

Caxton Associates LP – ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Caxton Associates LP. If you have any questions about the contents of this brochure, please contact Scott Bernstein at (609) 419-1800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Caxton Associates LP also is available on the SEC's web site at www.adviserinfo.sec.gov.

Caxton Associates LP is registered as an investment adviser. Registration with the SEC as a registered investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure, dated March 31, 2011, is the new disclosure document of Caxton Associates LP, prepared according to the new requirements of the Securities and Exchange Commission. This Brochure is a narrative that is different in form and content to previous Part II of Form ADV, and includes some new information not previously required by Part II. After the initial filing of this brochure, on an annual basis this Item will be used to update, identify and discuss any material changes to the brochure since the last annual update.

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Item 4: Advisory Business

A. Caxton Associates LP (“Caxton Associates” or “Caxton”), is a New York-based trading and investment firm formed as the successor to Caxton Corporation, which was founded in 1983 by Mr. Bruce Kovner. Mr. Kovner is the Chairman and Chief Executive Officer of Caxton Associates and the sole shareholder of Caxton Corporation, the general partner and principal owner of Caxton Associates. Mr. Andrew Law, Chief Investment Officer of Caxton Associates, is also a principal owner of Caxton Associates.

Certain advisory services and trading activities are provided by Caxton Europe LLP (“Caxton Europe”), a subsidiary of Caxton Associates. Caxton Europe is a United Kingdom limited liability partnership and investment adviser registered with the Financial Services Authority. See also Item 10 C for additional information regarding Caxton Europe.

B. Caxton Associates' primary business is to manage client and proprietary capital through global macro hedge fund strategies as well as other alternative investment disciplines. Assets are managed via a broad mandate to trade in a variety of global markets and instruments.

Investment and trading activities of Caxton's global macro strategies are conducted pursuant to its investment advisory contractual arrangements with a private fund organized offshore (“Global Macro Fund”) that is offered through a master-feeder structure. Separate feeder funds (each a “feeder fund”) are each organized to permit investors the opportunity to participate in the investment and trading activities engaged in by the Global Macro Fund. Caxton also engages in equity long/short and equity long only investment and trading strategies through master-feeder structures and also through sub-advisory arrangements for other private funds (“managed accounts”). Caxton may engage, through affiliates and special purpose vehicles, in public and private investments, in the healthcare sector, as well as other leverage buyout and venture capital strategies. Caxton is also advisor to a fund of hedge funds (“Fund of Funds”). Caxton's global macro and equity strategies, along with its Fund of Funds and use of special purpose vehicles are described below.

1. Global Macro Strategies

Caxton follows currencies on a worldwide basis. Caxton trades primarily in major international currencies, but will also engage in substantial trading in “exotic” currencies. Currency positions are initiated and liquidated primarily in the interbank forward market as well as in the options and futures markets. Caxton's Global Macro Fund may also trade a wide variety of commodities, including, but not limited to, energy products, precious metals and agricultural products, through trading strategies involving options and derivatives, and potentially other commodity interests, in markets worldwide.

Caxton also engages in a broad range of fixed income and securities trading, including U.S. and non-U.S. equity and debt securities (including options, warrants and other rights with respect thereto) on both a discretionary basis and separately on the basis of computerized trading programs. Caxton also trades U.S. and non-U.S. government securities with related financing through repurchase and reverse repurchase agreements and other financing arrangements (which may be used for other trading instruments as well). Caxton may engage in securities lending on behalf of the Global Macro Fund by loaning securities in the Global Macro Fund's portfolio to qualified brokers and dealers. Caxton also pursues strategies involving interest rate and other swap agreements, index futures and other derivative products both for purposes of profit objectives as well as risk management. Trading may include fundamental long/short equity strategies and top-down, “macro equity” trading. Caxton's trading activities also include credit strategies, as well as relative value strategies involving some or all of the following: U.S. and non-U.S. government securities; mortgage-backed, asset-backed and related securities; corporate debt and equity securities; as well as convertibles, warrants, options and other derivatives and instruments.

Caxton's Global Macro trading strategies may also involve quantitative trading systems. Caxton, in its sole discretion, may invest for its clients on a leveraged basis. Additionally, Caxton reserves the right, in its sole discretion, to delegate a portion of its trading activities to sub-advisors (including affiliates) with similar or unique trading strategies and/or financial products. Caxton's Global Macro Fund may also invest in other private

investment funds managed or advised by Caxton or an affiliate as described in the applicable feeder fund's Explanatory Memorandum or Private Placement Memorandum ("Memorandum").

2. Equity Strategies

As stated above, various trading strategies involving equity securities may be applied as part of the Global Macro Strategies to Caxton's Global Macro Fund. The Long/Short Equity Strategy (described below) is utilized for Caxton's Global Macro Fund under the supervision of Mr. Kurt Feuerman, a Senior Portfolio Manager of Caxton Associates. In addition, Caxton or an affiliate, under Mr. Feuerman's supervision, uses the Long/Short Equity Strategy and Long Only Equity Strategy (described below) for other clients that are private funds ("Long/Short Equity Funds" or "Long Only Equity Funds", as applicable) or managed accounts.

a. Long/Short Equity Strategy

Long Strategy. Caxton uses a blended fundamental growth and value-oriented approach to identify investment opportunities. Caxton generally seeks to invest in companies with significant growth potential. Through an intensive "bottom-up" approach, Caxton seeks companies that exhibit such catalysts for growth as the introduction of new products, positive earnings surprise potential, acquisitions and the implementation of cost reduction and/or restructuring programs. Caxton may also implement a value approach to identify specific opportunities in those companies that are trading at attractive valuations relative to their earnings and/or cash-flow growth potential. Management incentives, including direct equity ownership, are also a critical variable in the investment selection process. Caxton typically selects investments for their long-term growth potential and attractive valuation. However, Caxton may also identify specific investment opportunities that in its view have good short-term trading potential.

Short Selling. Conversely, Caxton will seek to short the securities of companies believed to exhibit significant fundamental weakness not presently reflected in the price of the underlying security. Short selling may also be used for hedging purposes from time to time.

b. Long Only Equity Strategy

The primary investment objective of Caxton's Long Only Equity Strategy is to achieve investment returns that are superior to the S&P 500 Index by investing in the largest long only equity positions, and to a limited extent, related equity hedging positions, of certain Long/Short Equity Funds managed by Caxton (collectively, the "Long/Short Portfolio"). The size of the positions held in the long only portfolio is generally in proportion to the size of the equivalent significant long positions held in the Long/Short Portfolio. Purchases and sales in the Long Only Equity Strategy are based upon proscribed allocation guidelines ("Allocation Guidelines").

3. Special Purpose Vehicles and Fund of Funds

Caxton may engage, through affiliates and special purpose vehicles, in public and private investments, in the healthcare sector, as well as other leverage buyout and venture capital strategies. Caxton is also adviser to a Fund of Funds.

In December 2008, Caxton advised all investors in the Fund of Funds that it had determined to terminate the Fund of Funds and begin the process of liquidating its underlying investments.

