

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 LegalNotices@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 its 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*.

BlueMountain updated Part 2A of Form ADV in March, 2014 in connection with its annual updating requirement. BlueMountain updated Part 2A of Form ADV to reflect a change of address in April, 2014 to its current address.

This annual update to Part 2A of Form ADV reflects no material changes since the last update.

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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, a Delaware limited liability company, is an investment adviser registered with the SEC. The firm has been in business since 2003 when it was founded by Andrew Feldstein and Stephen Siderow. BlueMountain currently has approximately 301 employees, inclusive of active partners and affiliate employees, primarily located in New York, as well as in London and Tokyo. Blue Mountain Capital Partners (London) LLP (“BlueMountain London”) is a wholly-owned subsidiary of BlueMountain and serves as adviser to BlueMountain, primarily with respect to issuers based in Europe, and is compensated by BlueMountain for its services. BlueMountain London is registered with the Financial Conduct Authority. BlueMountain Capital Partners (Tokyo) Ltd. (“BlueMountain Tokyo”) is a wholly-owned subsidiary of BlueMountain and serves as adviser to BlueMountain, primarily with respect to CLOs and issuers based in Asia, and is compensated by BlueMountain for its services. BlueMountain Tokyo is registered with the Japan Financial Services Agency. BlueMountain has a sub-advisory agreement with BlueVirgo Capital Management, LLC (“BlueVirgo”) pursuant to which BlueVirgo serves as an adviser to BlueMountain with respect to tax liens and related investment products. BlueMountain London, BlueMountain Tokyo and BlueVirgo are “relying advisers,” and, as such, they are not, and are not required to be, independently registered with the SEC. Please refer to Items 10.B and 10.C for additional information related to BlueMountain’s relying advisers.

As of the date of this Brochure¹, BlueMountain had approximately \$21,323,048,000² 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”), 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.

¹ All monetary values included in this Brochure are calculated as of December 31, 2014 except for the values corresponding to (i) BlueMountain Summit Opportunities Fund II (US) L.P. and BlueMountain Summit Opportunities Fund II (Cayman) L.P. (each calculated as of January 16, 2015), (ii) BlueMountain Logan Opportunities Fund L.P. and BlueMountain Logan Opportunities Master Fund L.P. (each calculated as of January 1, 2015) and BlueMountain CLO 2014-4 Ltd. (calculated as of January 6, 2015).

² Assets under management shown herein are net of all fees and expenses. Note that this amount differs from the “regulatory assets under management” amounts required on Form ADV Part 1, which generally represent gross asset values, as reflected on the balance sheets of BlueMountain’s Fund Clients.

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 of this Brochure for more information with respect to BlueMountain's clients.

Principal Ownership

BlueMountain's principal owners (each having a greater than 2% ownership stake) are:³

- Andrew T. Feldstein
- Stephen M. Siderow
- Alan J. Gerstein
- Michael Liberman
- David A. Rubenstein
- Bryce Markus
- Derek Smith
- James ("Jes") E. Staley
- Peter Greatrex
- William H. Reeves
- AMG New York Holdings Corporation

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 diversified asset manager specializing in providing advisory services with respect to investments in a broad array of instruments, among them corporate and convertible bonds, credit derivatives (including credit default swaps), public equities (including "new issues" as described, and subject to the limitations set forth, in Rules 5130 and 5131 of the Financial Industry Regulatory Authority), private equities, loans (both publicly and privately traded, including private non-recourse loans supported by publicly traded collateral or project financings), real estate related assets, equity derivatives, collateralized debt obligations, and other asset-backed securities and asset-backed financing arrangements. Credit and equity 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 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.

BlueMountain generally provides such advisory services on a discretionary basis.

³ Principal ownership information calculated as of January 1, 2015.

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 material 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 BlueMountain believes are not prejudicial to other investors; rights to receive reduced rates of performance 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, 2014⁴, the amount of assets under management by BlueMountain was \$21,323,048,000. Of this amount, \$21,207,459,000 is managed by BlueMountain on a discretionary basis, and \$115,590,000 is managed by BlueMountain on a non-discretionary basis. Please see Item 5.F. of BlueMountain’s Form ADV Part 1A for information regarding the firm’s regulatory assets under management, which is presented on a gross basis.

