

Part 2A of Form ADV: Firm Brochure



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This brochure provides information about the qualifications and business practices of JHL Capital Group LLC (“JHL” or “the Company”). If you have any questions about the contents of this brochure, please contact us at (312) 628-7350. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about JHL is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Being a “registered investment adviser” or describing JHL as being “registered” does not imply a certain level of skill or training.

Item 2: Material Changes

JHL's Form ADV Part 2A was last updated in March 2018.

This brochure has been updated as RJHL GP Investors LLC ("RJHL"), which was the initial strategic investor in JHL Capital Group Fund LLC (the "Onshore Fund"), no longer owns an indirect minority equity interest in the Company. This brochure has also been updated to reflect changes in personnel.

Item 4 — "Advisory Business" and Item 10 — "Other Financial Industry Activities and Affiliations" have been updated to reflect such changes.

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Item 4: Advisory Business

JHL is a Delaware limited liability company that commenced operations in August 2006 and is indirectly majority owned by James H. Litinsky (the “CEO/CIO”). JHL serves as an investment manager or adviser to pooled investment vehicles. Investors typically include high net worth individuals, funds of funds, foundations and endowments, institutions, employees and their family members, along with JHL and its affiliates.

The Company launched the Onshore Fund on August 1, 2006. In May 2009, JHL launched JHL Capital Group Master Fund L.P. (the “Master Fund”), a Cayman Islands exempted limited partnership, formed to conduct investment and trading activities on behalf of the Onshore Fund and its newly established offshore counterpart, JHL Capital Group Fund Ltd. (the “Offshore Fund”), a Cayman Islands exempted company. In this brochure, the Onshore Fund and the Offshore Fund are collectively referred to as the “Feeder Funds,” and each of the Feeder Funds and the Master Fund are collectively referred to as the “Funds.”

Each of the Feeder Funds invests all of its capital in the Master Fund as part of a traditional master-feeder structure. Consequently, other than the Feeder Funds’ investment into the Master Fund, all references in this brochure to the Funds’ investment objectives, strategies, investments, and transactions include the Feeder Funds’ investment objectives, strategies, investments, and transactions as implemented through the Master Fund.

JHL provides investment management services to the Master Fund and the Offshore Fund and is the manager of the Onshore Fund. JHL Capital Group Master Fund GP Ltd. (the “General Partner”), a Cayman Islands exempted company, serves as the general partner of the Master Fund. JHL has full discretionary authority on investment decisions made with respect to the Funds. Its advice with respect to the Funds is tailored to the investment objectives, guidelines, and requirements set forth in each Fund’s respective offering memorandum and advisory agreement. Investment advice is provided directly to the Funds, not individually to their underlying investors.

The Funds are managed according to an opportunistic investment style that allows for investments in long and short equity positions, fixed income securities, and/or derivatives and other financial instruments. JHL has significant authority to independently manage the Funds’ portfolios. While JHL is not held to “hard” investment mandates or restrictions, JHL utilizes “soft” guidelines based on conviction. JHL generally takes concentrated positions in high-conviction ideas.

All discussions of the Funds in this brochure, including but not limited to their investments, the strategies used in managing the Funds, the fees and other costs associated with an investment in the Funds, and conflicts of interest faced by JHL in connection with management of the Funds, are qualified in their entirety by reference to each Fund’s respective offering memorandum and advisory agreement.

As of January 1, 2019, the Company manages approximately \$408,000,000 of assets, net of liabilities, on a discretionary basis. The Company does not manage assets on a non-discretionary basis.

Item 5: Fees and Compensation

The fees and expenses applicable to each Fund are set forth in detail in each Fund's respective offering memorandum. The Feeder Funds offer three classes (each, a "Class") of interests or shares with varying management fees, profit allocations, and liquidity terms. A brief summary of such fees and expenses is provided below.

Management Fees

Management fees are assessed and deducted at the Master Fund level rather than at the Feeder Fund level.

The Master Fund pays management fees to JHL based on the aggregate net asset value of the interests or shares held by an investor (calculated prior to reduction for the management fee being calculated and any profit allocation accrued but not yet made) as of the beginning of each calendar quarter. Generally, management fees for the Funds are assessed at the beginning of each calendar quarter, at an annual rate of 2.0%, 1.5%, and 2.0% for Class A, Class B, and Class C interests or shares, respectively. Management fees are pro-rated in the case of intra-quarter capital contributions and are payable at the time of subscription. A pro-rated portion of a management fee will be rebated in the event of an intra-quarter withdrawal. JHL permits a reduction in management fees for investors whose investments exceed a particular size threshold.