The respective strategies that may be used by Caxton are described in the Memorandum of each client that is a private fund or in the investment guidelines or contractual documents for each client that is a managed account. **This brochure and the material contained herein is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of any of the private funds described.**

C. Caxton has a broad mandate to select the financial instruments and markets in which the Global Macro Fund may invest, as well as the investment techniques it will use. For certain other clients the mandate is narrower and more specialized. Generally, each client's investment mandate is described in its Memorandum, investment guidelines or contractual documents.

D. Caxton does not participate in wrap fee programs.

E. Caxton manages assets only on a discretionary basis. As of January 1, 2011, Caxton Associates and its affiliates whose trading may be considered to be under common control with the trading of Caxton managed approximately \$7.8 billion in assets on a discretionary basis. See Item 10 for further information about Caxton's affiliates.

Item 5: Fees and Compensation

A. Management fees (alternatively called "advisory fees" or "sub-management fees" in the context of certain clients) may vary with each client. The base annual fee schedule ranges between 1% and 3% of assets under management. Advisory compensation is payable monthly in arrears according to the terms of the relevant agreement with each client.

Caxton or an affiliate may receive performance-based compensation in addition to management, advisory or sub-management fees. Caxton or an affiliate may receive annual performance allocations or incentive fees in an amount up to thirty percent (30%) of net profits, as defined and calculated in each client's Memorandum or investment management agreement, if applicable. With respect to the 30% performance allocation, such amounts are accrued monthly and indexed to the clients' rate of return, and may take into account strategic investments as described in the applicable Memorandum. Caxton will only receive the performance based allocations or incentive fees where the receipt of such compensation will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940, if applicable. Management/advisory fees are prorated for partial periods, while performance-based compensation is charged to investors at year-end or upon redemption at the full rate.

Caxton's clients do not have the ability to negotiate or select the fee methodology. The general partner, manager or board of directors as applicable, reserves the right to enter into different terms, including the full or partial waiver or modification of the base annual management/advisory fee and any performance allocation or incentive fees and the modification of withdrawal terms on an investor-by-investor basis. However, to date fees and allocations have only been modified for certain Caxton principals, employees, affiliates, and members of their families and trusts established for their benefit.

B. Advisory compensation is deducted from clients' assets and payable monthly in arrears according to the terms of the Memorandum or relevant investment management agreement with each client. Caxton or an affiliate may receive annual performance allocations or incentive fees as deducted from clients' assets, as defined and calculated in each client's Memorandum or agreement.

C. Clients will incur brokerage and other transaction costs. Please see Item 12 for more information.

In addition, Caxton's clients may incur other ongoing expenses (including, but not limited to, routine ongoing legal, auditing and accounting expenses, fees payable to the fund client's Administrator, printing and mailing costs, all fees, and taxes, and the client's allocable share of the costs and expenses relating to potential and actual investments) as described in the applicable client's Memorandum or other relevant agreement.

D. Caxton does not require its clients to pay fees in advance.

E. Neither Caxton nor its supervised persons accept compensation for the sale of securities or other investment products.

Item 6: Performance-based Fees and Side-By-Side Management

Caxton's Global Macro and Long/Short Equity Funds are subject both to management/advisory fees and performance-based fees or allocations. In addition, as discussed in Item 10 C, Caxton and one of Caxton's affiliates utilize the Long/Short Equity Strategy for managed accounts that are subject both to management/advisory fees and performance-based fees. The Long/Short Equity Strategy is also utilized for the Global Macro Fund.

The Long Only Equity Funds and managed accounts utilizing the Long Only Equity Strategy are subject to a management/advisory fee based on assets under management and are not charged performance-based fees. As discussed in Item 4, the Long Only Equity Strategy is based on the largest long equity positions of the Long/Short Portfolio, and purchases and sales are based upon Allocation Guidelines.

In addition, as described below in Item 10 C, one trader manages assets using a quantitative trading system, which involves management of assets through a master-feeder structure and a managed account, both of which are subject to both management/advisory fees and performance-based fees. This quantitative trading system is also used to manage a portion of assets on behalf of the Global Macro Fund.

The side-by-side management of client funds and accounts with different performance-based fees or fees that are based solely on assets under management may create potential conflicts of interest, i.e., that Caxton could potentially have an incentive to favor clients, or to take greater investment risks on behalf of clients, that pay a higher performance fee over a client that pays a lower performance fee or no performance fee.

However, trades are primarily allocated pro-rata, based on clients' relative assets under management in the respective fund or managed account. Other factors that may affect allocation decisions may include, but are not necessarily limited to, client directed investment limitations, differing investment strategies and objectives, trading restrictions, risk parameters, cash flows or tax considerations. When Caxton or an affiliate engages in the side-by-side management of client funds and similarly managed accounts with different performance-based fees or fees based solely on assets under management, the allocation of investment opportunities will not be based on differences in fees or compensation among Caxton clients. The allocation of investment opportunities are monitored to ensure that they are not based on differences in client fees or compensation payable to Caxton or affiliates.

Item 7: Types of Clients

Caxton currently serves as general partner, manager or advisor to several domestic private investment funds, and as a trading advisor to several foreign private investment funds and managed accounts (collectively these funds, partnerships and separate accounts are "Caxton's clients"). Caxton's clients are currently comprised of the Global Macro Fund, Long/Short Equity and Long Only Equity Funds, managed accounts, and a Fund of Funds. As described in Item 4 B, the private funds engage in trading activities through a master-feeder structure.

In order to invest in any of the Caxton fund clients, an investor must be an accredited investor as defined by Regulation D under the Securities Act of 1933 (onshore funds) or a "Professional Investor" as defined in the BVI Mutual Funds Act (offshore funds), and if subject to a performance fee or allocation, must be a qualified client as defined by Section 205 of the Investment Advisers Act of 1940 and Rule 205-3 thereunder (if applicable). Additionally, all investors in fund clients excepted from the definition of investment company by virtue of Section 3(c)(7) of the Investment Company Act of 1940 ("ICA") must be qualified purchasers or knowledgeable employees as defined in Section 2(a)(51) thereof and the rules thereunder.

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

A. Caxton's primary investment strategy is a Global Macro Strategy, which encompasses a broad investment mandate and trading in a variety of global markets and investments, as discussed above in Item 4 B.

Depending upon the client, Caxton bases its trading decisions on a combination of technical and fundamental analysis. Fundamental analysis attempts to anticipate market movements by analysis of factors

external to the market that affect supply and demand relationships. Technical analysis attempts to forecast price changes through observations of the markets themselves. Trading decisions will incorporate analysis of: political and economic factors; market expectations; technical factors including price behavior and market sentiments; valuation models; interest rate arbitrage; geographical arbitrage; basis relationships between instruments and markets; portfolio and risk management objectives; and signals generated by computerized technical trading models. Caxton believes neither technical nor fundamental analysis is entirely independent of the other, and therefore has developed the skills necessary to apply both methods simultaneously. Certain Caxton clients will engage in more limited or specialized investment strategies, which are also employed by the Global Macro Fund.

See Item 4 B for information regarding Caxton's equity strategies.

Investing in securities and other financial instruments involves risk of loss which clients should be prepared to bear.

B and C. **Trading Risks**

Set out below is a description of the material risks of Caxton's significant strategies. For a more complete discussion of risks applicable to a client that is a private fund or for a strategy that is implemented through a private fund, please see the Memorandum for the respective private fund.

