

**ITEM 1  
COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**FRONTPOINT PARTNERS, L.P.  
f/k/a FrontPoint Partners, LLC**

**June 30, 2011**

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*This brochure (the "Brochure") provides information about the qualifications and business practices of FrontPoint Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (203) 622-5200. 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 FrontPoint Partners, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

## ITEM 2 MATERIAL CHANGES

FrontPoint Partners, L.P. ("FrontPoint") is required to identify and discuss any material changes made to its Brochure since the last annual update. This Brochure is FrontPoint's first Form ADV Part 2A submitted to the SEC pursuant to amendments made to certain rules promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the form formerly known as Form ADV Part II. FrontPoint previously provided to its clients a Form ADV Part II (the "Old Part II"), which was used as a basis for certain disclosure provided in this Brochure. Please note the following material changes to the Old Part II that may be of interest:

Morgan Stanley's interest in FrontPoint Partners LLC and FrontPoint Partners LLC's subsidiaries was restructured as of March 1, 2011. As part of the restructuring, FrontPoint succeeded to the advisory business of FrontPoint Partners LLC pursuant to the conversion of FrontPoint Partners LLC from a limited liability company to a limited partnership. FrontPoint's sole limited partner is FrontPoint Holdings, L.P. ("Holdings"), a new Delaware limited partnership. FrontPoint is no longer a wholly owned subsidiary of Morgan Stanley, but a Morgan Stanley affiliate (TAM Investment Holdings Inc.) has retained a limited partnership interest in Holdings. Morgan Stanley has no day-to-day control or oversight of FrontPoint, its affiliates or its clients. As a consequence of the restructuring, FrontPoint is independent of Morgan Stanley and is not able to rely on or access the operational or financial resources of Morgan Stanley.

As of June 30, 2011, FrontPoint terminated its subadvisory agreements with affiliated registered investment advisers FrontPoint Management (UK), LLP and FrontPoint Management (Hong Kong), Ltd. and assumed direct management of certain pooled investment vehicles that are subject to the Employee Retirement Income Security Act of 1974, as amended. FrontPoint Management (UK), LLP and FrontPoint Management (Hong Kong), Ltd. withdrew their registration from the SEC as investment advisers following the termination of their subadvisory agreements with FrontPoint.

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## **ITEM 4**

### **ADVISORY BUSINESS**

FrontPoint is primarily owned by Holdings. and its general partner is FrontPoint Capital Management LLC. Holdings is primarily owned by TAM Investment Holdings Inc., which is an affiliate of Morgan Stanley, a publicly held corporation. Morgan Stanley has no day-to-day control or oversight of FrontPoint, its affiliates or its clients. Michael Kelly and Daniel Waters are control persons of FrontPoint Holdings, L.P., majority owners of FrontPoint Capital Management LLC and serve as Co-Chief Executive Officers of FrontPoint. FrontPoint was formed in October 2000.

FrontPoint is a global asset management firm specializing in absolute return strategies with exposure to a variety of strategies. FrontPoint identifies and partners with investment teams capable of generating returns which exhibit a low correlation to market indices and other FrontPoint strategies. FrontPoint supports its portfolio teams through a central infrastructure managed by an experienced business team which provides trading, risk management, marketing, investment team interaction, compliance, legal, accounting, technology, administrative services, and back office functions.

FrontPoint's clients are the private pooled investment vehicles (each, a "Fund" and collectively, the "Funds") offered to investors on a private placement basis and separately managed accounts for institutional investors (the "Accounts"). FrontPoint (or an affiliate) serves as the management company with discretionary trading authority to the various Funds and Accounts. All references herein to FrontPoint include those advisory affiliates of FrontPoint that are also (direct or indirect) subsidiaries of FrontPoint Holdings, L.P.

FrontPoint provides advisory services to a number of Funds that are not required to be registered as investment companies under the Investment Company Act of 1940, as amended. Each group of related Funds is generally organized in a "master fund / feeder fund" structure. Because the sole purpose of each feeder fund is to invest in the master fund (or in another feeder fund), the underlying investment opportunity in each Fund is in the relevant master fund. The investment objectives of each Fund are described in the offering documents of such Fund. FrontPoint's services consist of identifying investment opportunities and making investments, as well as disposing of investments already made by each Fund. Unless the context clearly indicates otherwise, the discussion contained in this Brochure is illustrative of the terms of a typical Fund for which FrontPoint provides advisory services. However, the terms applicable to a particular Fund may vary from those described herein, as described in the offering documents of such Fund.

