fee:	5% withdrawal penalty (other than in the case of a single investor tranche), payable to the relevant tranche, for withdrawals within three years of each investment.

The Mortgage Funds

Investors in the Mortgage Onshore Fund and the Mortgage Offshore Fund are subject to the following fee schedule:

Quarterly Management Fee:	0.25% (1.0% annually), payable in advance
Performance Allocation:	15% of net profits, subject to high water mark payable at the end of each calendar

	year or upon withdrawal
Withdrawal Fee:	4% for withdrawals within first year of each investment, payable to the Fund

Separate Accounts

HCM does not maintain a fee schedule for Separate Accounts. Fees and expenses applicable to each account are negotiated separately.

Expenses

Clients of HCM, including the Funds, will generally bear costs associated with management of their accounts, including (a) broker's commissions, exchange fees, interest expenses, withholding and other taxes, custodial fees, clearing fees and account fees; (b) securities lending fees and expenses; (c) expenses related to third-party research, publications, data and data services, including real-time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data; (e) outside professional fees and expenses, including those of attorneys, accountants, consultants and independent advisors; (f) travel expenses incurred in connection with evaluating, negotiating, managing, or disposing of investments; and (g) indemnification payments, insurance costs and extraordinary expenses (including, but not limited to, litigation expenses). Please see the *Brokerage Practices* section of this brochure for further information regarding commissions and other transaction costs incurred by clients.

The Funds will generally bear all of their organizational and other operational expenses, including administrator fees; expenses associated with preparing the Funds' financial statements and tax filings; legal and accounting fees; printing costs; travel costs; and costs of complying with applicable laws and regulations of governmental and self-regulatory bodies.

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

As described above, HCM receives performance-based fees or allocations from all of its clients. Management of accounts that do not pay performance-based compensation side-by-side with accounts that do pay such compensation may create an incentive for an adviser to favor the accounts with performance compensation. In order to mitigate this potential conflict, the Adviser does not manage accounts that pay performance-based compensation side-by-side with accounts following a similar strategy that do not pay such compensation.

Item 7 - Types of Clients

HCM provides investment management services to affiliated private pooled investment vehicles and separate accounts. Investors in the Funds are typically institutions, funds-of-funds, family offices, and high-net-worth individuals. The minimum initial capital

contribution for the Hayman Funds is \$5 million. The minimum initial capital contribution for an investor to establish a single investor tranche in the Japan Funds is currently \$10 million and \$100,000 for a single investor in a multi-investor tranche. The minimum initial capital contribution for the Mortgage Funds is \$1 million. The general partner to the Funds may grant, subject to compliance with statutory minimum investment requirements, exceptions to these minimums.

The Adviser also provides investment management services to Separate Accounts held by institutional investors.

Investors in each of the onshore Funds and U.S. investors in the each of the offshore Funds must each be (i) an “accredited investor” as defined in Regulation D under the U.S. Securities Act of 1933, as amended, and (ii) a “qualified purchaser” as that term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “1940 Act”).

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

Kyle Bass, HCM's Portfolio Manager, is responsible for implementation of the investment process and portfolio construction. Mr. Bass regularly consults with the Adviser's senior investment professionals (collectively, the “Investment Team”), but is ultimately responsible for investment decisions made on behalf of HCM's clients. While senior members of the Investment Team have the authority to establish positions within certain prescribed limits, all activity is reviewed daily by Mr. Bass.

HCM's investment process begins with idea generation driven by Investment Team members' monitoring of a defined set of sovereign actions, corporate events, global market conditions, and internal and external sources. Once an idea is generated, a preliminary evaluation of intrinsic value and risk/reward characteristics is conducted by the broader Investment Team. Potential investments are subject to further evaluation, generally including a fundamental analysis of government and/or company economics and an assessment of pricing discrepancies and identified catalysts. Country risk(s) (government, GDP, capital account, political situation, and currency assessment) are also assessed by the Investment Team.

Based on this process, the Portfolio Manager makes the final decision whether to proceed with an investment idea and position sizing. Capital is allocated on a position-by-position basis, depending on the specific opportunity and risk/return profile of a potential investment. However, concentration of exposures to certain industries or product types is monitored closely by the Portfolio Manager, Chief Risk Officer, and the Investment Team, who help formulate portfolio construction.