1. **Global Macro Strategies**

Trading, Funding and Credit Risks Generally. Trading risk is an inherent part of Caxton's and its clients' business activities. Market risk is the risk that a change in the level of one or more market factors such as prices, rates, indices, volatilities, and correlations will result in losses for a position or portfolio. Caxton's clients will incur market exposure through trading and hedging activities throughout the portfolio. Caxton employs value at risk ("VAR") to statistically measure the potential loss in the value of the portfolio or segments of the portfolio due to adverse movements in underlying risk factors. Caxton also employs stress testing, event risk analysis and other risk measurement methods and tools to assess risk on an ongoing basis. Such tools assist Caxton in evaluating potential market risk but do not independently limit risk.

Caxton's clients are also subject to liquidity risk, which relates to the ability to raise funding or liquidate an asset in a timely manner at a reasonable price. While Caxton seeks to manage liquidity risk by investing substantial portions of client assets in markets expected to have strong liquidity (e.g., major foreign currency and fixed income products and large capitalization exchange traded securities), Caxton also will trade in less liquid products and markets.

Credit risk includes the risk that a counterparty or an issuer of securities or other financial instruments will be unable to meet its contractual obligations and fail to deliver, pay for or otherwise perform a transaction. Credit risk will be incurred when Caxton's clients engage in principal-to-principal transactions outside of regulated exchanges, as well as in transactions on certain exchanges that similarly operate without a clearinghouse or similar credit risk-shifting structure. Caxton's clients may also be subject to the risk of the failure of any exchanges on which its positions trade or of the exchanges' clearinghouses.

Caxton's client's strategies are expected to include the use of margin on securities, options, futures, swap transactions and other investments and may include bank or dealer credit lines. There can be no assurance that Caxton or its clients will be able to maintain adequate financing arrangements under all market circumstances. Margin calls may be made in the event certain positions decline in value and in some cases even where the relevant positions have not declined in value, and Caxton's clients may not always have sufficient liquid assets or assets which can be liquidated in a timely manner to satisfy such margin calls. In such an event, the applicable lender may have the right to liquidate assets of the applicable Caxton client in its sole discretion. Banks and dealers that provide financing to Caxton's clients may change their respective policies at any time and for any reason in either a prospective or retrospective manner which may affect the existing investments of the client and the ability of Caxton to make certain future investments on behalf of its clients. In addition, various laws for the protection of creditors rights in the jurisdictions of formation or operation of the issuers or borrowers with whom Caxton's clients do business may affect a client's investments and dealings with such issuers and borrowers. Application of such laws

may differ depending on the legal status and location of the parties, and a Caxton client may experience less favorable treatment under certain laws in comparison with others.

In the normal course of business, Caxton's clients may also invest in financial instruments with off-balance sheet risk. These instruments include forward and futures contracts, swaps and options contracts. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to a loss in excess of the investor's recognized asset carrying value in such financial instrument, if any, or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities.

Standardized legal documentation with counterparties may not exist for all types of transactions engaged in by certain Caxton clients and even where such documentation exists, the parties may negotiate specific terms to standardized forms.

Forward Contracts. Forward contracts are a form of individual cash transaction, as opposed to a futures transaction (see below), in that a forward contract relates to the purchase and sale of a specific quantity of a commodity (such as foreign currencies), security or other instrument, with a specific counterparty at a particular time in the future. Each contract is specifically negotiated rather than uniform. Caxton's clients may purchase and sell foreign currencies for future delivery through financial intermediaries (i.e., foreign and domestic banks, broker-dealer firms and other financial institutions). In such instances, the financial intermediary generally acts as a principal in the transaction and charges a flat fee or includes a premium in the price it quotes for such contract.

Forward contracting generally requires the extension of credit by the financial institution to those with whom it trades along with margin payments, thereby allowing trading to be conducted on a leveraged basis. Since forward contracting is conducted on a principal-to-principal basis, the contracts are not guaranteed by an exchange or clearinghouse. Consequently, forward contracting may involve less protection against defaults than trading on futures exchanges with organized clearinghouses and may entail risks relating to delivery failures. Caxton's client's credit risk should be primarily limited to the risk of non-performance by the counterparty. Financial institutions are not required to continue to make markets in foreign currencies. There have been periods, for example, during which certain banks have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. In such instances, Caxton's clients may have little or no ability to close out all or any portion of a forward contract position. Forward contracts also generally cannot be modified or terminated prior to maturity unless special agreement is reached with the counterparty.

No regulatory scheme currently exists in relation to the foreign currency forward market, except for regulation of general banking activities and exchange controls in the various jurisdictions where trading occurs or in which the currency originates. Because forward contracts are not generally regulated by any governmental agencies, such contracts are not subject to regulations and limitations such as limitations on the number and size of open positions, restrictions on concentration in the markets and leverage, or other financial responsibility requirements. The imposition or relaxation of credit, exchange or currency controls or fixing of currency exchange rates by governmental authorities could significantly affect or eliminate such forward trading.

Increased attention is given and concern expressed periodically regarding speculative trading in the currency markets and its potential to disrupt attempts by the central banks to influence exchange rates. If Caxton were restricted in its ability to trade in the foreign currency markets, Caxton believes that the impact on its ability to trade for its clients could be materially adverse.

Securities Trading. Any investment in securities carries certain market risks. The success Caxton's securities trading depends in part on its ability to correctly assess price movements of equity and debt securities. There is no assurance that Caxton's judgments will be accurate or that its clients will achieve their investment objectives.

In addition to the market risks inherent in securities trading, Caxton also may utilize leverage to finance its clients' securities positions. Fluctuations in the market value of leveraged securities can have a disproportionately large effect relative to the capital invested. Caxton also may sell securities short and may write or purchase options.

Trading in the over-the-counter or exchange markets in different jurisdictions also presents varying degrees of risk with regard to (i) inconsistent or relaxed requirements with respect to record keeping, auditing, financial responsibility or segregation of customer transactions or positions, (ii) potential expropriation, (iii) burdensome or confiscatory taxation, (iv) moratoriums and reschedulings, (v) exchange and investment controls, (vi) political instability and (vii) diplomatic or economic events which might adversely affect trading activities and the enforceability of contractual obligations.

Caxton engages in various trading strategies involving the purchase and sale of U.S. and non-U.S. government securities, which will include financing through repurchase agreements (“repos”), reverse repurchase agreements (“reverse repos”), forward and swap transactions and other similar arrangements. Other strategies involving interest rate, other fixed income and derivative products (including government agency and mortgage and asset-backed instruments, bank loans, forward contracts and options on forward contracts) may be traded. In a repo transaction, a Caxton client will sell a security with an obligation to repurchase the instrument at a future date. In a reverse repo transaction, a Caxton client will purchase a security and agree to resell the instrument at a future date. Such transactions are effected on a principal-to-principal basis and allow for the maintenance of large open positions on a leveraged basis with relatively small cash outlays, without a clearinghouse system being present. As such, Caxton’s client is exposed to various risks, including the risk that, in the event of a default by the counterparty to the transaction, it may be necessary to attempt to cover commitments in the open market. Caxton will attempt to avoid risk of default by carefully monitoring both the credit of the entities with which it enters into such transactions and general market conditions.