FrontPoint's investment advice differs among the Funds and Accounts (together, the "Clients") it advises. The investment strategy for each Client is explained in detail in such Client's offering documents and management agreement, as the case may be. As of June 30, 2011, FrontPoint manages approximately \$3.1 billion on behalf of its Clients.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### Fees Related to the Funds

Generally, the general partner of each Fund (each an affiliate of FrontPoint, and a "General Partner") will be entitled to receive an incentive allocation or performance fee (such performance-based compensation, in either case, being referred to herein as "Performance Compensation") at the end of each fiscal year of the relevant Fund of 20% of the realized and unrealized net profits (if any) allocated to the capital accounts of the Funds' investors for the fiscal year. Although the Performance Compensation payable by a Fund is generally structured as an allocation of profits, it is sometimes paid as a fee and is sometimes paid directly to FrontPoint. Generally, any net loss for a fiscal year allocated to a Fund investor is carried forward so that no Performance Compensation is charged to such Fund investor in future fiscal years unless the losses have been recouped (a "high water mark"). Funds which pay Performance Compensation only with respect to performance exceeding a benchmark hurdle rate may not have a high water mark feature. In the event that a Fund investor withdraws from a Fund other than on the last business day of a fiscal year, the Performance Compensation in respect of that investor will be determined and distributed as of the withdrawal date.

Performance Compensation received by a General Partner or FrontPoint is not subject to the requirements of Section 205 of the Advisers Act, pursuant to Section 205(b)(4) thereof.

In addition, each Fund will typically pay FrontPoint an annual management fee equal to a percentage of the Fund's net asset value (generally 1.5% to 2% per annum), calculated and payable at the end of each month. Fees will be deducted by FrontPoint or a General Partner from client accounts and will be prorated for partial periods. A Fund's Performance Compensation and management fee are generally non-negotiable.

#### Fees Related to the Accounts

The incentive fee and management fee rates charged to the Accounts are similar to Performance Compensation and management fee rates generally charged to the Funds.

#### Additional Fees and Expenses

In general, Funds bear the cost of their respective offering, organizational and operating expenses. Each Fund's expenses also generally include (either as an expense allocation or a fee) a portion of the ongoing operating expenses of FrontPoint and its affiliates (including a Fund's General Partner) to the extent deemed by FrontPoint to be allocable to such Fund. Such overhead expenses are generally equal to 0.05% of such Fund's net asset value per annum but are capped at 0.25% of such Fund's net asset value on an annual basis minus the fees of any third party administrator of such Fund. The expenses of the Funds also generally include brokerage expenses, custodial fees, currency hedging fees, insurance premiums, interest, litigation and indemnification expenses, research and market data expenses, including research related travel, entertainment and other expenses. Each Fund may

reimburse its General Partner, FrontPoint and their respective affiliates for advances such party makes to pay for Fund expenses.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

FrontPoint's Clients are generally subject to Performance Compensation, as described in further detail above. However, certain of FrontPoint's investment teams may manage multiple Clients that pay differing rates of Performance Compensation, which may create the incentive for an investment team to favor Clients that pay a higher rate of Performance Compensation. FrontPoint addresses this conflict of interest through its allocation policy which is discussed further in Item 11.

**ITEM 7**  
**TYPES OF CLIENTS**

FrontPoint generally provides investment advice to Funds and Accounts as described in Item 4.

Each Fund explains its minimum investment requirements in its offering documents. The minimum account size for opening an Account is generally \$50 million.



## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### Investment Strategy:

FrontPoint pursues, on behalf of its Clients, a wide array of investment strategies across a variety of styles and geographic and industry sectors. The particular strategy for a Client is described in further detail in such Client's offering documents or investment management agreement, as the case may be.

FrontPoint may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that FrontPoint considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies FrontPoint pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

#### Material, Significant or Unusual Risks Relating to Investment Strategies and Types of Securities:

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by FrontPoint. The risk factors specific to a particular Client are disclosed in such Client's offering documents or management agreement.