⁴ All monetary values included in this Brochure are calculated as of December 31, 2014 except for the values corresponding to (i) BlueMountain Summit Opportunities Fund II (US) L.P. and BlueMountain Summit Opportunities Fund II (Cayman) L.P. (each calculated as of January 16, 2015), (ii) BlueMountain Logan Opportunities Fund L.P. and BlueMountain Logan Opportunities Master Fund L.P. (each calculated as of January 1, 2015) and BlueMountain CLO 2014-4 Ltd. (calculated as of January 6, 2015).

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, 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. 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. Subject to certain conditions set forth in Item 10.C, BlueMountain rebates these fees to Fund Clients to the extent they are attributable to the Fund Client's holdings of BlueMountain advised CLOs.

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 ultimately 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) expenses related to 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.

A number of Advisory Clients indirectly own BlueMeridian Capital, LLC, a portfolio company that operates independently from, but which shares certain personnel and expenses (including, without limitation, payroll, rent and operational expenses) with, BlueMountain ("BlueMeridian").

Execution of Advisory Client transactions typically requires payment of a bid/ask spread or brokerage commissions by the Advisory Client. Item 12 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 affiliates receive 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, BlueMountain's 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 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 in this respect. As a general matter, since performance-based fees reward an adviser for strong performance in accounts 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 its Advisory Clients' accounts, BlueMountain has implemented controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure. BlueMountain maintains and adheres to written guidelines on the allocation of investment opportunities titled "Allocation Compliance Procedures." As explained below, BlueMountain believes that the Allocation Compliance Procedures, 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 potential conflicts of interest and the possibility of favorable or preferential treatment of a portfolio or a group of portfolios, as the fees for the management of certain types of products are higher than others. Because side-by-side management raises such issues, and because BlueMountain has an affirmative duty to treat all its Advisory Clients fairly and equitably over time, BlueMountain has instituted controls, including its Allocation Compliance Procedures, in an effort to ensure that it fulfills this duty.

BlueMountain's Allocation Compliance Procedures are written guidelines intended to ensure that investment opportunities are allocated on a fair and equitable basis between Advisory Client accounts. The Allocation Compliance Procedures set forth (i) methods of investment opportunity allocation which vary according to investment strategy, (ii) sales allocation methods which apply to all investment strategies, and (iii) allocation methods which determine how partially-filled orders are divided among Advisory Client accounts. BlueMountain periodically performs a series of tests to ensure that investment opportunities are allocated in conformity with these guidelines. Although BlueMountain has a duty to treat all portfolios employing 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 Advisory Client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for portfolios employing 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.

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 at least \$1,000,000, although for the CLOs the minimum is generally \$250,000. 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 delegates, 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 an asset management firm that follows a comprehensive, multi-strategy approach to 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 process generally consists of identifying trading strategies within and across asset classes and markets by combining one or more of the following methods of analysis:

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

BlueMountain's 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. 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 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:

Relative Value: global relative value positions (long and short), (i) in both credit and equity instruments between or among different issuers, groups of issuers, sectors, or indices, (ii) in instruments with differing levels of seniority within the capital structure of one issuer, (iii) in credit instruments along the term structure curve of single name credits or indices (curve flatteners and steepeners). Relative value investments may be expressed in debt, convertible debt and equity positions, as well as in derivative form.

Distressed and Special Situations: investment in equity and debt instruments of distressed issuers, issuers undergoing extraordinary transactions and issuers in industries experiencing transitional changes.

Long / Short Equity: long and short positions in securities of publicly traded companies in North America, Europe and Asia, as well as in emerging markets.

Synthetic Structured Credit: long and short positions in 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.

ABS: long and short positions in ABX index tranches and individual asset backed securities, including, but not limited to, student loans, credit card receivables and auto financings, as well as debt and equity positions in consumer and commercial finance companies.

Real Estate: debt and equity positions in real estate and real estate related assets, including commercial real estate, project finance transactions and tax-lien investments.

Index Arbitrage and Bond Basis: positions include index versus constituent trades, index versus index trades where a large degree of overlap between underlying constituent names exists, and long and short positions involving cash bonds and CDS of the same issuer.