Caxton’s clients may engage in securities lending which involves certain risks, including the risk of loss resulting from problems in the settlement and accounting process, counterparty and market risk, and risks generally associated with leverage. Caxton clients also bear risk that the counterparty will not provide, or will delay in providing, additional collateral to the extent necessary because of price movements in the loaned securities or the value of existing collateral.

To the extent that Caxton trades and invests in emerging markets, such trading will require increased consideration of the foregoing risks, as well as consideration of risks not typically associated with investing in more developed countries and markets. Such risks include: (i) political and economic uncertainty, including the risk of nationalization, expropriation and war; (ii) higher rates of inflation and greater governmental intervention or instability; (iii) limitations on foreign investment and on repatriation of invested capital; and (iv) acute price, market and currency volatility.

Caxton may trade in high-yield bonds. The higher yield on such bonds, in comparison to relatively lower risk investments such as bank investments, money market funds and investment grade debt, may be attributable to increased expectation of default or financial difficulties by the issuers of high-yield bonds.

Futures Trading. Futures prices are highly volatile. Price movements of futures and other derivative products are influenced by a wide variety of factors, including, among other things, changing supply and demand relationships, weather, government, agricultural, trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and changes in interest rates.

Margins are good faith deposits which must be made with a broker to initiate or to maintain an open position in a futures contract. In most exchange transactions, both buyer and seller are required to post margins with the broker handling their trades as security for the performance of their buying and selling undertakings and to offset losses in their trades due to daily fluctuations in the markets. Margin requirements are also imposed by exchanges on writers of commodity options. The low margin deposits normally required in futures trading (typically between 2% and 15% of the value of the futures contract purchased) permit an extremely high degree of leverage. Accordingly, a relatively small change in the market price of a futures contract can produce a disproportionately large profit or loss, and it is therefore possible to gain or lose substantially more than the initial margin on a trade.

It may not always be possible to execute a buy or sell order at a desired price or to close out an open position, either due to market conditions or daily price fluctuation limits. Certain futures exchanges limit fluctuations in futures contract prices during a single day through “daily limits”. Daily limits may prevent liquidating trades or new trades from being executed during a given trading day at a price above or below the daily

limit. Speculative position limits (the maximum net long and net short positions which any person may hold in particular futures contracts and options) also limit the number of open positions that may be held in certain futures and option contracts. In addition, even if future prices have not moved to the daily limit, Caxton may be unable to execute trades at favorable prices if the volume of trading in the relevant contracts is inadequate. It is also possible for an exchange or other regulator to suspend trading in a particular contract, order immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

Caxton will potentially engage in futures trading in all global exchange and over-the-counter markets. Certain futures exchanges operate as “principals’ markets” (similar to the forward markets) in which the obligation to assure performance rests solely with the individual member effecting the trade, and not with any exchange or clearinghouse. Trading futures in different jurisdictions will also present risks similar to the risks associated with trading securities on a global basis.

Options. Caxton trades options both for speculative and risk management purposes. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. The purchasing or writing of an option runs the risk of losing the entire investment in such option. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the market or strike price of the financial instrument underlying the option, which the writer must purchase or deliver upon exercise of the option, potentially causing significant losses to its clients in a relatively short period of time. Because option premiums paid or received by a client will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage.

Relative Value Strategies. Although Caxton engages in relative value strategies that are not intended to be correlated to the market, this does not mean that they will be unaffected by the condition of the market. There can be no assurance that relative value or hedged strategies will be profitable in either up or down markets, and various market conditions may be materially less favorable to certain strategies than others. International securities and derivative markets may not move in correlation with each other or in directions anticipated by Caxton, so that hedging and arbitrage activities may not be successful. Historical volatility patterns will not always be an accurate predictor of future volatility, and market anomalies may affect the performance of specific positions. Substantial competition from other relative value traders and other market participants may render it difficult or impossible for Caxton to achieve intended results or promptly effect transactions in volatile markets. Relative value strategies also involve substantial leverage. The risk management and hedging techniques that may be utilized by Caxton, while intended to minimize certain risks, cannot provide any guarantee that Caxton’s clients will not be exposed to risks of investment losses.

Swap Transactions. Caxton also may engage in swap transactions involving equities, interest rates, currencies, indices, credit default risk, fixed income investments and loans, or other financial instruments with financial institutions. Swaps are individually negotiated transactions where each party agrees to make a one-time payment or periodic payments to the other party. The parties to a swap typically do not obligate themselves to make “principal” payments, but only to pay the agreed upon rates as applied to an agreed upon “notional” amount. As such, swap agreements are currently principal-to-principal transactions in which performance is the responsibility of the individual counterparty and not an organized exchange or clearinghouse. Caxton’s clients therefore are exposed to the risk of counterparty default.

In circumstances in which a Caxton client may be the buyer of protection under a credit default swap (a “CDS”) and does not own the debt or loans that are deliverable thereunder, it will be exposed to the risk that (i) the cash settlement price determined in an ISDA-sponsored auction for deliverable securities or loans would be unfavorable or (ii) if no auction is held or the CDS is ineligible for auction settlements, deliverable securities or loans will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In addition, it may be unclear whether or not a “credit event” triggering the seller’s payment obligation under a CDS has occurred, and any determination may be unfavorable. Moreover, certain corporate events with respect to a reference entity, such as the retirement of debt or the assumption of debt by another entity in connection with a “succession event”, may result in Caxton’s client not being able to realize the full value of the CDS. As a seller of a CDS, Caxton’s client would incur leveraged exposure to the credit of the reference entity and be subject to many of the same risks it would incur if it were holding debt securities or loans issued by the reference

entity. Caxton's client would not have any legal recourse against the reference entity and would not benefit from any collateral securing the reference entity's debt obligations or from redemption or exchange offers for, or accelerations of, the referenced entity's debt obligations. In addition, the CDS buyer may have broad discretion to select which of the reference entity's debt obligations to deliver to Caxton's client following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of Caxton's client or, equivalently, this "cheapest-to-deliver" option may be reflected in the cash settlement price in an ISDA-sponsored auction. Given the volume of credit derivatives trading in the market and credit events, the settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties.

Commodities. Caxton may engage in commodity trading strategies. Commodity prices historically have corresponded with the level of economic activity and industrial production. Earnings and financial conditions of commodity producers are dependent on the market prices of the underlying resources which historically have fluctuated significantly. Commodities prices are highly sensitive to natural disasters, political and social disruptions, government action, technological developments, access to new sources of a particular commodity or increases or reductions in any existing source of a particular commodity.

Caxton may conduct certain of its commodity trading activities on commodity exchanges outside the United States. Trading on such exchanges is not regulated by any U.S. governmental agency and may involve certain risks not applicable to trading on U.S. exchanges, including different or diminished investor protections.

Strategic Investments. While Caxton has determined that it generally will no longer pursue new Strategic Investments (as defined in Item 11) on behalf of its clients, one of Caxton's clients may continue to pursue Strategic Investments under the limited circumstances as described in its Memorandum. Accordingly, that client may be subject to certain risks associated with such investments, including but not limited to the following: The experience of Caxton in transactions involving Strategic Investments is more limited than Caxton's trading experience. Despite concerted efforts to identify and evaluate potential risks, the magnitude or even the existence of certain risks and liabilities may not become evident until after a Strategic Investment has been made. In addition, Strategic Investments were typically structured with the strategic partner being granted broad authority to manage and operate the relevant Strategic Investment, including authority to determine to hold or dispose of a Strategic Investment. Such arrangements also may provide that such strategic partner's authority in respect of a Strategic Investment may be terminated only in very limited circumstances. Caxton, does, however, retain ultimate authority to determine whether Caxton's client will make any follow-on investment in any Strategic Investment.