*Leverage.* The investment strategies pursued by the Clients may involve the use of leverage. Leverage may take the form of loans for borrowed money (e.g., margin loans) or derivative instruments that are inherently leveraged, including options, futures, forward contracts, swaps and repurchase agreements. The use of leverage by a Client can substantially increase the market exposure (and market risk) to which such Client's individual investment portfolios may be subject. Trading on leverage will result in interest charges or costs, which may be explicit (in the case of loans) or implicit (in the case of many derivative instruments) and, depending on the amount of leverage, such charges or costs could be substantial. The level of interest rates generally, and the rates at which a Client can leverage in particular, can affect the operating results of such Client. A Client's anticipated use of short-term margin borrowings, repurchase agreements, derivatives, and other instruments, including leverage, results in certain additional risks to such Client.

*Quantitative Model Risks.* FrontPoint may employ quantitative-based financial/analytical models to aid in the selection of their investments, to allocate investments across various strategies, sectors and risks and to determine the risk profile of one or more Clients. If any such quantitative models are employed, the success of a Client's investment and trading activities will depend, in large part, on the viability of these models. There can be no assurance that the models are currently viable, or, if the models are currently viable, that they will remain viable during the term of the relevant Client. Also, there can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable or not completely viable or (ii) notice, predict or adequately react to any change in the viability of a model. The use of a model that is not

viable or not completely viable could, at any time, have a material adverse effect on the performance of a Client.

The trading systems of FrontPoint may be based on the mathematical analysis of technical data regarding past market price performance. Such trading strategies may not directly consider, adequately or at all, fundamental factors. Thus, such trading systems may respond inadequately to fundamental causative events until their impact has ceased to influence the market. A further limitation inherent in certain technical strategies is the need for price changes that are sufficient to dictate an entry or exit decision. In the absence of a substantial or well-defined price movement, a technical system may be unable to identify investment opportunities on a timely basis.

*Derivative Instruments Generally.* Derivative instruments, or "derivatives," include instruments and contracts that are based on, and are valued in relation to, one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge its exposure to, or speculate upon, the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges.

*Non-U.S. Futures Transactions.* Foreign futures transactions involve the execution and clearing of trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, Clients may not be afforded certain of the protections that apply to domestic transactions, including the right to use domestic alternative-dispute-resolution procedures. In particular, funds received to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

*Trading in Commodity Interests.* FrontPoint may trade commodities contracts, the prices of which may be highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events. Price movements of commodities contracts, forwards, futures and other derivative contracts in which the assets of a Client may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time

intervene, directly and by regulation, in certain markets, particularly those in currencies, securities, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

*Structured Securities.* FrontPoint may cause Clients may invest in asset-backed securities, including securities backed by mortgage loans, installment sale contracts, credit card receivables or other assets (collectively, "Structured Securities"). Many Structured Securities are extremely complex. Furthermore, many Structured Securities are sensitive to changes in interest rates and/or to prepayments and their returns may be subject to large changes based on relatively small changes in interest rates, prepayments or both. Structured Securities' returns in many cases may be volatile; leverage may be inherent in the structure of some Structured Securities and in some cases may be substantial. In addition, there can be no assurance that a liquid market will exist in any Structured Security when FrontPoint seeks to sell. FrontPoint intends to enter into hedging transactions in certain circumstances to protect against interest rate movement, prepayment risk and the risk of increased foreclosures as a result of a decline in values of the underlying assets or other factors, but there can be no assurance that such hedging transactions will fully protect the Clients against such risks and may involve risks different from those of the underlying securities.

*Use of Warrants and Rights.* FrontPoint may cause Clients to hold warrants and rights from time to time. Warrants permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights may be considered more speculative than certain other types of equity-like securities because they do not carry with them rights to dividends or voting rights and they do not represent any rights in the assets of the issuer. These instruments cease to have value if they are not exercised prior to their expiration dates. The market for warrants and rights can become very illiquid. Changes in liquidity may significantly impact the price for warrants and rights, which could, in turn, decrease the value of a Client's portfolio.

*Use of When-Issued and Forward Commitment Securities.* FrontPoint may cause a Client to purchase securities on a "when-issued" basis. If a Client disposes of the right to acquire a when-issued security prior to its acquisition, it may incur a gain or loss. In addition, there is a risk that securities purchased on a when-issued basis may not be delivered to such Client. In such cases, such Client may incur a loss.