Volatility and Cross Markets: long and short positions of volatility and other equity derivative assets, both within the same and across varying markets.

Mortgages: long and short positions in mortgage backed securities, debt and equity positions in mortgage originators, whole loans, home equity conversion mortgages and other mortgage related assets.

CLOs: positions across the capital structure of collateralized loan obligations advised by BlueMountain as well as other advisors.

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 typically generates internally 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 investors 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.

In addition, the Advisory Clients may make private investments that are subject to liquidity-related risks, particularly the risk that an Advisory Client will be unable to dispose of such investments by sale or other means at attractive prices or will otherwise be unable to complete any exit strategy. Among others, these risks include changes in the financial condition or prospects of the entity in which the investment is made. It is not generally expected that private securities acquired by an Advisory Client will eventually be registered and listed on a securities exchange. Absent registration, such Advisory Client will not be able to sell such securities unless an exemption from such registration requirements is available. In addition, in some cases an Advisory Client may be prohibited by contract or regulatory restrictions from selling such securities for a period of time. To the extent that there is no liquid trading market for an investment, an Advisory Client may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers for an Advisory Client's investments will be found.

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 shift (for example, due to changed market conditions and participants) 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 primarily in U.S. Dollars, and a limited amount of interests in Advisory Clients are issued and withdrawn in either Euro or in British Pound Sterling. The assets of Advisory Clients may, however, be invested in securities and other investments which are denominated in currencies other than U.S. Dollars, Euro and in British Pound Sterling. 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. The stability and liquidity of swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that BlueMountain will monitor on an ongoing basis the creditworthiness of firms with which it will enter into swaps or other over-the-counter derivatives on behalf of the Advisory Clients. If there is a default by the counterparty to such a transaction, the an Advisory Client will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in losses. Furthermore, there is a risk that any of such counterparties could become insolvent. If one or more of the Advisory Client's counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of that portion of such Advisory Client's portfolio held by such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, Advisory Clients use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Advisory Clients' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on an Advisory Client and its assets. Investors should assume that the insolvency of any counterparty would result in a loss, which could be material, to the affected Advisory Client.

Reliance on Corporate Management and Financial Reporting

BlueMountain relies on the financial information made available by the issuers in which Advisory Clients invest. BlueMountain typically does not independently verify the financial information disseminated by the numerous issuers in which Advisory Clients may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to the issuers of investments held by

Advisory Clients may result in material losses. Equity prices are particularly vulnerable to corporate mismanagement.

Litigation

From time to time, in the ordinary course of their operations, BlueMountain and its affiliates may be subject to litigation and arbitration, which can be costly and divert significant portions of available staff time and resources. In addition, it is possible that BlueMountain may use litigation as part of an investment tactic. An Advisory Client could be party to lawsuits either initiated by it, or by a company in which such Advisory Client invests, other shareholders, or state, federal and foreign governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the applicable Advisory Client. Any litigation or arbitration could have a materially adverse effect on the involved Advisory Client.

Exposure to Material Non-Public Information

From time to time, BlueMountain may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, Advisory Clients may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Reliance on Management

Investors generally do not have an opportunity to select or evaluate any Advisory Client's investments, or to review an Advisory Client's securities and other investment positions. BlueMountain selects all Advisory Client investments (except with respect to non-discretionary investment advice provided by BlueMountain, as noted in Item 4.E above), and the quality of BlueMountain's decisions dictates the Advisory Clients' success or failure. In addition, the business and prospects of BlueMountain (and by extension, the Advisory Clients) might be materially and adversely affected by the death or incapacity of any senior personnel of BlueMountain. Further, if the Advisory Clients managed by BlueMountain were to incur substantial losses, the revenues of BlueMountain may decline substantially. Such losses may impair BlueMountain's ability to retain employees, provide the same level of service to the Advisory Clients and continue operations.

Reliance on Certain Third Parties

Advisory Clients are dependent upon their counterparties and certain service providers, such as the administrators of the Advisory Clients. Errors are inherent in the operations of any business (including the business of the Advisory Clients), and although BlueMountain has adopted measures to prevent and detect errors by, and misconduct of, counterparties and service providers, and to transact with counterparties and service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct by such service providers could have a material adverse effect on the Advisory Clients.