HCM's primary investment strategy focuses on the use of special situation and event-driven investments. Depending on the investment mandate of the specific client, the Adviser may invest in any type of asset, including swaps, options, futures, commodities,

currencies, distressed debt, and other types of equity and fixed-income securities. HCM does not invest directly in real estate, but may invest in real estate related securities.

The specific risks involved with the major investment techniques and instruments utilized by the Adviser are discussed below. All of these investments involve a risk of loss of invested capital, which clients and investors should be prepared to bear.

Special Situation Companies/Distressed Investments. The Adviser may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial business risks that can result in substantial or total losses. Among the problems involved in assessing and making investments in troubled issuers is that it may be difficult to obtain information as to the condition of such issuer. The market prices of the securities of such issuers are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than normally expected. It may take a number of years for the market prices of such securities to reflect their intrinsic values. Some securities may not be widely traded and the Adviser's positions in such securities may be substantial in relation to the overall market for such securities.

These types of securities require active monitoring and, at times, may require participating in bankruptcy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, client accounts may have a more active participation in the affairs of the issuer than originally contemplated. In addition, the Adviser's participation in such proceedings may restrict or limit clients' ability to trade securities of the subject company.

Risk Arbitrage Transactions. The Adviser may engage in risk arbitrage transactions where it purchases securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or it is not consummated or is delayed, the market price of the security purchased by the Adviser may decline sharply and result in losses if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. In certain transactions, the position may not be "hedged" against market fluctuations, and, even if the proposed transaction is consummated, it may result in losses. In addition, a security to be issued in a merger or exchange offer may be sold short by the Adviser in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, the Adviser may be forced to cover its short position at a higher price than its short sale price, resulting in a loss.

Concentration. Although the Adviser generally intends to diversify investments made by its clients, investments may at times be concentrated in a limited number of companies or industries. If such an investment performs poorly, this concentration could cause a proportionately greater loss than if a larger number of investments were made, and if such proportionately greater loss occurs, it may adversely impact the overall return on investment realized by clients.

Illiquid Investments. Certain investments may not be able to be sold except pursuant to a registration statement filed under the Securities Act of 1933 (the “Securities Act”) or in accordance with Rule 144 or another exemption under the Securities Act. Furthermore, because of the speculative and non-public nature of some investments, the Adviser may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent clients from realizing the same overall return on investment as may have been realized if such sales or dispositions had been made at a later date.

Certain securities may be difficult or impossible to sell at the time and price that the Adviser desires. The Adviser may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on the performance of the affected client accounts.

Leverage. When permitted, leverage increases the account’s exposure to losses. Moreover, if an account’s revenues were not sufficient to pay the principal of and interest on the debt when due, the client could sustain a total loss of investment.

Counterparty Creditworthiness. When the Adviser engages in certain transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed-income securities, the Adviser relies on the creditworthiness of its counterparty. In certain instances, counterparty risk or credit risk is affected by the lack of a central clearinghouse.

In times of market distress consistent with current economic conditions, a counterparty may default rapidly and without notice to the Adviser, and the Adviser may be unable to take action to cover its exposure, either because it lacks the contractual ability or because market conditions make it difficult to take effective action in a timely manner. In the event of a counterparty default, the affected accounts could incur significant losses. In the event that one of the counterparties becomes insolvent or files for bankruptcy, the ability to eventually recover any losses suffered as a result of that counterparty’s default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding. Concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose affected accounts to significant losses. In the event of a counterparty default, particularly a default by a major investment bank, affected clients could incur material losses.

Off-Balance Sheet Risk. In the normal course of business, the Adviser may invest in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any; or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities. Additionally, in the normal course of business, the Adviser may purchase long positions in option contracts that do not have off-balance sheet-risk.

Short Sales. The Adviser may affect short sales. Short selling is the practice of selling securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. To complete a short sale, an account generally must borrow the securities from a third party in order to make delivery to the buyer. The account generally is required to pay a brokerage commission that will increase the cost of selling such securities. The proceeds of the short sale plus additional cash or securities must be deposited as collateral with the lender of the securities to the extent necessary to meet margin requirements. The amount of the required deposit will be adjusted periodically to reflect any change in the market price of the securities that the account is required to return to the lender. The account is obligated to return securities equivalent to those borrowed at any time on demand of the lender of the securities borrower by purchasing them at the market price at the time of replacement. An increase in the value of any security that is the subject of short selling by an account may, as a result of the foregoing, have a material adverse effect on the assets of the account.