*Fixed-Income Securities.* FrontPoint may cause Clients to invest in bonds or other fixed-income securities, including, without limitation, commercial paper and "high yield" (and, therefore, higher risk) debt securities. Such securities may be below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue lower rated debt securities often are highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any economic downturn could affect adversely the ability of the

issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

*Investments in Securities of Financially Distressed Companies.* FrontPoint may cause Clients to purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. There is no assurance that FrontPoint will correctly evaluate the nature and magnitude of the various factors that could affect the prospect for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client invests, such Client may lose its entire investment or may be required to accept cash or securities with a value less than such Client's original investment.

*Distressed Securities Generally.* Distressed debt securities are subject to the significant risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk) and also may 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). FrontPoint may cause certain Clients to acquire so called "blocking positions " in connection with a plan of reorganization in a security of a portfolio company. Acquisition of such "blocking positions" entails significant risks. If FrontPoint's evaluation of the anticipated outcome of such a blocking position should prove incorrect, the Client could experience substantial losses. With respect to post-reorganization securities, such securities typically entail a higher degree of risk than investments in securities of companies which have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to increased selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If FrontPoint's evaluation of the anticipated outcome of an investment situation should prove incorrect, the Client could experience a loss.

*Repurchase and Reverse Repurchase Agreements.* FrontPoint may cause Clients to enter into repurchase and reverse repurchase agreements. The use of repurchase and reverse repurchase agreements by a Client involves certain risks. For example, if the seller of securities to the Client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Client's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that a Client may not be able to substantiate its interest in the underlying securities.

*Investments in Emerging Markets.* FrontPoint may cause some of its Clients to invest in securities of emerging market companies. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on realization of investments, repatriation of invested capital and on the ability to exchange local currencies

for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economy; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the markets; (xii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of the relevant Clients' financial instruments with non-U.S. brokers and securities depositories.

*Liquidity of Client Investments.* The market value of any Client's investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets or developments or trends in the foreign exchange markets and the healthcare industry and the financial condition of the issuers of the securities in which the Client invests. During periods of limited liquidity and higher price volatility, the ability to acquire or dispose of a Client's investments at a price and time that FrontPoint deems advantageous may be impaired.

*Private Placements.* FrontPoint may cause Clients to invest in privately placed securities the resale of which is restricted by law or contract or for which no liquid market exists. To the extent a Client invests in such illiquid securities, its ability to dispose of these securities at prices and times that it wishes to do so may be restricted. Even if the sale of privately placed securities held by the Client is permitted by applicable law, no market may exist for such securities at the time that FrontPoint desires to sell such securities, or, even if a market exists for such securities, a Client may be adversely affected by widening bid-offer spreads if the Client is required to liquidate its position to generate cash to satisfy withdrawal requests or meet other obligations.

*Highly Volatile Markets.* The prices of Clients investments, including, without limitation, common equity and related equity derivative instruments, high yield securities, convertible securities and other derivatives, including futures and option prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which a Client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Clients are subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouses.

*Short Sales.* FrontPoint intends to cause Clients to engage in short selling. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that

the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

There has recently been a global regulatory focus on short selling. The SEC issued an emergency order in September 2008 to temporarily ban short selling of any publicly traded securities of certain financial firms and require institutional investment managers, including hedge fund managers, to make daily disclosure on a weekly basis of short positions on publicly traded equity securities. On or about the same time, other jurisdictions (*e.g.*, United Kingdom, Australia, Ireland) enacted emergency regulations, imposing similar regulations to those enacted by the SEC. It is impossible to predict what, if any, changes in regulations may occur, but any future regulatory changes in short selling could adversely affect the performance of any of the Clients.

*Turnover.* The turnover rate of a Client's investment portfolio may be significant, potentially involving substantial brokerage commissions and fees and other transaction costs.

*Foreign Exchange.* FrontPoint may cause Clients to engage in foreign exchange transactions in the spot and forward markets to hedge such Clients' equity positions denominated in non-U.S. dollar currencies, if any. A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract as agreed by the parties, at a price that is fixed at the time the contract is entered into. In addition, FrontPoint may cause Clients to maintain short positions in forward currency exchange transactions, in which a Client agrees to exchange a specified amount of a currency it does not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the value of the currency the Client agreed to purchase. A forward currency exchange contract offers less protection against defaults by the counterparty to the contract than is the case with exchange-traded currency futures contracts. Forward currency exchange contracts are also highly leveraged, in some cases requiring little or no original margin deposit. FrontPoint may also cause Clients to purchase and sell put and call options on currencies and currency futures contracts and options on currency futures contracts.