Incentive Fees of Service Providers and Third-Party Managers

Service providers and managers of special purpose vehicles (each, an "SPV") through which Advisory Clients may invest ("Third-Party Managers") may receive compensation based on, among other things, the performance of the assets that they service or in which such SPVs invest. Therefore, it is possible that certain service providers or Third-Party Managers may receive incentive compensation from an Advisory Client, even though such Advisory Client, as a whole, does not achieve net capital appreciation. Such compensation arrangements may create an incentive to make investments that are riskier or more

speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation may be calculated on a basis which includes unrealized appreciation of an Advisory Client's assets, such performance-based compensation may be greater than if such compensation were based solely on realized gains. In addition, the existence of such incentive fees and other fees, such as management fees based, for example, on the value of assets managed, result in Advisory Clients paying fees twice, once to the Bluemountain or its affiliate and once to the service provider or Third-Party Manager to service or manage the same assets.

Third-Party Managers may also receive compensation from investments in the form of transaction, director, monitor and other similar fees or in connection with any investment not completed (e.g., break-up fees). An Advisory Client may be responsible for the payment of such transaction fees and conflicts of interest may arise in connection with the payment of such transaction fees.

Co-Investments Advisory Clients and Other Third Party Investors

An Advisory Client may co-invest initially in a particular loan, security or other investment at substantially the same time as other Advisory Clients, in which case they would invest at substantially the same price. Though Advisory Clients may often invest in tandem with other Advisory Clients, each Advisory Client will not necessarily invest through the same entity or use the same counterparties. This may result in differences in price, terms and amount of leverage (if any), and associated transaction costs. In addition, there can be no assurance that each Advisory Client would dispose of such an investment at substantially the same price or time as other Advisory Clients due to many factors that may or may not be foreseeable at the time of investment, including availability of capital for follow-on investment and other needs, differing basis in the investment, differing financing terms applicable to different investments, time horizons applicable to different Advisory Clients and their differing investment objectives and investment programs. Further, to the extent an Advisory Client is required to liquidate its interest in such investment to meet liquidity demands of its investors, such liquidation may have an adverse effect on the market value of the underlying investment.

In addition, Advisory Clients may co-invest with third parties that are not Advisory Clients through joint ventures or other SPVs. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of an Advisory Client may at any time have economic or business interests or goals which are inconsistent with those of such Advisory Client, or may be in a position to take action contrary to such Advisory Client's investment objectives. In addition, an Advisory Client may in certain circumstances be liable for actions of its co-venturers or partners. Furthermore, if a co-venturer defaults on its funding obligations, such Advisory Client may be required to make up the shortfall. Investments made with third parties in partnerships, joint ventures or other SPVs may involve carried interest and/or other fees payable to such third-party co-venturers or partners. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Investing in Pre-Existing Investments

Advisory Clients may invest in entities or assets in which other Advisory Clients hold an investment. Such transactions may have an effect (positive or negative) on the market price of such investment. In circumstances in which an Advisory Client makes an investment in an entity in which other Advisory Clients have a pre-existing investment, the investing Advisory Client would be expected to make business decisions relating to such investment (such as, for example, financing or hedging interest rate or currency risk) independently of the analogous decisions made with respect to such investment by such other Advisory Clients. This may result in situations where an Advisory Client may choose not to hedge certain risks that other Advisory Clients do hedge, or the possibility that an Advisory Client is exposed to

risks of financing (for example, possible margin calls) on an investment when other Advisory Clients are not.

Dissolution Risks

Advisory Clients may be required to liquidate their investments pursuant to the liquidity rights of their investors. In the case of a dissolution of an Advisory Client, dissolution may require the selling of the such Advisory Client's investments under circumstances which may negatively affect the Advisory Client's returns. Where an Advisory Client is liquidated pursuant to its dissolution provisions, this may also negatively affect the value of other Advisory Clients' investments and/or the circumstances of their disposition and accordingly the Advisory Clients' returns.