Options. Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price.

Futures Contracts. The Adviser may invest in commodities futures contracts, options on futures contracts and in other products that may be traded on commodities exchanges regulated by the U.S. Commodity Futures Trading Commission or international exchanges or in the over-the-counter markets. Futures prices generally are extremely volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is common in a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses. Similar to other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested. In addition, futures trading may be illiquid and frequently involves high transaction costs.

Index Contracts. The Adviser may invest in customized instruments to seek to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities, foreign currencies or commodity prices. These hedging strategies may be executed by the Adviser through the use of exchange-traded equity index options, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, “index contracts”) structured by investment banking institutions.

Index contracts generally have substantial risks associated with them, including possible default by the counterparty to the transaction, illiquidity and, to the extent the Adviser’s view as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used. In addition, certain over-the-counter index contracts may have no markets. As a result, the Adviser might not be able to close a transaction without incurring substantial losses, if at all.

Foreign Securities. The Adviser may invest in securities of companies domiciled or operating in one or more foreign countries. Investing in foreign securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, foreign currency risk, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversion between various currencies and foreign brokerage commissions that may be higher than in the United States. Foreign securities markets also may be less liquid, more volatile and subject to less governmental supervision than in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Swaps and Similar Contracts. In addition to index contracts and other exchange-traded option contracts, the Adviser may invest in over-the-counter contracts that involve dealing with counterparties and their ability to satisfy their obligations under such contracts. Specifically, the Adviser may utilize repurchase agreements, forward contracts or swap arrangements, each of which may expose clients to credit risks to the extent that any counterparties to such contracts default on their obligations to perform under the relevant contracts.

Item 9 - Disciplinary Information

HCM and its employees have not been involved in any legal or disciplinary events that would be material to a client’s evaluation of the Adviser.

Item 10 - Other Financial Industry Activities and Affiliations

HCM has been registered with the Commodity Futures Trading Commission as a Commodity Pool Operator and Commodity Trading Adviser and a member of the National Futures Association since January 2013. Prior to January 2013, HCM qualified for exemptions from such registration requirements.

HCM is affiliated with Hayman Woods, LLC (“Hayman Woods”), a Texas limited liability company registered with the SEC as an investment adviser. Hayman Woods provides investment management services to pooled investment vehicles that invest in real estate and real estate-related assets.

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

Subject to our Code of Business Standards and Ethics (“Code of Ethics”) (as described below), neither the Adviser nor its employees are prohibited from buying or selling securities for their own accounts, and may take investment positions similar or contrary to those acquired for clients. Certain of HCM’s employees may invest in the Funds as limited partners. The Adviser waives the management fee and the performance allocation with respect to Fund investments held by employees.

HCM has adopted a written Code of Ethics that is applicable to all employees. Among other things, the code requires HCM and its employees to adhere to high ethical standards, act in clients’ best interests, and abide by all applicable regulations. The Code of Ethics includes an Insider Trading Policy that is designed to prevent employees from misusing material non-public information, including information regarding the Funds’ transactions. The Adviser’s Code of Ethics also includes a Personal Trading Policy, which requires employees to hold personal investments for at least six months and to pre-clear most personal securities transactions with the Chief Compliance Officer. Employees are prohibited from engaging in transactions in securities on HCM’s restricted list, as well as from trading ahead of clients or otherwise engaging in transactions that may harm clients. Any personal investment opportunities that may be appropriate for the Adviser’s clients must be presented to HCM’s Investment Team for consideration of client investment prior to an employee making an investment. Restrictions on personal trading apply to employees, as well as employees’ family members living in the same household. A copy of HCM’s Code of Ethics is available upon request to clients or prospective clients.

Item 12 - Brokerage Practices

HCM has discretion to purchase or sell securities on behalf of clients. The Adviser also has discretion to select broker-dealers to execute such transactions. HCM typically works with J.P. Morgan Chase & Co. and Goldman Sachs & Co as prime brokers in connection with securities transactions.