*Currencies.* FrontPoint may cause some Clients to invest a significant portion of such Client's assets in non-U.S. equity instruments or in instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. FrontPoint, however, generally values its Clients' securities and other assets in U.S. dollars. Because a Client may temporarily hold funds in bank deposits in non-U.S. currencies during the completion of its investment program, that Client may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of such non-U.S. currencies) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. Further, FrontPoint may or may not seek to hedge all or any portion of a Client's non-U.S. currency exposure. To the extent unhedged, the value of a Client's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the Client's investments in the various local markets and currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. An increase in the value of the U.S. dollar compared to the other

currencies in which a Client's assets are denoted will reduce the effect of increases and magnify the effect of decreases in the prices of the Client's securities in their local markets. A Client could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account.

*Money Market Instruments.* FrontPoint may cause Clients to invest, for defensive purposes or otherwise, some or all of such Clients' assets in high quality, fixed income securities, money market instruments and money market mutual funds, or hold cash or cash equivalents in such amounts as FrontPoint deems appropriate under the circumstances.

*Credit Risk.* Because many purchases, sales, financing arrangements, securities lending transactions and derivative transactions in which Clients engage involve instruments that are not traded on an exchange, but are instead traded between counterparties based on contractual relationships, the Clients are subject to the risk that a counterparty will not perform its obligations under the related contracts. Although FrontPoint causes its Clients to enter into transactions only with counterparties that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that a Client will not sustain a loss on a transaction as a result.

*Loans of Portfolio Securities.* FrontPoint may cause Clients to loan securities in their portfolio on terms customary in the securities industry or enter into other transactions constituting a loan of the relevant Client's assets. By entering into such transactions, the Client seeks to increase its income through the receipt of interest on the loan. In the event of the bankruptcy or insolvency of the counterparty to the securities loan, the Client could experience delays in recovering the securities it lent. To the extent that the value of the securities lent by a Client increase in value, such Client could experience a loss if such securities are not recovered.

## **ITEM 9**

### **DISCIPLINARY INFORMATION**

On November 2, 2010, the U.S. Attorney's Office for the Southern District of New York ("USAO") and the SEC respectively filed criminal and civil suits against Dr. Yves Benhamou alleging insider trading in connection with the stock of Human Genome Sciences Inc. ("HGSI"). In the criminal complaint, a portfolio manager of the FrontPoint Healthcare Funds (collectively, the "Healthcare Funds") who is no longer an employee of FrontPoint, was referenced as an unnamed unindicted co-conspirator. On April 13, 2011, the SEC filed an amended complaint (and the USAO unsealed a filed criminal complaint) charging the former FrontPoint employee with insider trading. The Healthcare Funds were named solely as relief defendants in the SEC's amended complaint and were not charged with any securities law violations. To resolve this matter with the SEC, the Healthcare Funds agreed to make a disgorgement payment for the alleged losses avoided by the alleged insider trading by the former FrontPoint employee. No amounts from the Healthcare Funds are being used in making the disgorgement payment. The settlement was funded by an amount set aside in 2010 prior to the recent restructuring of Morgan Stanley's ownership interest in FrontPoint. Accordingly, we do not expect that the payment of the settlement amount to have any financial impact on the Healthcare Funds or FrontPoint. FrontPoint was not accused of any misconduct or charged with any violation of law in connection with this matter.

On January 4, 2011, a purported class action was filed in the United States District Court for the District of Connecticut against FrontPoint, certain Funds, their respective general partners, the former FrontPoint employee referenced above and Dr. Benhamou. While the original complaint did not identify the names of the hedge fund advisers or funds, an amended complaint filed on March 2, 2011 identified one of the defendant funds as FrontPoint Healthcare Flagship Fund, L.P. (formerly known as FrontPoint Healthcare Fund, L.P.). The case is captioned Brodzinsky, et al. v. FrontPoint Partners LLC, et al., Case No.: 3:11-00010. The action involves allegations of insider trading in December 2007 and January 2008 that is also described in the government complaints and asserts the following causes of action: violation of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5; liability under Section 20A of the Securities Exchange Act of 1934; and for control person liability under Section 20(a) of the Securities Exchange Act of 1934. On March 28, 2011, the FrontPoint defendants moved to dismiss the complaint and have been defending the action vigorously. The agreement by the Healthcare Funds to make a disgorgement payment for the alleged losses avoided resulting from the alleged insider trading by the former FrontPoint employee as described above is expected to have the effect of eliminating the damages claimed in the Brodzinsky action.



## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

FrontPoint, its affiliates and its personnel serve as investment advisers and investment managers to multiple private pooled investment vehicles and separately managed accounts. Additionally, FrontPoint's affiliate FrontPoint Universal GP, LLC is a registered investment adviser and serves as investment manager to private pooled investment vehicles. Certain Affiliated Advisers serve as subadvisers to FrontPoint for certain Clients.

In certain cases FrontPoint may hire an unaffiliated third party as a subadviser with respect to a certain Client. In these situations, FrontPoint is not compensated by the third party subadviser, and selects such subadviser subject to FrontPoint's fiduciary duty to act in the best interest of its Clients.

In general, FrontPoint's investment activities are organized around its various investment teams specializing in a particular sector or asset class. Each investment team is comprised of one or more portfolio managers and analysts. Each investment team is responsible for the selection of investments for the Client accounts it manages. The investment teams operate independently of one another. Even in cases where a single investment team manages multiple Client accounts, FrontPoint may give advice or take action with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, and strategies. Accordingly, Client accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. FrontPoint also may advise Clients with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients. Finally, FrontPoint and its personnel may have conflicts in allocating their time and services among the Clients. FrontPoint will devote as much time to each Client as FrontPoint deems appropriate to perform its duties in accordance with its management agreements.

#### Morgan Stanley Affiliations

Morgan Stanley, an affiliate of FrontPoint, operates a diversified global financial services firm. Morgan Stanley and its subsidiaries engage in a broad range of activities, including financial advisory services, asset management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions, acting as prime broker, custodian and other activities, some of which may be conducted on behalf of a Client. Morgan Stanley & Co. or another affiliated broker-dealer that is an affiliate of Morgan Stanley (each, an "MS Broker Dealer"), may provide brokerage and placement agent services in connection with the sale of interests in the Clients. In return for these services, the MS Broker Dealer may receive brokerage and placement fees. In addition, an MS Broker Dealer or another related broker-dealer may engage in transactions in which it acts as a broker for a Fund and for another person on the other side of the transaction. In any such event, the MS Broker Dealer or a related broker-dealer may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transactions.

Morgan Stanley also conducts a variety of investment management activities, including sponsoring unregistered investment funds as well as investment funds registered under the Investment Company Act. Those activities also include managing assets of employee benefit plans that are subject to ERISA, and related regulations. Morgan Stanley's investment management activities may compete for the same investment opportunities as FrontPoint's Funds, or pursue investment strategies counter to FrontPoint's Funds.

FrontPoint does not expect its relationship with Morgan Stanley to create material conflicts of interest as Morgan Stanley has no day-to-day control or oversight of FrontPoint, its affiliates or its clients. FrontPoint is independent of Morgan Stanley and is not able to rely on or access the operational or financial resources of Morgan Stanley. Moreover, notwithstanding FrontPoint's operational independence from Morgan Stanley, the sales, trading and distribution relationships between the Funds and Morgan Stanley and its affiliates, if any, remain limited due to certain regulatory considerations.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**  
**AND PERSONAL TRADING**

Code of Ethics

FrontPoint 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, FrontPoint has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

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

FrontPoint and its affiliates have placed significant limits on the ability of their respective employees and partners from buying or selling equity securities or commodity interests for their own account. The records of any such trades by any such person will not be open to inspection by an investor in the Funds. With respect to such personal accounts, FrontPoint's employees, its affiliates, or their respective employees, members and/or principals might take investment positions different from, or contrary to, those taken by the Clients; however, they are not permitted to trade ahead of the Clients or to attempt to profit personally from the trading activities of Clients. FrontPoint may, nevertheless, purchase or sell securities on behalf of a Client in which it or one or more of its related persons has a material financial interest or position. FrontPoint, its affiliates, and their respective employees, may purchase or sell for their own accounts securities that a General Partner recommends to its clients.