Systems Risks

BlueMountain relies extensively on computer programs and systems (and may rely on new systems and technology in the future) in connection with Advisory Clients' investment activities, including, without limitation, to trade, clear and settle securities transactions, to evaluate certain investments based on real-time information, to engage in automated trading, to monitor each Advisory Client's portfolio and net capital, and to generate risk management and other reports that are critical to oversight of each Advisory Client's activities. In addition, certain of the Advisory Clients', BlueMountain's and their affiliates' operations interface with or depend on systems operated by third-parties, service providers and market counterparties and their sub-custodians and other service providers, and BlueMountain may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures, interruptions or security breaches, including, but not limited to, those caused by computer "worms," viruses, power failures and social engineering schemes such as "phishing." BlueMountain's operations are highly dependent on each of these systems and the successful operation of such systems is often out of BlueMountain's control. Any such defect or failure could have a material adverse effect on the Advisory Clients, BlueMountain and their affiliates. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of BlueMountain to accurately monitor the Advisory Clients' investment portfolios and risks.

Automated Trading Systems

BlueMountain may implement investment strategies through automated trading programs. These automated trading programs execute trades by issuing and canceling electronic orders, all without the direct approval of any person. Although BlueMountain has implemented software risk management systems, there can be no guarantee that BlueMountain's software systems are error free. Potential flaws in these software systems include but are not limited to flaws in design, implementation, configuration, communication, testing, compiling, or linking. These potential flaws create a risk that one or more automated trading programs could trade out of control, possibly subjecting Advisory Clients to material loss of capital. Furthermore, because of the rapid speed of these automated trading programs, such losses could occur in a very short period of time.

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 review carefully 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.

Equity Investments

An Advisory Client investment portfolio may include long and short positions in equity securities of U.S. and non-U.S. listed companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect the Advisory Clients.

Advisory Clients may on occasion acquire (i) more than 5% of a class of securities of a single issuer which would require the filing of a Schedule 13D or 13G statement with the SEC or (ii) more than 10% of a class of securities of a single issuer which would impose certain limitations on the Advisory Clients' ability to trade in such securities, including the restrictions of Section 16 of the Securities Exchange Act of 1934, as amended ("Section 16") (*e.g.*, the requirement to disgorge any profits made from any purchase and sale (or sale and purchase) of such securities within any 6-month period ("Section 16 short swing profit restrictions")). The accumulation of such a significant position in the shares of a single issuer could lead to litigation or disputes in the event BlueMountain desires to influence the issuer. BlueMountain may also seek to challenge the management of a portfolio company through a proxy contest. Such litigation or a proxy contest may result in substantial expense to an affected Advisory Client. In addition, senior personnel of BlueMountain may serve on the board of directors of one or more companies in which Advisory Clients invest or on the board of directors of one or more companies in which Advisory Clients are not currently invested but which could be suitable as an investment for such Advisory Clients in the future. As a result, BlueMountain will obtain access to material nonpublic information affecting such companies, which may preclude Advisory Clients from acquiring shares or selling its position at a time when BlueMountain otherwise believes it would be appropriate to do so. Such board membership at a portfolio company could cause Advisory Clients to be deemed "insiders" by deputization and therefore to become subject to the trading restrictions of Section 16, including the Section 16 short swing profit

restrictions. Moreover, Advisory Clients' ability to realize value from certain of its investments may depend upon the ability of BlueMountain to influence the management of a portfolio company to take certain actions, including, for example, a recapitalization, restructuring, spin off, sale of the business or change in management. If BlueMountain is incorrect in its assessment of the impact such action will have on the value of a portfolio company, or if it is unsuccessful in persuading the portfolio company's management to take the desired action, an affected Advisory Client may sustain a loss on its investment in the portfolio company.

Structural Subordination of Equity Interests

Advisory Clients may hold equity interests in SPVs, in some cases alongside other Advisory Clients or third party investors. In connection with such investments, the equity interests held by an Advisory Client may not be secured by the assets of the SPVs, and such an Advisory Client will rank behind all known or unknown creditors, whether secured or unsecured, of the SPVs. No person or entity other than the SPV will be required to make any distributions on the equity interests, and payments from the SPV on its common or preferred shares or other equity interests will be subordinate to payments on its debt. Therefore, to the extent that any losses are incurred by the SPV in respect of any collateral, such losses will be borne first by the invested Advisory Client and its co-investors as holders of common or preferred shares or other equity interests.