Increased Cost of Frequent Trading. Frequent purchases and sales may be required by the trading strategies utilized by Caxton. More frequent purchases and sales will increase the commission costs and certain other expenses involved in a client's operations. These costs will be borne by Caxton's clients regardless of the profitability of the investment and trading activities.

Failure of a Clearing Broker. If a firm acting as securities or commodity clearing broker for Caxton's clients fails to maintain client assets in an account which segregates such client assets from the assets of the broker itself or the assets of other clients (which is not required in many jurisdictions), such deposits may be subject to a risk of loss in the event of the broker's bankruptcy. Under certain circumstances, such as the inability of another customer of the clearing broker or the clearing broker itself to satisfy deficiencies in such customer's accounts, Caxton's clients may be subject to a risk of loss of its funds on deposit with the clearing broker. In the case of such bankruptcy or loss, Caxton's clients may only be able to recover a portion of their property available for distribution to the clearing broker's customers.

2. Equity Strategies

Caxton's Long/Short and Long Only Equity Strategies are subject to many of the same trading risks as described in Item 8 (B) (1) above for Caxton's Global Macro Strategies, including risks generally associated with trading, funding and credit risks, as well as risks associated with securities trading, leverage, options, swap transactions, increased cost of frequent trading and failure of a clearing broker.

a. In addition, the following trading risks may be associated with Caxton's Long/Short and Long Only Equity Strategies.

Assets May Not Be Diversified. Unlike the more widely diversified Global Macro Strategies traded by Caxton, it is anticipated that Caxton's equity strategies will be concentrated primarily in U.S. exchange-traded equity securities. Caxton's equity strategies are not required to be highly diversified and may have a high concentration in certain positions. Accordingly, a client's assets may be subject to greater risk of loss than if they were more widely diversified, since losses from one or a limited number of investments could have a material adverse effect on the client.

Investments in Undervalued Securities. One of the primary objectives of Caxton's equity strategies is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be identified or implemented successfully. In addition, clients may be required to hold such securities for a substantial period of time before realizing their anticipated value (if at all). During this period, a portion of the client's funds would be committed to the securities purchased, thus possibly preventing the client from making other investments. While investments in undervalued securities may offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a client's investments may not adequately compensate for the business and financial risks inherent in such investments.

Non-U.S. Investments. Although not expected to be a significant part of Caxton's equity strategies, such strategies may include investments in securities traded on non-U.S. exchanges. Investing in such securities involves certain considerations not usually associated with investing in securities traded on U.S. exchanges. These considerations include, but are not limited to: (i) greater risks of expropriation, change in monetary policy, and confiscatory taxation; (ii) taxes on interest, capital gain, or other income, and nationalization; (iii) potential difficulties of general social, political and economic instability; (iv) potential lack of liquidity, price volatility, market manipulation and limited regulation associated with small securities markets and low trading volume in such countries; and (v) fluctuations in the rates for currency exchange, currency conversion costs and potential risk of the imposition of restrictions on currency conversions by non-U.S. regulatory authorities. In addition, accounting and financial reporting standards that exist in countries other than the United States may be less stringent than those in the United States. This may result in less information being available for investors in issuers whose stock is traded in countries other than the United States as compared to information received by investors whose securities trade on U.S. exchanges. Furthermore, transaction costs of investing outside the United States may be higher than in the United States. Non-U.S. markets also have different clearance and settlement procedures that in some markets have failed at times to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could affect adversely a client's investment performance.

New Issue Securities. Certain clients with an Equity Strategy may purchase equity securities acquired in an initial public offering ("New Issue Securities") in accordance with Rule 5130 of the U.S. Financial Industry Regulatory Authority. Special risks associated with New Issue Securities may include a limited number of such New Issue Securities available for trading, unseasoned trading, lack of investor knowledge of companies, and limited operating histories. Such factors may contribute to substantial price volatility for the New Issue Securities of such companies. The limited number of New Issue Securities available for trading in some instances may make it more difficult for Caxton to buy or sell significant amounts of such New Issue Securities without an unfavorable impact on prevailing market prices. In addition, some companies issuing New Issue Securities are involved in relatively new industries or lines of business, which may not be understood widely by investors. Some of such companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income or near-term prospects of achieving them.

b. Caxton's Long/Short Equity Strategy is also subject to trading risks associated with short selling and illiquid investments as described below.

Short Selling. Short-selling involves selling securities that may or may not be owned by the seller, and borrowing the same number of shares to be delivered to the purchaser with an obligation to replace the borrowed shares at a later date. Short-selling allows the investor to profit from declines in market prices or hedge long

portfolio positions. When Caxton engages in short selling on behalf of a client, the client will realize gains to the extent the security declines in price between the date of the short sale and the date on which Caxton replaces the borrowed security, by an amount in excess of the costs incurred in effecting the short sale. Caxton clients will incur losses as a result of the short sale if the price of the security rises between such applicable dates, or if the costs of effecting the short sale (as described below) exceed the amount by which the price of the security declines between such applicable dates. Such loss can exceed the amount of the initial investment and is theoretically unlimited. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. There is also the risk that the securities borrowed by Caxton on behalf of the client in connection with short sales would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the applicable security are receiving similar requests, a “short squeeze” could occur whereby Caxton might be compelled at a disadvantageous time to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received from the relevant short sale.

Caxton’s clients are required to pay brokerage commissions to execute short sales. Caxton’s clients also may be required to pay premiums to the lender of the securities, which would increase the cost of the security sold. Until the security is replaced, Caxton’s clients are generally required to pay to the lender amounts equal to any dividends or interest that accrue on the securities borrowed during the period of the loan.

The extent to which Caxton engages in short sales on behalf of a client depends upon the investment strategies being implemented for the client, Caxton’s perception of the market’s overall direction and its evaluation of the prospects and valuations of particular companies. Caxton has no policy that limits the amount of capital that a client may be required to deposit in order to collateralize its obligation to the lender to replace borrowed securities sold short.

Illiquid Investments. Caxton may invest a portion of a Long/Short client’s capital (generally not expected to exceed ten percent (10%) of net assets, as measured at the time of investment) in non-publicly traded securities. Caxton may not be able to readily dispose of such non-publicly traded securities and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

c. Additionally, as described below certain trading risks may also be associated with Caxton’s Long Only Equity Strategy.

Risks Associated with Applying the Allocation Guidelines. Certain additional risks are associated with the application of the Allocation Guidelines. As noted in Item 4, Caxton and Mr. Feuerman use a blended fundamental growth and value-oriented approach to identify investment opportunities. Under the Allocation Guidelines, the Long Only Equity Strategy generally only includes the significant long positions held by the Long/Short Portfolio. Instances may arise in which Caxton feels the business fundamentals and prospects of a particular company are extremely positive, but for liquidity or other reasons does not purchase a position in the company for the Long/Short Portfolio of sufficient significance to result in its inclusion in the Long Only Equity Strategy. Moreover, because the Allocation Guidelines’ signals are generated by reference solely to positions in the Long/Short Portfolio, a position purchased or sold for the Long Only Equity Strategy will not reflect an independent assessment of the appropriateness of the position or its size for a client utilizing that strategy. Accordingly, there may be instances in which client accounts managed pursuant to Long Only Equity Strategy do not purchase securities that are held in the Long/Short Portfolio even though Caxton is extremely optimistic about the prospects of the issuer, and there may be instances in which such client accounts liquidate positions even though Caxton’s assessment of the position has not changed.