Investing in Securities that FrontPoint Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to FrontPoint on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. FrontPoint permits its employees to engage in personal securities transactions. Personal

securities transactions by employees may raise potential conflicts of interests when such persons trade in a security that is owned or considered for purchase or sale by a client. FrontPoint's Code is designed to detect and prevent such conflicts of interest. In addition to various trading restrictions, FrontPoint's employees' personal securities transactions are pre-cleared and monitored by FrontPoint's compliance personnel. It is possible that officers or employees of FrontPoint may buy or sell securities or other instruments that FrontPoint has recommended to Clients. Moreover, FrontPoint may recommend to clients the purchase or sale in securities in which it, or its officers, employees or related persons have a financial interest. These transactions are subject to FrontPoint's policies and procedures regarding personal securities trading.

FrontPoint, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that FrontPoint and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

FrontPoint has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

### Cross Trades

FrontPoint may determine that it would be in the best interests of certain Clients to transfer a security from one Client to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. Before FrontPoint decides to engage in a Cross Trade, FrontPoint will first need to determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

FrontPoint generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a Cross Trade between two clients may occur as an "internal cross", where FrontPoint instructs the custodian for the clients to book the transaction at the price determined in accordance with FrontPoint's valuation policy. If FrontPoint effects an internal cross, FrontPoint will not receive any fee in connection with the completion of the transaction.

### Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Client by FrontPoint or its personnel, FrontPoint will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions

will be considered on behalf of investors and approved or disapproved by (i) an advisory board comprised of representatives of investors in the Clients or (ii) a committee consisting of one or more persons selected by FrontPoint (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

#### Agency Cross Transactions

In connection with transactions in which broker-dealers affiliated with FrontPoint will act as agent for both the buyer or seller in the transaction, such transactions will only be effected on behalf of a Fund or other clients, when such Fund or other Client have consented to such transactions and FrontPoint determines it is in the best interest of the a Fund or client. The broker-dealer affiliate will receive a commission from the seller and the buyer when it executes transactions on an agency cross basis.

#### Trade Allocations

Because FrontPoint and its subsidiaries serve as investment manager to more than one Client that may have similar investment strategies, there may be a conflict of interest in the allocation of investment opportunities among the Clients managed by FrontPoint. FrontPoint has adopted significant internal allocation procedures to guide the allocation of investment opportunities among the Clients pursuant to FrontPoint's fiduciary duties. FrontPoint will attempt to allocate investment opportunities in a manner that is in the best interests of all the Clients involved in light of the circumstances prevailing at the time. However, there can be no assurance that an investment opportunity which comes to the attention of FrontPoint will not be allocated wholly or primarily to Client, with other Clients being unable to participate in such investment opportunity or participating only on a limited basis.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

As noted previously, FrontPoint has full discretionary authority to manage the accounts of the Clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. FrontPoint's authority is limited by its own internal policies and procedures and each Client's investment guidelines.

Portfolio transactions for each Client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to FrontPoint and/or certain Clients, but not beneficial to all Clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, FrontPoint may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility;  
and
- the provision by the brokers of capital introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. FrontPoint need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither FrontPoint nor the Clients separately compensate any broker or dealer for any of these other services.

If FrontPoint decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

FrontPoint maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

## 1. Research and Other Soft Dollar Benefits

From time to time, FrontPoint may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. FrontPoint will effect such transactions, and receive such brokerage and research services. FrontPoint will make a good faith determination that the amount of commissions paid is fair and reasonable in relation to the value of execution and the goods and services provided, however from time to time FrontPoint's receipt of soft dollar benefits may be outside the parameters of the "safe harbor" provided by Section 28(e) of the U.S. Securities Exchange Act of 1934. However, any soft dollar benefits FrontPoint obtains using the brokerage commissions of clients subject to ERISA will be within the "safe harbor" provided by Section 28(e). FrontPoint believes it is important to its investment decision-making processes to have access to independent research.

Generally, research products or services obtained with "soft dollars" generated by one or more Clients may be used by FrontPoint to service one or more other Clients. FrontPoint does not seek to allocate soft dollar benefits to Client accounts in proportion to the soft dollar credits the Client accounts generate. When using soft dollar benefits obtained with the commissions of clients subject to ERISA and other clients that want to remain in the "safe harbor," where a product or service obtained with soft dollars provides both research and non-research assistance to FrontPoint (*i.e.*, a "mixed use" item), FrontPoint will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of FrontPoint's allocation of the costs of such benefits and services between those that primarily benefit FrontPoint and those that primarily benefit the Clients.