Cross-Class Liabilities in Connection with Equity Investments

Advisory Clients may invest in SPVs alongside other Advisory Clients or third party investors, where such investors hold different classes or series of equity interests that correspond to separate underlying investments. However, in most cases, the SPV will be a single legal entity and there will be no limited recourse protection for any class or series. Accordingly, all of the assets of the SPV will be available to meet all of its liabilities regardless of the class or series to which such assets or liabilities are attributable. In practice, cross-class or cross-series liability is only expected to arise where liabilities referable to one class or series are in excess of the assets referable to such class or series and it is unable to meet all liabilities attributed to it. In such a case, the assets of the SPV attributable to other classes or series may be applied to cover such liability excess and the value of the contributing classes or series will be reduced as a result.

Risk of Early Stage Companies

Advisory Clients may invest in companies at an early stage of development, which involves a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, marketing and service capabilities, and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

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 review carefully 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.

BlueMountain Capital Management, LLC is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) and as a commodity trading advisor (“CTA”) and is a member of the National Futures Association (“NFA”). Each of Blue Mountain London and BlueMountain Tokyo is registered as a CTA with the CFTC and is a member of the NFA. In connection with the CFTC registration and NFA membership of BlueMountain, BlueMountain London and BlueMountain Tokyo, certain employees of such entities are listed and/or registered, as appropriate, with the NFA as principals and/or associated persons of such entities and their affiliates.

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. In a certain limited number of cases, an Advisory Client may hold an interest in another Advisory Client other than in the context of a master feeder relationship. Except as stated in the immediately following paragraph, in the case of an Advisory

Client (the “Investing Fund”) investing in another Advisory Client (the “Investee Fund”), the Investing Fund would not be subject to the management fees and performance-based fees described in Item 5, above, with respect to such fees normally charged by the Investee Fund to its investors.

In the case of an Investing Fund purchasing an interest in an Investee Fund that is a CLO in a primary issuance, BlueMountain shall reduce the management fees that would otherwise be charged to such Investing Fund by an amount equal to the management and incentive fees received by BlueMountain and its affiliates with respect to such interest until the later to occur of (i) the date such Investing Fund no longer holds such interest and (ii) the date that is 12 months following the date such interest was purchased by such Investing Fund (regardless of whether the Investing Fund holds such interest until the end of such 12 month period). In addition, with respect to any interest in a CLO that is purchased by an Investing Fund on the secondary market or in a cross trade from another Advisory Client, BlueMountain shall reduce the management fees that would otherwise be charged to the Investing Fund by an amount equal to the management fees and incentive fees received by BlueMountain and its affiliates with respect to the Investing Fund’s interest in such CLO, unless such interest is acquired by the Investing Fund on the secondary market or in a cross trade from another Advisory Client more than 12 months after issuance, in which event the Investing Fund shall be subject to the same fees applicable to holders of such interests generally.

With respect to Item 10.C.3, BlueMountain London, a wholly-owned subsidiary of BlueMountain, serves as adviser to BlueMountain primarily with respect to issuers based in Europe, and is compensated by BlueMountain for its services. BlueMountain London is registered with the Financial Conduct Authority, and is also registered as a CTA with the CFTC and is a member of the NFA. BlueMountain Tokyo is a wholly-owned subsidiary of BlueMountain, serves as an adviser to BlueMountain, primarily with respect to CLOs and issuers based in Asia, and is compensated by BlueMountain for its services. BlueMountain Tokyo is registered with the Japan Financial Services Agency, and is also registered as a CTA with the CFTC and is a member of the NFA. BlueMountain has a sub-advisory agreement with BlueVirgo (BlueVirgo, together with BlueMountain London and BlueMountain Tokyo, the “Relying Advisers”), pursuant to which BlueVirgo serves as adviser to certain Advisory Clients with respect to tax liens and related investment products. Each Relying Adviser, each Relying Adviser’s employees and other persons acting on each Relying Adviser’s behalf (the “Relying Adviser Parties”), are under BlueMountain’s supervision and control. Each Relying Adviser’s books and records relating to its advisory business will be made available to the SEC, and the Relying Adviser Parties are subject to and comply with the compliance policies and procedures of BlueMountain. Each Relying Adviser is identified as a “relying adviser” on BlueMountain’s Form ADV Part 1 and is not, and is not required to be, independently registered as an investment adviser under the Advisers Act. BlueMountain does not consider its relationship with any of the Relying Advisers 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 other AMG Affiliates and does not conduct any joint operations with them. Moreover, the AMG Affiliates do not formulate advice for BlueMountain’s Advisory 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 BlueMountain's Advisory 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:⁵