Profit Allocation

As of each December 31, the Master Fund makes profit allocations to JHL of 20.0%, 17.5%, and 20.0% for all new appreciation then attributable to each investor's Class A, Class B, and Class C interest or shares respectively. New appreciation is equal to the amount by which the net asset value of the interest or shares held by an investor (calculated after reduction for all accrued expenses including management fees but prior to reduction for any profit allocation) exceeds the "high water mark" (as defined below) attributable to such interest or shares. In calculating new appreciation, the profits and losses attributable to "designated investments," which are subject to profit allocations calculated separately with respect to each individual designated investment, are excluded. However, any management fees and expenses attributable to designated investments paid from the capital attributable to an investor's interest or shares will reduce the net asset value of that investor's interest or shares and, accordingly, any new appreciation attributable to such interest or shares.

Profit allocations do not themselves reduce new appreciation. That is, JHL does not need to "earn back" profit allocations previously made in order to generate additional profit allocations. The high water mark attributable to each investor's Class A, Class B, or Class C interest or shares is the highest aggregate net asset value of such investor's Class A, Class B, or Class C interest or shares, as the case may be, as of any preceding December 31, after reduction for the profit allocation then made (or an investor's aggregate Class A, Class B, or Class C capital contributions, if higher, in the case in which such investor's Class A, Class B, or Class C interest or shares have been unprofitable since inception). Class A, Class B, or Class C high water marks

are proportionately reduced whenever Class A, Class B, or Class C withdrawals, distributions, or transfers, as the case may be, are made, and are increased dollar-for-dollar by any Class A, Class B, or Class C capital contributions made by an investor.

In the event that a Fund investor is invested in a combination of Class A, Class B, or Class C interests or shares, the profit allocation will be calculated separately with respect to each such Class (but not separately with respect to each capital contribution made to each Class). When an investor withdraws or transfers all or a portion of its interest or shares, any profit allocation with respect to the interest or shares withdrawn or transferred is made to JHL (except in the case of transfers to related investors, in which case profit allocations may not be made). Proportionate profit allocations will also be made whenever distributions are paid.

JHL permits a reduction in profit allocations for Fund investors whose investments exceed a particular size threshold.

Expenses

The Funds pay all of their trading, operating, and administrative costs and expenses, as well as the costs, fees, and expenses of their auditors and legal advisers, the cost of printing and distributing periodic and annual reports and statements, and all other expenses related to the business of the Funds.

The Funds' trading, operating, and administrative costs and expenses include, without limitation: (i) investment expenses and all other expenses (including, without limitation, all commissions, clearing fees, all other costs related to executing transactions, valuation and portfolio pricing, interest charges, financing charges, applicable withholding and other taxes, externally incurred costs of establishing computer and systems connections with the Funds' brokers and counterparties and the installation, implementation, and maintenance of order management and execution management systems and software, and the costs of trading, research, data screens, and risk management and data services and systems, which may include, *e.g.*, the costs of utilizing and/or supporting risk-reporting technology required by consultants retained by or on behalf of institutional investors) related to the purchase, sale, transmittal, or custody of investment assets and related items, as well as costs and expenses associated with obtaining and maintaining regulatory licenses, exchange memberships, and credit ratings; (ii) legal, accounting, auditing, and other professional fees and expenses, including consulting and appraisal fees and expenses; (iii) the costs of subscriptions to financial news, research, and wire services; (iv) tax preparation and "Tax Matters Member" and "Company Representative" fees and expenses and the costs of preparing, printing, and distributing annual and periodic reports and other investor communications; (v) any taxes and duties payable in any jurisdiction in connection with the Funds' operations; (vi) fees in connection with the custody of the Funds' investment assets; (vii) insurance costs (including the premiums paid for directors and officers, errors and omissions, and other comparable insurance for JHL, its affiliates, and any of their owners, principals, directors, officers, or employees, and third parties providing services to the Funds); (viii) administrative costs (including the fees and out-of-pocket expenses of third-party administrators and the costs of middle-office and back-office support as provided by such administrators), paying agency, transfer agency, and accounting verification (if any) and/or investor registrar services; (ix) the fees

and out-of-pocket expenses of any service providers incurred in performing services for the Funds; (x) any other operating or administrative expenses related to accounting, research, due diligence, or reporting; (xi) costs and expenses relating to the Funds' regulatory compliance, including, without limitation, costs of compliance programs (including third-party compliance consultants and "mock" examinations), actual examinations, regulatory and governmental inquiries (including costs incurred as a result of subpoenas and proceedings, in each case, whether involving the Funds or JHL, in its capacity as investment manager), and regulatory and self-regulatory filings; (xii) any indemnification payments; and (xiii) the Funds' *pro rata* share of the expenses of the investments in underlying funds or managed accounts, including fees or allocations of profits to the managers of such funds or managed accounts. The Funds do not pay any of JHL's internal expenses. For the Feeder Funds, such costs will typically be paid as part of their allocable shares of the Master Fund's costs and expenses, but may also be borne directly by the applicable Feeder Fund.

For a further discussion of these and brokerage-related items, see "Item 12 — Brokerage Practices" below.