Limited Hedging. The Long Only Strategy may employ only limited hedging techniques (write call options or purchase put options) and may do so only if the Long/Short Portfolio has first entered into such transactions in respect of the same security. The Long Only Strategy may not maintain such hedged positions if doing so would create a net short position with respect to such security. As a general matter, these limitations on the Long Only Strategy’s ability to enter into hedging transactions may prevent Caxton from minimizing potential losses in ways available to traditional hedge funds, particularly in a market environment in which the value of equities is generally declining.

Item 9: Disciplinary Information

Neither Caxton nor a management person (as defined) has been subject to legal or disciplinary events as described in this Item.

Item 10: Other Financial Industry Activities and Affiliations

A. Neither Caxton nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Caxton Associates is registered pursuant to the Commodity Exchange Act, as amended (the “CE ACT”), as a commodity pool operator (“CPO”) and a commodity trading advisor (“CTA”) and is a CPO and CTA member of the National Futures Association (the “NFA”). Caxton Corporation (“Caxton Corp.”) is the general partner of Caxton Associates. It is also registered under the CE Act as a CTA and CPO and is a member of the NFA in such capacities.

Mr. Bruce Kovner is the Chairman and Chief Executive Officer of Caxton Associates and is also individually registered pursuant to the CE Act as a CTA. In addition, Mr. Peter D’Angelo is the President of Caxton Associates and is also individually registered pursuant to the CE Act as a CTA. Mr. Andrew Law is the Chief Investment Officer of Caxton Associates and is individually registered as a principal of Caxton Associates with the NFA.

C. Caxton Associates is the sole shareholder of Caxton Europe Asset Management Limited (“CEAM”), which is the general partner of Caxton Europe LLP (“Caxton Europe”). Caxton Europe is a United Kingdom limited liability partnership and investment adviser registered with the Financial Services Authority, which provides investment advisory services similar to certain of the services provided by Caxton. Mr. Andrew Law is the Senior Managing Director of Caxton Europe. Caxton Europe is allocated a portion of certain assets of Caxton’s Global Macro Fund to invest. Caxton Europe’s strategies focus on macro strategies, European and other global equities, higher-yielding fixed income, floating rate, convertible securities, emerging market debt and currencies.

Mr. Peter D’Angelo is the President of Caxton Associates and also a Director of CEAM. Additionally, Mr. Scott Bernstein and Mr. John Forbes, General Counsel and Chief Operating Officer and Chief Financial Officer of Caxton Associates, respectively, are also Directors of CEAM. Certain Caxton advised funds may use Caxton Europe’s trading desk for facilitation of certain orders.

Caxton Associates is a minority non-managing member in Pyrande Capital Management, LLC (“Pyrande”), a Delaware limited liability company, which is primarily controlled by Mr. Kurt Feuerman, a Senior Portfolio Manager of Caxton. Pyrande’s trading may be considered to be under common control with Caxton’s trading. Pyrande engages in equity trading strategies and currently acts as trading advisor to managed accounts, which are generally managed *pari passu* with certain Caxton fund clients that are under the supervision of Mr. Feuerman in his capacity as a Senior Portfolio Manager of Caxton Associates. Mr. Feuerman also performs discretionary trading in his capacity as a Senior Portfolio Manager of Caxton Associates for Caxton’s Global Macro Fund. Caxton Associates acts as administrative advisor to those client accounts for which Pyrande currently acts as trading advisor and also provides certain accounting services, operations, trade support, compliance and other administrative services to such accounts.

Caxton Associates is also the majority owner of Caxton Health Holdings LLC (“Caxton Health”), a Delaware limited liability company, which focuses on public and private investments in the healthcare sector. Caxton Health utilizes Caxton Associates personnel in its daily operations.

Caxton Associates is a minority shareholder of A.R.T. Advisors, LLC (“ART Advisors”), a Delaware limited liability company, which is the adviser to three private funds in a “master-feeder” structure. ART Advisors is also the advisor to a SEC registered broker-dealer, which engages solely in proprietary trading as a wholly-owned

subsidiary of the master fund. Therefore, the broker-dealer does not have any customers. The broker-dealer does not execute trades for any Caxton client or any third party. Mr. Peter D'Angelo, the President of Caxton, is also Director and Vice President of the broker-dealer. ART Advisors has entered into an Administrative and Accounting Services Agreement with Caxton Associates, under which Caxton Associates provides ART Advisors with office space and accounting, administrative and other facilities and services, including daily back-office processing support and administration of the broker-dealer's compliance obligations.

Caxton Associates is also a minority non-managing member in Hawk Quantitative Strategies LLC ("Hawk"), a Delaware limited liability company, which is primarily controlled by Mr. Jeffrey Enslin, a Partner of Caxton Associates. Hawk operates a proprietary quantitative trading system deployed for Caxton's Global Macro Fund and for a separate master-feeder structure as well as a managed account. Mr. Enslin also performs discretionary trading for Caxton's Global Macro Fund in his capacity as an employee of Caxton Associates. Caxton Associates acts as administrative advisor to the Hawk-advised funds and also provides trade execution, certain accounting services, operations, trade support, compliance and other administrative services to the Hawk managed account.

CEAM is also a minority shareholder in Lucidus Capital Partners LLP ("Lucidus"), a United Kingdom limited liability partnership and investment advisor registered with the Financial Services Authority.

As discussed in response to Item 4 B, Caxton advises private funds. Certain of those funds may be deemed to be controlled by, or under common control with Caxton. Caxton clients may invest in other private investment funds managed or advised by Caxton or an affiliate as described in the respective client's Memorandum.

D. As indicated in Items 4 B and 10 C, Caxton clients may invest or Caxton may allocate a portion of clients' assets for management in other funds advised by Caxton or a Caxton affiliate and/or other private investment funds (whether limited partnerships, limited liability companies, corporations or other types of entities). When one Caxton client (the "investing fund") invests or when Caxton allocates a portion of clients' assets for management in another separately offered Caxton advised fund, the investing fund (and its investors) will not be charged any duplicate fees, and will be charged pursuant to the higher fee schedule.

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

A, B, C and D. Caxton's Code of Ethics ("Code") sets forth a standard of business conduct expected of all Caxton employees, reflecting Caxton's fiduciary obligations, supervisory requirements, and duty to comply with applicable federal securities laws. The Code also sets forth procedures and controls to prevent the misuse of material nonpublic information by employees.

Caxton employees (including partners) may buy or sell securities and other instruments that Caxton recommends or trades for clients. Caxton monitors and limits or restricts such transactions pursuant to internal policies and guidelines.