When FrontPoint uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, FrontPoint receives a benefit because it does not have to produce or pay for such products or services. FrontPoint may have an incentive to select or recommend a broker-dealer based on FrontPoint's interest in receiving research or other products or services, rather than on its Clients' interest in receiving most favorable execution.

Within the last fiscal year, FrontPoint or its related persons acquired the following types of products and services with client brokerage commissions (or markups or markdowns):

- written information and analyses concerning specific securities, companies or sectors;
- market, financial and economic studies and forecasts;
- research conferences and seminars; research consultants; newswire services; periodicals; publications; databases and data services; news and quotation equipment and services; statistical and pricing services and data processing charges;

At least annually, FrontPoint considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will FrontPoint make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

## **2. Brokerage for Client Referrals.**

Neither FrontPoint nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, FrontPoint may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

## **3. Directed Brokerage.**

FrontPoint does not recommend, request or require that a client direct FrontPoint to execute transactions through a specified broker-dealer. Certain Accounts may request that FrontPoint direct brokerage to preferred broker-dealers. FrontPoint will accommodate Client requests to direct brokerage when approved by FrontPoint's General Counsel or Chief Compliance Officer. In all cases directed brokerage will be subject to FrontPoint's best execution policies described above.

## **Order Aggregation.**

If FrontPoint determines that the purchase or sale of a security is appropriate with regard to multiple Clients, FrontPoint may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing 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 Client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each Client's participation in the order (or allocation in the event of a partial fill) as determined by FrontPoint. In the event of a partial fill, allocations may be modified on a basis that FrontPoint deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by FrontPoint. As a result, certain trades in the same security for one Client (including a Client in which FrontPoint and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.



### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

FrontPoint performs various daily, weekly, monthly, quarterly and periodic reviews of each Client's portfolio. Such reviews are conducted by the portfolio managers, research analysts and relevant staff for responsible for each Client. A review of a Client account may be triggered by any unusual activity or special circumstances.

Investors in each Fund will generally receive the following regular reports: (i) an annual audited financial statement within 120 days after the end of each fiscal year of the Fund; (ii) unaudited semi-annual financial statements after the end of the second fiscal quarter of each fiscal year of the Fund; (iii) annual tax information necessary for the completion of U.S. federal, state and local income tax returns within 120 days after the end of each fiscal year of the Fund; and (iv) monthly account statement within 12 business days after each month-end.

Reports to Account holders are determined pursuant to the specific terms of each Account's investment management agreement.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

FrontPoint does not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither FrontPoint nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15 CUSTODY**

FrontPoint is deemed to have custody of Fund assets and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a Fund's account. Account statements related to the Funds are sent by qualified custodians to FrontPoint.

FrontPoint is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

FrontPoint does not have custody of Account assets under the Custody Rule.

**ITEM 16**  
**INVESTMENT DISCRETION**

FrontPoint (or an affiliate thereof) serves as the management company with discretionary trading authority for each Client. FrontPoint's investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in its offering documents or investment management agreement, as the case may be. FrontPoint entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which FrontPoint or was granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

FrontPoint has adopted written proxy voting guidelines in accordance with Rule 206(4)-6 of the Advisers Act. It is the policy of FrontPoint in voting proxies to consider and vote each proposal with the objective of maximizing long-term investment returns for each Fund. FrontPoint's proxy voting policy addresses a broad range of issues, including board size and composition, executive compensation, anti-takeover proposals, capital structure proposals and social responsibility issues and is meant to be general voting parameters on issues that arise most frequently.

As a matter of process, FrontPoint will vote proxies for each Fund in accordance with its proxy policy, subject to any input by any investment manager of such Fund. In order to facilitate the proxy voting process and avoid conflicts of interest that may arise, FrontPoint has retained Glass Lewis & Co. ("Glass Lewis"), as its proxy voting agent and relies on Glass Lewis' research and proxy voting recommendations. Glass Lewis is authorized to vote the proxies relating to Fund investments in accordance with Glass Lewis' recommendation. FrontPoint may, however, instruct Glass Lewis to vote in a manner that is contrary to Glass Lewis' recommendation if FrontPoint believes that it would be in the clients' best interest to do so. Accordingly, the proxy policy may be revised in FrontPoint's discretion. Investors in the Funds may obtain a copy of FrontPoint's proxy policy and a record of how proxies were voted upon request.

**ITEM 18**  
**FINANCIAL INFORMATION**

FrontPoint 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 clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.