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

As stated in "Item 5 — Fees and Compensation" above, JHL receives a profit allocation that is based on capital appreciation of, or capital gains on, the Funds' assets. JHL's eligibility to receive profit allocations, however, may create an incentive for JHL to trade and invest the Funds' portfolios in a riskier or more speculative manner than JHL otherwise would.

The Company has adopted and implemented written compliance policies and procedures that are designed to address the above conflict of interest. Further, as a fiduciary, JHL recognizes its duties to act in good faith and with fairness in all of its dealings with the Funds.

Item 7: Types of Clients

As described in "Item 4 — Advisory Business" above, JHL advises pooled investment vehicles on a discretionary basis. Investment advice is provided directly to the Funds and not individually to the Funds' investors. With respect to the Funds, JHL requires an investor to make a minimum initial capital contribution of \$5 million, which may be made to a specific Class or aggregated between different Classes of interests or shares. At its discretion, JHL may waive the minimum initial capital contribution requirement. Each investor is required to meet certain eligibility and suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act of 1940. Each U.S. investor in the Onshore Fund must also satisfy the suitability requirements of Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"), which prescribes certain requirements that must be satisfied in connection with the potential for JHL to receive performance-based compensation from a Fund. Further details concerning applicable investor suitability criteria are set forth in the Fund offering memoranda and subscription materials.

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

Methods of Analysis / Investment Strategies

JHL's objective for the Funds is to generate long-term capital appreciation through the identification of investments that the CEO/CIO and investment professionals believe have superior risk-return characteristics. JHL maintains both long and short positions in equities, fixed income securities, futures, and derivatives. JHL may invest in currencies, commodities, futures, forward contracts, investments in special purpose vehicles, co-investment vehicles, managed accounts, and underlying funds managed by third-parties.

JHL utilizes a disciplined proprietary investment process known as F.O.R.T.[®], which is an acronym for Fundamental, Opportunistic, Risk-Managed and Thematic. F.O.R.T. involves fundamental quantitative, and qualitative analyses across companies, industries, and geographies. It is an opportunistic investment style in that JHL may execute the strategy through long and short positions in equities, fixed income securities, and/or derivatives and other financial instruments. JHL seeks to identify high return-on-invested-capital opportunities, with careful consideration of the risk incurred in generating returns. JHL's focus on security investments in a particular industry, geography, or group of companies is often driven by a theme or idea that it believes will have a material impact on the future price of such securities. JHL's investment and trading styles are flexible and not constrained by a formal trading policy or model.

JHL seeks to utilize "Modern Adaptive Frameworks" to enhance the effectiveness of traditional value investing methods. JHL believes that investment styles are cyclical and markets move in regimes or themes. The Master Fund has a broad and flexible mandate that enables it to profit from shifting opportunities. JHL believes that market sentiment is self-reinforcing and that feedback loops can decouple price from fundamental value over extended periods of time, but not indefinitely. The Company seeks to recognize and capitalize on these feedback loop mechanisms. JHL believes that capital structure can impact the value of the enterprise. The Company evaluates opportunities across the capital structure and seeks to identify capital structure asymmetry. JHL assesses management talent, motivation and alignment of incentives when contemplating an investment opportunity.

Investment Process

The first step in JHL's investment process is to identify opportunities worthy of further due diligence. JHL tends to focus on (i) value-driven themes and (ii) special situations. Value-driven themes consist of opportunities in which JHL believes a security is mispriced relative to its intrinsic value or a security has asymmetric risk-reward characteristics. A mispricing of intrinsic value might occur when a sector or a particular company is out-of-favor or when market expectations have become extreme. An asymmetric risk-reward opportunity might be a situation in which appreciation may occur if circumstances change or an anticipated event takes place. Special situations are typically characterized by a degree of complexity that dissuades many institutional investors from further investigation. Special situations often arise when an event or industry condition has sufficiently influenced investor psychology such that the expected value of a feared change, condition, or outcome has become mispriced relative to its true effect on intrinsic value. Examples include spin-offs, liquidations, litigation situations, bankruptcies, corporate

restructurings, takeover bids, rights offerings, exchange offers, tender offers, special dividends, and other similar transactions.

JHL typically sources investment opportunities through (i) financial screens, (ii) a network of contacts in finance or industry, (iii) reading and reflection, and (iv) other sources. Once a particular opportunity has been identified, JHL rigorously analyzes prospective investments based on a broad range of qualitative and quantitative criteria. These may include, but are not limited to, the following:

- Valuation metrics (free cash flow, enterprise value/EBITDA, and other relevant multiples);
- Historical and future capital allocation (return on invested capital and return on incremental invested capital);
- Intrinsic value of assets;
- Quality of management;
- Incentives and motivations of management, boards of directors, major shareholders, competitors, and other influential parties;
- Margins and cost structure;
- Sustainability and scalability of business models;
- Regulatory environment;
- Volatility of the underlying cash flows and macro or other economic sensitivity;
- Competitive position, including barriers to entry;
- Labor, raw materials, intellectual property, or other necessary inputs in the business;
- Financial position and liquidity;
- Operational controls and accounting;
- Liquidity of the securities considered for investment;
- Relative value or risk-reward characteristics across the capital structure or derivatives; and
- Potential value-enhancing catalysts.