Some separate account clients may be permitted to direct HCM to use specific broker-dealers. HCM may be unable to achieve best execution for client transactions when a client limits the Adviser's ability to direct securities transactions.

In selecting broker-dealers to execute client transactions, HCM seeks to obtain the best net execution available. The Adviser evaluates execution quality on a variety of factors, including the following: ability to achieve prompt and reliable executions at favorable prices; availability of adequate inventory, operational efficiency with which transactions are effected; financial strength, integrity and stability of the broker; value of research and/or brokerage related services provided; and competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria.

The term "soft dollars" refers to the receipt by an adviser of products and services provided by brokers without any cash payment by the adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. Using soft dollars to obtain investment research and/or brokerage related services creates a potential conflict of interest between the Adviser and its client accounts, because the soft dollars may be used to acquire products and services that are not exclusively for the benefit of the accounts which paid such commissions and that may primarily or exclusively benefit the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources (including management fees paid by client accounts), the Adviser's use of soft dollars would tend to increase the Adviser's profitability. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities.

HCM obtains research and/or brokerage related services from some broker-dealers at which its client accounts generate commissions, which benefits the Adviser. Research and brokerage related services furnished within the last year include written information and analysis concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; and discussions with research personnel. The Adviser does not, however, negotiate higher rates on fees and expenses to be paid by its client accounts in exchange for lower rates on fees and expenses to be paid by the Adviser.

The Adviser maintains an arrangement with Bloomberg Tradebook LLC ("Bloomberg") whereby a portion of the commissions charged on client trades may be used to offset the cost of other products and services provided by Bloomberg. Products and services that may be paid for under this arrangement include securities and market research, Bloomberg analytical tools, execution platforms for various products, market data, and order management systems ("Bloomberg Services"). A portion of the Bloomberg Services used by HCM may not be deemed investment research or execution services within the safe harbor provisions of Section 28(e) of the Exchange Act. Aside from its

arrangement with Bloomberg, HCM does not maintain formal soft dollar agreements with brokers or other third-parties.

HCM may receive capital introduction services from some of the broker-dealers it uses to execute and/or settle its transactions. Although such services may benefit HCM by increasing its assets under management, the Adviser does not direct brokerage transactions based on the availability of capital introduction services or the referral of clients or investors.

Aggregated Trades

In many instances, HCM may determine that it is in one or more of its clients' best interests to engage in a block trade comprised of shares to be purchased or sold by more than one client account. Such a block trade may result in a lower brokerage commission, thereby benefiting the client accounts. Block trades are allocated based on the capital allocated to the trade by the Portfolio Manager for each account. Intended allocations are documented prior to execution, and partial fills are allocated pro-rata to the intended allocation, within round lot parameters.

Best Execution Reviews

HCM maintains a Best Execution Committee which meets on at least a semi-annual basis. The Best Execution Committee's review includes consideration of broker performance and execution quality, broker financial condition, conflicts of interest, value of research and brokerage services provided, and trading-related recordkeeping.

Trade Errors

While HCM takes the utmost care in making and implementing investment decisions on behalf of client accounts, trade errors may inevitably occur. Trade errors can include, but are not limited to: (i) purchasing securities not legally permitted for an account or fund, or not within the investment guidelines of an account or fund; (ii) purchasing or selling the wrong securities (or amount of securities) for an account or fund; or (iii) allocating securities to the wrong account or fund. HCM's Operations Group reconciles transaction journals from its prime brokers daily against internal trading records. Any trade error must be immediately reported to the COO and CCO. The Adviser seeks to correct all trade errors promptly and in a manner that minimizes any impact on affected accounts.

While trade errors are identified and their impact determined on an individual occurrence, non-material trade errors are netted and booked on a semi-annual basis. To the extent that a trade error results in a gain or loss, the specific Fund's constitutional documents (or the separate account's IMA) will prescribe the treatment for such trade errors. Notwithstanding the foregoing, federal and state securities laws impose liabilities under certain circumstances and HCM's policies are not intended to limit any rights that a client may have under such laws.