Caxton's Code includes policies to seek to avoid conflicts of interest with respect to personal securities transactions by its employees. The Code requires Caxton's employees to report their personal securities holdings and transactions as well as other non-exempt trading activities to Caxton's Chief Compliance Officer or his designee. The Code specifically requires each employee's broker-dealer to provide duplicate personal account statements and trade confirmations directly to Caxton. The Code also requires Caxton to review these reports periodically. Caxton does not permit any employee to participate in initial public offerings. Caxton employees may only purchase private placements with the prior consent of the Chief Compliance Officer or his designee.

All Caxton employees are subject to restrictions on personal trading. Any employee that is involved in making securities or other investment recommendations or otherwise has access to non-public information concerning Caxton's purchase or sale of securities or other instruments or portfolio holdings, and his or her immediate family (e.g. spouse and minor children) (collectively "Covered Persons") is subject to additional restrictions on his or her personal transactions. All employees are subject to pre-clearance of any personal trades. In

addition, Covered Persons are subject to certain blackout periods for any personal trades, which may vary depending on their position and level of access. Certain other restrictions on personal transactions applicable to Covered Persons and others are set forth in Caxton's Code and Guidelines for Personal Trading, which will be provided to any client or prospective client upon request.

The Global Macro Fund has been authorized to invest a percentage of its assets in "Strategic Investments"—typically less liquid investments for which market quotations may not be available and which are contemplated to be held on a relatively long-term basis. Such investments are now limited to follow-ons to existing Strategic Investments and unfunded commitments. Such investments could include significant or controlling purchases of equity and/or debt securities of other entities, and assets of or other interests in other entities. Caxton has the right (but not the obligation) to co-invest for the balance of any such Strategic Investment as described in the client's Memorandum. Caxton may share its co-investment option with its affiliates and with other persons, including Caxton employees. Caxton may have a potential conflict of interest in connection with the ability of Caxton and its affiliates to co-invest in certain investment opportunities. Where Caxton, its affiliates or other employees co-invests with the client, it will only do so on terms that are no more favorable than the terms available to the client. In addition, Caxton in its sole discretion may determine that a particular Strategic Investment opportunity has been structured such that it is not a suitable investment opportunity for the client. In such situations, Caxton, its affiliates or other Caxton employees would not be precluded from investing in those Strategic Investments.

Caxton may cross securities between its clients. Such cross trades will be executed by an independent broker-dealer on an agency basis at the current fair market value as determined by such broker-dealer and otherwise consistent with Caxton's fiduciary obligations. Cross trades will not be executed for any client where such trade would not be permitted under applicable law (e.g., under the Employee Retirement Income Security Act of 1974).

Caxton may experience errors with respect to trades executed on behalf of its clients which may result in losses or gains for its clients. Caxton will seek to resolve the error on a fair and equitable basis, taking into consideration whether the error resulted from a breach of Caxton's standard of care as set forth in the client's Memorandum and/or Investment Advisory Agreement. In general, none of Caxton, its principals, officers, members, employees, or controlling persons will be liable to the client if (1) such person acted in good faith, or in a manner which they believed to be in, or not opposed to the interests of the client and (2) such person's conduct did not constitute gross negligence, actual fraud or willful misconduct. Negative or positive results of trading errors generally will be borne by the client, rather than by Caxton, so long as Caxton adheres to the foregoing standard of care. Caxton has established an Error Committee to periodically evaluate and review its handling of errors.

Item 12: Brokerage Practices

A. Caxton utilizes many brokers (each a "Broker"), to execute trades for its clients, depending upon various factors, including which Broker may be able to offer best execution for a particular trade. Prior to engaging Caxton to provide management or trading advisory services, the client will be required to enter into a formal agreement with Caxton (as part of the limited liability company agreement, limited partnership agreement or trading advisory agreement for the applicable client) setting forth the terms and conditions under which Caxton will manage the client's assets, including a separate custodial/clearing agreement with each Broker.

Factors that Caxton considers in recommending or utilizing a Broker include the Broker's financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by a Broker may be higher or lower than those charged by other broker-dealers. Caxton will not receive any portion of the brokerage commissions and/or transaction fees charged to clients. The brokerage commissions and/or transaction fees charged by any Broker are exclusive of, and in addition to, Caxton's management or advisory fee.

Although the commissions paid by Caxton's clients will comply with Caxton's duty to obtain best execution on an aggregate basis, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Caxton determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative

execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, the size and difficulty of effectuating the order, commission rates, and responsiveness. Accordingly, although Caxton will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Caxton negotiates commission rates paid to each Broker. Caxton has established a Best Execution Committee comprised of representatives from portfolio management, trading and compliance to periodically evaluate the execution performance of Brokers executing transactions for clients and to compare services, commissions and execution quality by its Brokers.

(1) Soft Dollar Practices

In return for effecting securities transactions through a Broker, Caxton may receive certain investment research products and related services that assist Caxton in its investment decision-making process for the client. Caxton anticipates that its use of soft dollars will generally, but not necessarily, fall within the safe harbor for soft dollar transactions under Section 28(e) of the Securities Exchange Act of 1934.

Research products and related services furnished by Brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; as well as discussions with research personnel, and software, databases and other news, and telecommunications services utilized in the investment management process. Caxton currently utilizes soft dollar credits for certain third party research products and market data from independent vendors. In addition, Caxton may also utilize and receive proprietary research products from full service Brokers consistent with its best execution obligations. During the last fiscal year, Caxton directed transactions to broker-dealers based on the evaluation of the added value of the soft dollar research and services obtained that assisted Caxton in its investment decision making process and consistent with its obligation to seek best execution.

Although the investment research products and/or services that may be obtained by Caxton will generally be used to service all of Caxton clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Caxton does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

The potential conflicts that may be associated with the use of soft dollars include the following:

When Caxton uses client brokerage commissions to obtain research or other products or services, it receives a benefit by not having to produce or pay for the research, products or services. Caxton may also have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving the lowest execution price. As a result, Caxton may cause clients to pay commissions (or markup or mark downs) higher than those charged by other broker-dealers in return for soft dollar benefits. In addition, if Caxton receives a research product or service that also may have non-research uses (i.e., a "mixed use"), a potential conflict of interest may arise because such research product or service may directly benefit Caxton even though it arises from the soft dollars of Caxton's clients. Caxton will make a good faith allocation of the cost of any mixed use product or services which may be paid for with soft dollar credits.

Caxton seeks to mitigate these potential conflicts by using client brokerage commissions to obtain research or other products or services in compliance with Section 28(e) of the Securities Exchange Act of 1934 and consistent with its obligation to seek best execution. Caxton's direction of client transactions to particular broker-dealers in return for soft dollar benefits, along with payments for invoices utilizing soft dollar credits and any mixed use of research or services are subject to review, approval and ongoing monitoring by designated Caxton personnel, and Caxton's Soft Dollar Committee or its designees.

(2) Brokerage for Client Referrals

Caxton does not select or recommend broker-dealers based upon client referrals from a broker-dealer or third party.

From time to time, Caxton fund clients may accept investments from full-service financial firms and/or their employees who are investing on their own behalf or on behalf of third-parties. The financial service firms may have related entities that include broker-dealers and Caxton may utilize these broker-dealers from time-to-time to effect client transactions. Caxton does not take these investments into consideration when determining which broker-dealers to use to execute client transactions.

(3) Directed Brokerage

Caxton's clients do not direct brokerage.