JHL expresses investment theses at all levels of the capital structure, including equities, credit, and derivatives. Certain of the non-traditional areas to which JHL may allocate a portion of capital and/or exposure include distressed debt (bonds or loans) and credit default swaps. The implementation of any credit strategy includes attention to the liquidity as well as the implied leverage of the perceived opportunity.

JHL engages in short selling based on company-specific research. Short positions are also utilized to hedge or pair against specific risks in the long portfolio, and shorts may also be used to express a negative sector view. A short candidate might be a company with a deteriorating financial condition or with a competitive or structural challenge not yet fully reflected in the market. If JHL makes a short investment to hedge a risk in the long portfolio, it is typically because JHL believes that isolating this risk or making a particular pairing enhances the long-term value of the portfolio (rather than hedging simply as a means of reducing near-term volatility). JHL typically avoids “valuation” shorts and instead seeks to find situations in which near-term catalysts and/or structural flaws will drive a decrease in the price of a security.

Investment Decision Authority

Only the CEO/CIO is authorized to make investment decisions on behalf of the Funds.

Risks

All investing involves a risk of loss that investors should be prepared to bear. JHL cannot give any guarantee that it will achieve an investor's investment objectives or that investors will receive a return on their investment. The past performance of speculative trading strategies, such as those implemented by JHL, is not necessarily indicative of future results. Further, there are no material limitations on the strategies that JHL may apply, and no assurance as to which strategies may be applied at any one time. Investors should refer to the offering memoranda for detailed disclosures that specifically address the risks of each Fund's investment strategies, methods of analysis, and/or particular types of securities recommended.

Below is a summary of potentially material risks for the significant investment strategies and methods of analysis used by JHL, and particular types of securities recommended by JHL. This list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in any investment in the Funds, including the general business and regulatory risk of investment in private investment funds, operational risks, general market risks, general credit risks, liquidity risks, or other risks.

- *Opportunistic Investing* — JHL trades opportunistically on behalf of the Funds, investing in whatever position and strategy JHL believes offers superior risk/reward profiles. Opportunistic investing can be subject to more inconsistent performance than more systematic strategies as well as greater risk of subjective misjudgment.
- *Dependence on Key Individual* — JHL is dependent on the continuing service and active investment efforts of the CEO/CIO.
- *Event-Driven Investing* — JHL may invest in positions whose profitability depends on the result of some significant corporate event (for example, a merger, tender offer, exchange offer, spin-off, or liquidation). Corporate events are affected by numerous factors — including not only market movements but also regulatory intervention, shareholders' consent, and changes in interest rates and economic outlook — that can have a particularly adverse effect on even the most apparently safe risk arbitrage investments. The risk of non-consummation in such transactions is high, and unexpected outcomes can lead to substantial losses.
- *Limited Liquidity* — An investment in a Fund provides limited liquidity since interests or shares are not freely transferable and generally an investor has limited withdrawal rights. The Funds may also suspend the redemption rights of investors. An investment in a Fund is suitable only for sophisticated investors that do not require immediate liquidity.
- *Directional Trading* — Certain of the positions taken by JHL are designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices

is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

- *Relative Value Strategies* — The success of JHL’s relative value trading is dependent on its ability to exploit relative mispricings among interrelated instruments. Although relative value positions are considered to have a lower risk profile than directional trades, as the former attempt to exploit price differentials, as opposed to overall price movements, relative value strategies are not without risk. Mispricings, even if correctly identified, may not converge within the time frame within which the Funds maintain their positions. Even pure “riskless” arbitrage — which is rare — can result in significant losses if the arbitrage cannot be sustained (due, for example, to margin calls) until expiration. JHL’s relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit, and the obsolescence or inaccuracy of any third-party valuation models. Market disruptions may also force JHL to close out one or more positions. Such disruptions have in the past resulted in substantial losses for private investment funds employing relative value strategies.
- *Credit Strategies* — JHL invests in the credit markets, attempting to take advantage of undervalued securities as well as relative mispricings. The identification of attractive investment opportunities in disrupted credit markets is difficult and involves a significant degree of uncertainty. The credit markets are, in general, highly susceptible to interest-rate movements, government interference, economic news, and investor emotion. For example, there was significant volatility in the credit markets in 2007 to 2009. During “credit squeezes” or “flights to quality” the market for credit instruments other than U.S. Treasury bills can become substantially reduced. This poses a particular risk that leveraged credit instrument positions held by alternative investment funds pursuing credit related investment strategies may need to be sold at discounts to fair value in order to meet margin calls. At the same time, dealers may correspondingly reduce the value of outstanding positions, resulting in additional margin calls as loan-to-value triggers are hit under prime brokerage and swap agreements. During the financial market crisis of 2008-2009, the market for credit instruments was so illiquid that a number of private investment funds had to sell otherwise highly desirable investments in other asset classes to meet margin calls on their credit positions.
- *Private Investments; Illiquid Investments; Estimated Values* — From time to time JHL may invest in illiquid and restricted, as well as thinly-traded, instruments (including privately placed securities). Many of JHL’s longer-term investments may be made in such instruments. There is often no trading market for these investments, and JHL may only be able to reduce these positions to cash, if at all, at disadvantageous prices. JHL may be required to hold such investments despite adverse price movements. In addition, if JHL makes a short sale of an illiquid holding, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position. JHL carries any illiquid investments in a Fund’s portfolio in JHL’s good faith discretion. Although there can be no assurance that these valuations will accurately predict the price at which an arm’s-length