Item 13 - Review of Accounts

Accounts under HCM's management are monitored on a regular basis by the Portfolio Manager, the Chief Risk Officer, and the rest of the Investment Team, as well as the Chief Compliance Officer. With respect to accounts that are actively managed, the Chief Risk Officer regularly reviews reports that are designed to identify accounts or positions that are outside of the Adviser's risk guidelines. The Portfolio Manager and Investment Team are alerted immediately if a risk guideline has been breached. On at least a monthly basis, the Chief Risk Officer performs stress tests, including shocks to volatility, CDS spreads, currency, and interest rates.

The portfolio of each Fund is reviewed regularly by the Portfolio Manager for each Fund along with the Chief Risk Officer. Internally, positions and prices are checked regularly by HCM's Operations staff. Trades are generally reviewed the next business day by the Chief Operating Officer and reconciled with internal systems and the Funds' prime broker accounts by the Controller and Operations staff. Trades are also sent to the Funds' administrator daily for entry into their portfolio system and reconciliation with prime broker accounts. The Funds' third-party administrator reconciles security positions and cash with prime broker accounts regularly. HCM's Chief Financial Officer and Controller review all reports prepared by the Funds' administrator for completeness and accuracy between the Funds' books and trading records as well as the prime broker accounts.

Investors in the Hayman Funds, Mortgage Funds, and Japan Funds receive capital account statements on a monthly basis. Annually, investors in all of the Funds receive audited financial statements, and all investors in the domestic feeder funds receive a Schedule K-1.

Separate Account clients receive account statements directly from their chosen custodian on at least a quarterly basis. HCM may supplement these custodial statements with reports, as negotiated with each client.

Item 14 - Client Referrals and Other Compensation

HCM currently does not have a solicitation arrangement with any party for referring clients and investors to the Adviser. However, HCM continues to pay a portion of its advisory fees for certain existing legacy investors previously referred to the Adviser.

Other than the previously described products and services that HCM receives from certain broker-dealers with which it trades on behalf of clients, HCM does not receive economic benefits from non-clients in connection with the provision of investment advice to clients.

Item 15 - Custody

All of the Funds' accounts are held in the custody of unaffiliated broker-dealers or banks. HCM is generally deemed to have custody over the cash and securities held by the Funds due to its affiliation with the general partners of each Fund, which gives the

Adviser access to these assets. HCM employs robust internal controls to protect the Funds' assets, including a dual signature requirement for transfers to non-client accounts. All investors in the Funds receive audited financial statements annually.

The Adviser does not have custody over cash or securities held by Separate Accounts.

Item 16 - Investment Discretion

HCM has investment discretion over all clients' accounts. Owners of separate accounts grant HCM trading discretion through the execution of a power of attorney included in HCM's advisory contract. HCM generally does not accept limitations on this authority.

HCM has discretionary authority to manage the assets of each Fund pursuant to an investment management agreement applicable to such Fund and to which we are a party. These agreements include an explicit grant of discretionary authority to manage the applicable Fund's assets. There are no specific limitations placed on this authority, provided that we will exercise our discretionary authority in accordance with the investment objectives and strategy and applicable limitations, if any, set forth in applicable offering documents of each Fund.

Item 17 - Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, HCM has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that HCM receives will be treated in accordance with these policies and procedures.

The Adviser's proxy voting policies and procedures are designed to vote proxies in the best interests of clients. This proxy voting policy, together with information regarding how the Adviser has voted past proxies, is available to clients and investors upon written request. Upon written request, separate account clients can take responsibility for voting their own proxies, or can give HCM instructions about how to vote their shares.

HCM considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, HCM votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. HCM also generally votes in favor of compensation practices and other measures that are in line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.

The Chief Compliance Officer oversees the proxy voting process. In the absence of a conflict of interest, the Chief Compliance Officer consults with relevant members of the Investment Team in deciding how to vote a proxy. HCM infrequently encounters conflicts of interest with respect to proxy voting, but such a conflict could arise if, for example, one client is a publicly traded company and other clients hold securities issued by that company. If a conflict arises with respect to a security held by a Fund, the Chief

Compliance Officer will consult with HCM's General Counsel, as well as outside counsel or consultants as necessary, in deciding how to vote the proxy. If a conflict arises with respect to a security held by a Separate Account for which HCM votes proxies, the Chief Compliance Officer will consult with the client in deciding how to vote the proxy.

Item 18 - Financial Information

HCM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.