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 CAIS CA L.P.	BlueMountain CAIS GP, LLC
BlueMountain CAIS CA Ltd.	n/a
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
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
BlueMountain Timberline Ltd.	n/a
BlueMountain Timberline Onshore, LLC	n/a
BlueMountain Timberline Offshore Ltd.	n/a
BlueMountain Long/Short Equity Fund L.P.	BlueMountain Long/Short Equity GP, LLC
BlueMountain Long/Short Equity Fund Ltd.	n/a
BlueMountain Long/Short Equity Master Fund L.P.	BlueMountain Long/Short Equity GP, LLC

⁵ As of December 31, 2014 except as otherwise noted.

BlueMountain Strategic Credit Fund Ltd.	n/a
BlueMountain Strategic Credit Master Fund L.P.	BlueMountain Strategic Credit GP, LLC
BlueMountain CLO Ltd.	n/a
BlueMountain CLO II Ltd.	n/a
BlueMountain CLO III Ltd.	n/a
BlueMountain CLO 2011-1 Ltd.	n/a
BlueMountain CLO 2012-1 Ltd.	n/a
BlueMountain CLO 2012-2 Ltd.	n/a
BlueMountain CLO 2013-1 Ltd.	n/a
BlueMountain CLO 2013-2 Ltd.	n/a
BlueMountain CLO 2013-3 Ltd.	n/a
BlueMountain CLO 2013-4 Ltd.	n/a
BlueMountain CLO 2014-1 Ltd.	n/a
BlueMountain CLO 2014-2 Ltd.	n/a
BlueMountain CLO 2014-3 Ltd.	n/a
BlueMountain CLO 2014-4 Ltd. ⁶	n/a
BlueMountain Credit Opportunities Fund I L.P.	BlueMountain Credit Opportunities GP I, LLC
BlueMountain Credit Opportunities Fund I Ltd.	n/a
BlueMountain Credit Opportunities Master Fund I L.P.	BlueMountain Credit Opportunities GP I, LLC
BlueMountain Kicking Horse Fund L.P.	BlueMountain Kicking Horse Fund GP, LLC
BlueMountain Long/Short Credit and Distressed Reflection Fund P.L.C.	n/a
BlueMountain Montenvers Fund L.P.	BlueMountain Montenvers GP, LLC
BlueMountain Montenvers Fund SCA SICAV-SIF	BlueMountain Montenvers GP S.á r.l.
BlueMountain Montenvers Master Fund SCA SICAV-SIF	BlueMountain Montenvers GP S.á r.l.
BlueMountain Guadalupe Peak Fund L.P.	BlueMountain Long/Short Credit GP, LLC
BlueMountain Logan Opportunities Fund L.P. ⁷	BlueMountain Logan Opportunities GP, LLC

⁶ BlueMountain CLO 2014-4 Ltd. launched January 6, 2015.

BlueMountain Logan Opportunities Master Fund L.P. ⁸	BlueMountain Logan Opportunities GP, LLC
BlueMountain Summit Opportunities Fund II (Cayman) L.P. ⁹	BlueMountain Summit Opportunities GP II, LLC
BlueMountain Summit Opportunities Fund II (US) L.P. ¹⁰	BlueMountain Summit Opportunities GP II, LLC

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.

⁷ BlueMountain Logan Opportunities Fund L.P. launched January 1, 2015.

⁸ BlueMountain Logan Opportunities Master Fund L.P. launched January 1, 2015.