buyer would be willing to purchase the investments, these valuations are part of the calculation of the relevant Fund's net asset value.

- *Leverage* — JHL may invest on a leveraged basis, both through its borrowings and through the significant degree of leverage typically embedded in the derivative instruments in its portfolios. Losses incurred on JHL's leveraged investments increase in direct proportion to the degree of leverage employed.
- *Volatility* — Prices of the instruments traded by JHL have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements, and general economic and political conditions.
- *No Formal Diversification Policies* — JHL is not restricted as to the percentage of its Fund assets that may be invested in any particular issuer, industry, instrument, market, or strategy. Such concentration increases both the risk and the illiquidity of the portfolios. JHL does not and will not maintain any fixed requirements for diversifying its portfolios among issuers, industries, instruments, markets, sectors, or strategies. Consequently, a loss in any concentrated position could ultimately result in significant losses to the Funds and a proportionately higher reduction in net asset value than if capital had been spread over a wide number of positions.
- *Derivatives* — JHL uses derivative financial instruments, including, without limitation, warrants, options, swaps, convertible securities, notional principal contracts, contracts for difference, forward contracts, futures contracts, and options thereon, and may use derivative techniques for hedging and other trading purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the theoretical and realizable value of a derivative (*i.e.*, due to nonconformance to anticipated or historical correlation patterns). These anticipated risks (and other risks that may not be anticipated) may make it difficult as well as costly to close out positions in order to either realize gains or to limit losses. Many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price that the same dealers would be willing to pay for such derivative may be materially different. Such differences can result in an overstatement of the Funds' net asset value and may materially adversely affect JHL in situations in which it is required to sell derivative instruments. JHL's use of derivatives and other techniques (such as short sales) for hedging purposes involves certain additional risks, including (i) imperfect correlation between movements in the asset on which the derivative is based and movements in the asset being hedged; and (ii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of JHL's assets segregated to secure its obligations under derivatives contracts. By hedging a particular position, JHL limits the potential gain from an increase in value of such position, but may not achieve a commensurate increase in risk control. Many of the derivatives traded by JHL are principal-to-principal or "over-the-counter" contracts with third parties entered into

privately, rather than on an exchange. As a result, JHL is not afforded the regulatory and financial protections of an exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In privately negotiated transactions, the negotiated price may deviate materially from fair value, particularly when there is no active market available from which to derive benchmark prices. JHL's investments in over-the-counter derivatives are subject to greater risk of counterparty default and less liquidity than exchange-traded derivatives, although exchange-traded derivatives are subject to risk of failure of the exchange on which they are traded and the clearinghouse through which they are guaranteed.

- *Credit Derivatives* — JHL purchases and sells credit derivative contracts, primarily credit default swaps, both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. JHL may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction. Credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions. Credit derivatives trading is subject not only to the credit risk of the issuer of the underlying obligations to which such derivatives are referenced but also to the credit risk of the counterparty to the credit derivative transaction itself. In certain cases, the credit derivatives market is significantly less liquid than the market in the underlying debt obligations, due to the generally customized and individually negotiated terms of such derivatives. In addition, certain governmental agencies have indicated that they intend to regulate the market in credit derivatives. It is difficult to predict the impact of any such regulation on JHL, but any regulation may be adverse to JHL (including by making JHL ineligible to be a “buyer” or “seller” of credit default swaps).
- *Restrictions on Withdrawals* — Because withdrawals from the Funds are limited and interests or shares in the Funds are otherwise not freely tradable, an investment in the Funds is illiquid and involves a high degree of risk. Irrespective of the success or failure of the Funds, investors' inability to withdraw on short notice materially increases the risk of an investment because it is not possible to make withdrawals to recognize profits or mitigate losses before such profits may have been eliminated or such losses significantly accelerated. In fact, under certain circumstances, JHL may postpone investors' ability to make withdrawals, leaving investors fully exposed to the risk of the Funds' performance for an indefinite period of time. Interests in designated investments may not be withdrawn by investors, and will remain outstanding until the designated investment is realized or returned to the general portfolio, in the discretion of the CEO/CIO. All investors are generally committed through the applicable Fund's term irrespective of changes in the Fund's investment manager, general economic conditions, and/or the investor's own financial position.