B. Caxton may in its discretion bunch or aggregate orders for its clients; however, Caxton is not required to bunch or aggregate orders. For example, Caxton may choose not to bunch orders, if portfolio management decisions for different client's are made separately, if bunching or aggregating potentially would be inconsistent with its advisory duties (e.g., if aggregating client orders could result in a large transaction that could cause market impact and result in additional transaction costs for each client) or, in certain cases, if determining to enter individual, separate orders would not be inconsistent with its fiduciary duty. In certain circumstances, not aggregating client orders may result in additional costs including one client having a less favorable execution than another client.

Caxton may, in its discretion, allocate aggregated orders on an average price basis. When securities transactions are appropriate for more than one client, transactions are generally allocated among clients based upon clients' relative assets under the relevant portfolio manager's management.

The Global Macro Fund does not participate in initial public offerings of US equity securities ("IPOs"). Certain Caxton clients that utilize Equity Strategies may fully participate in IPOs. Allocations of IPOs will generally be made among eligible clients on a pro rata basis except in circumstances where another preestablished methodology that is fair and equitable to clients over time is utilized.

Caxton will not be obligated to allocate an investment opportunity across all of its clients and may at times sell a position for one or more of its clients, while it continues to hold the position for other clients. For example, if any client is prohibited from purchasing a particular security due to any legal or other regulatory reason, such client will not be allocated any portion of such security irrespective of the pre-existing formula described herein. Although the allocation of investment opportunities among Caxton clients may create potential conflicts of interest because of the interests of Caxton or because Caxton may receive different fees or compensation from its clients, the allocation decisions will not be based on such interests, fees or compensation.

Item 13: Review of Accounts

A and B. Caxton client funds and managed accounts are generally reviewed daily by or under the supervision of Caxton's Chief Risk Officer, Chief Investment Officer and Senior Vice President of Finance in conjunction with their designated responsibilities.

Caxton investment personnel are responsible for evaluating securities (and other products) for investment, reviewing portfolios for each client, and making asset allocation and security selection on a daily basis. Securities and other products are continuously analyzed for investment, and Caxton's investment professionals review all portfolios on a daily basis according to the client's investment objectives and pursuant to Caxton's stated investment strategies and styles. Accounts are reviewed for performance, valuation, tax considerations, diversification, sector exposure and risk.

Caxton considers the careful management of risk to be an important element of a successful trading program, and has, over the years, developed a range of monitoring and analytical techniques intended to make risk management more rational and effective. Caxton monitors markets on a continuous basis. When volatility and trading losses reach predetermined levels, positions will be reviewed to determine whether to scale back or eliminate such positions. Each client's portfolio of positions and investments is monitored to maintain appropriate levels of risk and volatility. Caxton's Risk Management Group continues to enhance Caxton's risk management disciplines,

adding, depending on the particular client, VAR computations, stress testing and additional analyses to complement the risk control methods developed over the past twenty-five years.

C. Depending upon the particular client, the investors in such client receive either monthly or quarterly statements detailing their account information, including, but not limited to, the account's beginning and ending equity, and the account's performance for that period. For certain fund clients, the Net Asset Value ("NAV") per share, certain performance information and other fund reporting information is available through a secure link on the Caxton website. Additionally, each investor will be provided with the fund's audited financial statements within 120 days of such client's fiscal year end; provided, that in the case of Caxton's Fund of Funds, each investor will receive such audited financial statements within 180 days of such client's fiscal year end. The terms for providing account information and reports to Caxton managed account clients are specified in the applicable client's trading agreement or contractual documents.

Certain Caxton fund clients have retained the services of a third party administrator to act as administrator and share registrar and transfer agent. The Administrator is generally responsible for producing and distributing monthly account statements and other fund reporting information as specified above to investors in Caxton's fund clients.

Item 14: Client Referrals and Other Compensation

A. Caxton does not receive an economic benefit from a person who is not a client for providing advice or other advisory services to Caxton clients.

B. Lucidus has hired a Placement Agent to assist it in selling interests in the fund which it advises. Lucidus will pay any applicable fees to the Placement Agent.

The non-US investors in one of Caxton's non-US fund clients may buy or sell interests in such fund through a non-US subsidiary of the Global Macro Fund (the "Fund Subsidiary"). The Fund Subsidiary will seek to match potential buyers with sellers but does not receive a commission on the transaction. Caxton does not make any payments to the Fund Subsidiary in connection with these transactions.

Item 15: Custody

Caxton may be deemed to have custody of the assets of certain fund clients under Rule 206(4)-2 under the Investment Advisors Act of 1940. Fund client assets will generally be cleared and custodied with major global broker-dealers. See also Item 13 C above.

Investors in Caxton's fund clients should carefully review any statements or reports provided by the fund Administrator as well as the fund's audited financial statements.

Item 16: Investment Discretion

Caxton is granted discretionary authority over its fund clients and managed accounts based on contractual authority contained in a applicable limited liability company agreement, limited partnership agreement or trading advisory agreement. In general, Caxton's clients do not place limitations on the discretionary authority granted to Caxton. Generally, each client's investment mandate and any limitations on Caxton's discretionary authority is described in the applicable client's Memorandum and contractual documents.

Item 17: Voting Client Securities

Caxton views proxy voting as an extension of the investment process. To that end, where the voting of proxies is irrelevant to the investment decision to purchase, hold, or sell a security, Caxton will not vote proxies on

behalf of clients (*i.e.*, in connection with quantitative driven strategies). In addition, Caxton generally does not vote proxies with respect to non-US issuers, but may decide to do so depending upon the nature of the proxy.

With respect to strategies where Caxton is required to vote pursuant to its proxy voting policies, Caxton may delegate to an independent proxy voting service the authority to exercise the voting rights associated with client holdings. Any such delegation will be made in accordance with the direction that the votes be exercised in accordance with Caxton's proxy voting policies. Caxton currently has delegated responsibility for proxy voting to Institutional Shareholder Services, Inc. ("ISS").

As a matter of general policy and other than in connection with Strategic Investments or other specific situations, Caxton seeks to be an active trader of securities without seeking to influence or control company operations or activities. In order to implement Caxton's proxy policy, Caxton has provided ISS with proxy voting guidelines to be applied absent contrary instructions from authorized representatives of Caxton.

Potential conflicts of interest may exist if Caxton would be in the position of voting a proxy solicited by an issuer with which Caxton or one of its affiliates has a business or personal relationship that may affect how it votes the issuer's proxy. Caxton requires anyone involved in the decision making process to disclose any potential conflict to the Chief Compliance Officer (or his designee) and where a material conflict of interest exists, Caxton will designate an individual who can impartially help decide how to resolve the conflict.

An investor in a fund client may contact Caxton to obtain information on how proxies were voted for that fund client and to request a copy of Caxton's proxy voting policies and procedures.

From time to time, Caxton may receive notices regarding class action lawsuits involving securities that are or were held by clients. Caxton will participate in such class action lawsuits only where it believes, in its sole discretion, that such participation may result in a material benefit to the applicable client taking into consideration such factors as the anticipated costs and benefits.

Item 18: Financial Information

- A. Caxton does not require or solicit prepayment of fees from its clients.
- B. Caxton is not subject to any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.
- C. Caxton was not the subject of a bankruptcy petition at any time during the past ten years.