⁹ BlueMountain Summit Opportunities Fund II (Cayman) L.P. launched January 16, 2015.

¹⁰ BlueMountain Summit Opportunities Fund II (US) L.P. launched January 16, 2015.

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 or a quarterly holdings report 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 pursuant to the approval process set forth in the Code. Certain pre-clearance requests meeting written standards set forth in the Code will generally be approved on the business day following the date of request. Requests which do not qualify for automatic approval are reviewed by the personal account trade approval panel (the “PA Approval Panel”) typically on a weekly basis. Each principal and employee may submit no more than twenty pre-clearance requests per calendar month (a maximum of six of which can be trades requiring review by the PA Approval Panel); once an employee or principal has submitted the maximum number of pre-clearance requests, typically no further requests will be entertained from that individual until the following calendar month. The PA Approval Panel reviews the requests submitted to it, and any approved request is subject to certain restrictions on the timing of execution. In addition, BlueMountain enforces a 30-day minimum holding period for personal securities transactions.

BlueMountain monitors adherence to the personal trading policy via an automated system that seeks to compare personal trading activity with the submission and approval of pre-clearance requests. 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 of companies about which non-compliance employees have, or are expected to have, material, non-public information.

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

Political Contributions

BlueMountain has policies in effect which restrict political contributions and related activities by its employees. In order to ensure compliance with applicable SEC rules and other applicable legal and regulatory requirements, all BlueMountain employees must obtain pre-clearance from the Chief Compliance Officer before any employee makes a contribution (whether it be a monetary contribution or a contribution of goods or services) to a political candidate, government official, political party or political action committee.

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

From time to time, BlueMountain may cause an Advisory Client to buy or sell securities directly from or to another Advisory Client. 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.

BlueMountain generally does not engage in principal transactions (i.e., transactions where an adviser, acting as principal for its own account or that of an affiliate deemed proprietary to BlueMountain, buys from or sells any security to a client's account). However, under certain circumstances, a cross trade with a fund in which BlueMountain and/or its controlling persons hold in excess of 25% of the interests may be deemed to be a principal transaction under Section 206(3) of the Advisers Act. On a case by case basis, the Chief Compliance Officer may approve such deemed principal transactions in compliance with Section 206(3) of the Advisers Act. It is BlueMountain's policy that it will not effect any agency cross transactions for client accounts.

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 it would 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 may cause an Advisory Client to buy securities in which a related person, BlueMeridian, has a material interest. Any such purchase of securities will involve an independent appraisal of the value of the securities.

BlueMountain has adopted rules intended 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 pre-clearance pursuant to the approval process set forth in the Code 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. Each principal and employee may submit no more than twenty pre-clearance requests per calendar month (a maximum of six of which can be trades requiring review by the PA Approval Panel); once an employee or principal has submitted the maximum number of pre-clearance requests, typically no further requests will be entertained from that individual until the following calendar month. Principals and employees must furnish to BlueMountain's Chief Compliance Officer or his designee duplicate copies of their brokerage statements or a quarterly holdings report. The Chief Compliance Officer must make available duplicate copies of his brokerage statements or a quarterly holdings report for review by BlueMountain's Co-Presidents 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, subject to certain limitations (including those discussed above in Item 11.A). 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. 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. With respect to any research products or services BlueMountain may receive from broker-dealers, and in the event that BlueMountain enters into any formalized “soft dollar” 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. Except as otherwise required by law or applicable contractual arrangement, only to the extent caused by its gross negligence, BlueMountain 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 underperform 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) in accordance with its Allocation Compliance Procedures. The Allocation Compliance Procedures are intended to ensure fair and equitable treatment of all Advisory Clients.

BlueMountain will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution and is consistent with the terms of the investment guidelines and restrictions for each Advisory Client for which trades are being aggregated. BlueMountain will not receive any additional compensation or remuneration of any kind as a result of the proposed aggregation. 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.

Please see Item 6 for additional information regarding BlueMountain's policy with respect to allocation of investment opportunities.

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 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, 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.

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 **LegalNotices@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 (*i.e.*, has not been the subject of a bankruptcy petition at any time since inception).