- *Differential Withdrawal Terms* — The different withdrawal terms applicable to the Funds' Class A interests or shares, Class B interests or shares, and Class C interests or shares could have adverse consequences that may be material for certain investors from time to time. In particular, Class C interests or shares may be withdrawn on a more frequent basis than Class A interests or shares or Class B interests or shares, and Class A interests or shares may be withdrawn on a more frequent basis than Class B interests or shares. Liquidating a Fund's assets to fund the payment of withdrawal proceeds for Classes of interests or shares with more frequent liquidity could have an adverse effect on a Fund and investors holding interests or shares with less frequent liquidity.
- *Preferential Treatment* — Certain investors may have preferential liquidity, financial rights, co-investment rights, and/or informational rights.
- *Short Sales* — As an integral part of its trading, JHL routinely sells securities short. A short sale is effected by selling a security JHL does not own. In order to make delivery to the buyer of a security sold short, JHL must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. JHL must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period, and may have to pay a premium to borrow the security. This obligation must, unless JHL then owns or has the right to obtain, without payment, securities identical to those sold short, be collateralized by a deposit of cash or marketable securities with the lender. Short selling is theoretically subject to an unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by JHL. In addition, purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby increasing any loss incurred. Furthermore, JHL may be forced to close out a short position prematurely if a counterparty from which JHL borrowed securities demands their return, resulting in a loss on what might otherwise have been a profitable position. It is impossible to predict whether the SEC or other regulators will issue additional rules with respect to short selling. Short selling is an important component of the investment strategies implemented by JHL on behalf of the Funds. If additional regulation is imposed in the future, JHL may not be able to effectively implement its investment strategies or its investment strategies may become uneconomical, which in either case could adversely affect the Funds' performance.
- *Importance of Market Judgment* — The market judgment of the CEO/CIO is fundamental to the strategies implemented by JHL. Strategies based on market judgment may be less disciplined and predictable than more systematic strategies.
- *Currency Exposure* — Because JHL may utilize the foreign currency markets for opportunistic investments or hedging, the Funds are exposed to currency risk.
- *Model Risk* — Certain of JHL's strategies require the use of quantitative valuation models that it has developed over time, as well as valuation models developed by third parties and made available to JHL. As market dynamics (for example, due to changed market

conditions and participants) shift over time, a previously highly successful model may become outdated or inaccurate, perhaps without JHL recognizing that fact before substantial losses are incurred. There can be no assurance that JHL will be successful in continuing to develop and maintain effective quantitative models, and the necessity of continuously updating these models demonstrates that JHL's past successful results may not be representative of its future performance. JHL's model risk extends to the valuation of a number of its less liquid as well as longer-term investments that are made on the basis of internal JHL models, taking into account market inputs where available, and the results of any valuation analyses of independent valuation consultants retained by JHL, in the absence of any readily-determinable market values. The valuations so determined may differ materially from the value ultimately realized upon the realization of such investment.

- *Risk of Litigation and Other Contested Matters* — In the ordinary course of business, the Funds may be subject to litigation from time to time. In addition, the Funds may accumulate substantial positions in the securities of issuers that become involved in proxy contests, bankruptcy or insolvency proceedings, litigation, or other contested matters. As a result of such investments, the Funds could be named as defendants in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of the Funds, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation or proceeding may consume substantial amounts of JHL's time and attention, and that time and the devotion of these resources to litigation or contested matters may, at times, be disproportionate to the amounts at stake in the litigation or contested matter.

Item 9: Disciplinary Information

JHL and its employees have not been involved in any legal or disciplinary events that would be material to an evaluation of JHL or its employees.

Item 10: Other Financial Industry Activities and Affiliations

JHL provides investment advice to the Funds. As noted above, JHL Capital Group Master Fund GP Ltd. (previously defined as the General Partner), serves as the general partner of the Master Fund and is affiliated with JHL by common ownership. Any persons acting on behalf of the General Partner are subject to the supervision and control of JHL in connection with any investment advisory activities. In accordance with SEC guidance, the General Partner is registered as an investment adviser in reliance on the Form ADV filed by JHL. JHL and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

JHL is registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a commodity pool operator. The CEO/CIO and the Chief Financial Officer are registered as associated persons of JHL.

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

Participation or Interest in Client Transactions

Consistent with a traditional master-feeder structure, the Feeder Funds invest all of their assets in the Master Fund. JHL does not anticipate that a conflict of interest will result from this master-feeder arrangement. Each Feeder Fund's respective offering memorandum provides additional disclosures with respect to JHL's master-feeder arrangement.

JHL, its employees, or a related entity (collectively "Related Persons") have committed their own capital to the Funds. Thus, although the Funds may, at times, buy or sell securities in which Related Persons have a material financial interest, the capital that Related Persons have in the Funds aligns the interests of the Funds and Related Persons, and helps to eliminate potential conflicts that may exist.

Code of Ethics and Personal Trading

JHL strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty, and trust. In seeking to meet these standards, JHL has adopted a Code of Ethics. The Code of Ethics requires all employees to act with competence, dignity, integrity, and in an ethical manner when interfacing with the public, current or potential investors, third-party service providers, and fellow employees. Employees must use reasonable care and exercise independent judgment when conducting investment analysis, making investment recommendations, making investment transactions, promoting JHL's services, and engaging in other professional activities. JHL expects all employees to adhere to the highest standards with respect to any potential conflicts of interest with either the Funds or investors.

The Code of Ethics places restrictions on personal trades by employees, including that employees disclose their personal securities holdings and transactions to JHL on a periodic basis. JHL monitors employees' investment patterns in an effort to detect potentially abusive behavior. Further, to mitigate potential conflicts of interest, JHL restricts what securities employees may transact in for their personal accounts.

The Code of Ethics includes restrictions designed to supervise the giving or receiving of gifts and entertainment, political and charitable donations, and employees' outside business activities. Policies and procedures for reporting, investigating, and treating violations are included in the Code of Ethics. The Code of Ethics also includes insider trading policies and procedures that are designed to prevent the misuse of material non-public information. JHL employees are required to certify their compliance with the Code of Ethics, including JHL's insider trading policies, on a periodic basis.

Investors or prospective investors may request a copy of the Code of Ethics by contacting JHL at the address or telephone number listed on the first page of this document.

Item 12: Brokerage Practices

Best Execution and Soft Dollars

JHL has adopted and implemented trading policies and procedures to ensure that it will place transactions with appropriate care and diligence, seek best execution, and disclose all material conflicts of interest. JHL takes reasonable steps to obtain the best possible result for the Funds when executing orders. In selecting or recommending broker-dealers for Fund transactions and determining the reasonableness of their compensation (*e.g.*, commissions), JHL takes into consideration a range of different factors that include, but may not be limited to, the following: listed bids and asks, the opportunity for price improvement, transaction costs, anonymity, liquidity, speed of execution, expertise with difficult securities, trading style and strategy, geographic location, frequency of errors, access to new issues, access to conferences, access to management meetings, and quality of research. JHL monitors the standards of execution being provided and alters its counterparty selection appropriately.

JHL may receive products or services from counterparties that, to the best of JHL's knowledge, are generally made available to all institutional clients doing business with these counterparties. Services provided to JHL by brokers may include, without limitation, proprietary or third-party research, special execution capabilities, clearance, settlement, net pricing, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, financial strength and stability, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short sales, referral of prospective investors, custody, recordkeeping and similar services, as well as paying for a portion of the Funds' or JHL's costs and expenses of operation, such as newswire and data processing charges, quotation services, subscription fees to periodicals, and other reasonable expenses incurred by JHL in performing services on behalf of the Funds. Many of these products and services are made available to JHL on an unsolicited basis and without regard to transaction costs charged or paid by the Funds or the volume of business JHL directs to these counterparties.

JHL may have a conflict and incentive to select or recommend a broker-dealer based on its interest in receiving research, investor referrals, or other products and services as disclosed above, rather than on the Funds' interest in receiving most favorable execution. Further, when JHL uses Fund brokerage commissions to obtain research or other products or services, JHL receives a benefit because it does not have to produce or pay for the research, products, or services.

JHL will not knowingly accept "soft dollar" services it believes are not within the "safe harbor" established by Section 28(e) of the Securities Exchange Act of 1934. JHL assesses the quality of research, products, and services received from brokers as part of its best execution review processes.

Trading Errors

As disclosed in each Fund's respective offering memorandum, the cost of errors in the Funds' accounts will be borne by the Funds unless an error is the result of a breach of the standard of care set forth in these documents. The Funds keep any gains or losses resulting from trade errors. Investors should refer to the offering memoranda for further disclosures with respect to trade errors.

Trade Allocation and Aggregation

JHL's policy is to allocate investments to the Funds in a fair and equitable manner over a period of time. JHL will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any Fund. JHL will have no obligation to purchase, sell, or exchange any security or financial instrument for the Funds if JHL believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical, or undesirable for any of the Funds.

In making allocation decisions, JHL generally considers the following factors, among others: the investment objectives and restrictions on the Funds; the nature and size of the investment; the relative size and cash availability of the Funds; the ability to borrow and the cost of borrowed funds; tax consequences; legal restrictions; the liquidity of the investment offered; the degree of specialization of the Funds relative to the investment offered; the possibility that an allocation may result in a small or odd lot; and other factors relevant to a particular Fund.

If JHL determines that the purchase or sale of the same security is in the best interest of the Funds, JHL may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Fund will receive the average price with transaction costs allocated *pro rata* based on the size of the Fund's participation in the order (or allocation in the event of a partial fill) as determined by JHL. In the event of a partial fill, allocations generally will be made *pro rata* based on the initial order but may be modified on a basis that JHL deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations.

Item 13: Review of Accounts

Portfolio Reviews

The Funds' portfolios are reviewed informally on a continuous basis by the CEO/CIO and JHL investment professionals. These reviews are designed to monitor and analyze transactions, positions, exposure, and investment levels. JHL holds weekly meetings as well as informal ad hoc meetings with investment professionals as necessary to discuss any applicable topics, such as investment ideas, economic developments, current events, investment strategies, and Fund holdings.

Reporting

JHL generally provides investors with, or with access to, the following written reports: monthly performance estimates, monthly capital account statements, monthly performance attribution and exposure summaries, quarterly letters, annual audited financial statements, and annual tax reports (if the investor is a taxable entity or individual). In certain circumstances, JHL may offer oral intra-period estimated performance and other Fund information to investors, upon request.

Item 14: Investor Referrals and Other Compensation

JHL disavors the payment of any form of placement fees in the offering of the Funds. However, JHL reserves the right to pay placement and/or referral fees (both initial and ongoing) to persons or institutions that introduce prospective investors. Investors have no obligations to pay or be allocated economically any placement and/or referral fees.

Item 15: Custody

Fund assets are held in custody by unaffiliated broker-dealers or banks, but JHL is deemed to have custody of Fund assets under Rule 206(4)-2 of the Advisers Act. To comply with Rule 206(4)-2, and to provide meaningful protection to investors, the Funds are subject to an annual financial statement audit by independent public accountants registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") and are distributed to investors within the timeframe required by Rule 206(4)-2, as detailed in the Fund offering memoranda. JHL urges investors to carefully review these statements.

Item 16: Investment Discretion

JHL has full discretionary authority to manage the Funds, including authority to make decisions with respect to which investments are bought and sold. Discretionary authority is provided through the Onshore Fund's governing agreement and the Offshore Fund's and Master Fund's execution of advisory agreements with JHL. Any limitations on authority are included in Fund offering memoranda, advisory agreements, other governing agreements, and/or JHL's internal compliance policies and procedures.

Item 17: Voting Client Securities

JHL accepts authority to vote proxies for the Funds. In addition to solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt, and other rights and remedies with respect to securities. JHL has adopted proxy voting policies and procedures that are designed to ensure that JHL will seek to vote proxies in a way that maximizes the value of the Funds', and ultimately the investors', assets in accordance with its fiduciary duty. Proxies are assets of the Funds that, when voted, will be voted with diligence, care, and loyalty.

JHL will vote each proxy that it receives and deems material in a manner that serves the best interest of the Funds. For example, JHL's analysis of a particular proxy might reveal that the cost of voting the proxy may exceed the expected benefit to the Funds (*e.g.*, casting a vote on a foreign security may require JHL to engage a translator or travel to a foreign country to vote in person). Also, JHL may be unable to vote securities that have been lent by a custodian.

Investors may not direct proxy voting for particular solicitations.

JHL's policies and procedures also require it to identify and address material conflicts of interest between JHL and the Funds. As necessary, when a material conflict of interest exists, JHL may engage an outside proxy voting service or consultant to make a recommendation. (*i.e.*, retain an independent third party to vote the proxy).

If class action documents are received by JHL on behalf of the Funds, JHL's Chief Compliance Officer ("CCO") or CEO/CIO will determine whether or not the Funds should participate in, or opt-out of, any class action. The CCO or CEO/CIO will determine if it is in the best interest of the Funds to attempt to recover monies from a class action. In the event the Funds are eligible but opt-out of participating in a class action, the CCO will, to the extent practicable and possible, maintain documentation supporting JHL's basis for not participating, including any cost/benefit analysis to support the decision, if applicable. JHL utilizes an independent third-party service provider to assist with identifying potential class action recoveries. This third party is compensated based on a percentage of the proceeds recovered from all JHL class action filings. It should be noted that the Funds bear the cost (*i.e.*, receive a reduced amount of the class action proceeds) of the third-party class action recovery services. JHL credits any class action settlement proceeds received to the Funds.

Investors may obtain a copy of JHL's policies and procedures as well as information about how JHL has voted proxies or participated in class actions by contacting JHL at the address or telephone number listed on the first page of this document.

Item 18: Financial Information

JHL is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to the Funds and has not been the subject of a bankruptcy petition at any time during the past ten years.