

Highbridge Capital Management, LLC

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Form ADV, Part 2A

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This brochure provides information about the qualifications and business practices of Highbridge Capital Management, LLC (“**HCM**”). If you have any questions about the contents of this brochure, please contact us at (212) 287-4900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

HCM is a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein.

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

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Item 4 - Advisory Business

HCM is a global alternative investment management firm founded in 1992. Since its inception, the firm has developed a leading, diversified investment platform that includes hedge funds, traditional investment management products and private equity. With approximately 307 employees, including approximately 106 investment professionals, HCM manages capital for sophisticated investors, including financial institutions, public and corporate pension funds, endowments, foundations and family offices, as well as individuals and their estate planning vehicles. The firm is based in New York with offices in Hong Kong and London. HCM is a subsidiary of JPMorgan Asset Management Holdings Inc. (“**JPMAM**”). HCM generally provides investment advisory services directly and through subsidiary advisory entities (each, a “**Relying Adviser**” and collectively, the “**Relying Advisers**”). Unless specifically noted otherwise, the responses to this Form ADV Part 2A combine information about HCM and the Relying Advisers.

HCM provides investment advisory services to clients pursuant to the investment objectives, strategies and restrictions as set forth in each client’s offering documents and/or agreements with each client.

HCM currently does not participate in wrap fee programs, but it may do so in future.

As of January 1, 2013, HCM managed \$18,109,208,942.93 of client assets on a discretionary basis and \$0 of client assets on a non-discretionary basis.

Item 5 - Fees and Compensation

HCM Funds

Private collective investment vehicles including domestic and foreign partnerships, companies and trusts managed by HCM (collectively, the “**HCM Funds**”) pay a monthly or quarterly management fee at the beginning or end of the applicable period. A certain HCM Fund pays a monthly management fee in arrears at the end of the 15th day and the last day of each month. The management fees are based on the net assets of each HCM Fund and are generally equal to a rate of between 0.6% and 3.0% on an annualized basis. In addition, HCM or Highbridge Capital Administrators, LLC (“**HCA**”), an affiliate of HCM and special limited partner of certain HCM Funds, may receive performance compensation. For certain HCM Funds, the performance compensation is generally equal to between 0% and 25% of the net trading profits, (in excess of applicable hurdles, if any) with respect to each fiscal year, payable as of the fiscal year end. For other HCM Funds, the performance compensation is equal to 6.25% of the net trading profits for the last four quarters (generally comparable to a 25% rate for four quarters), payable as of each fiscal quarter end. Although the above fees are generally not negotiable, HCM and/or HCA may rebate, reduce and/or waive some or all of its management fee and/or performance compensation, as applicable, with respect to any investor in an HCM Fund, and intends to rebate, reduce and/or waive some or all of its management fee and/or performance compensation with respect to, but not limited to, principals, employees and certain affiliates of HCM. Certain HCM Funds have been made available only to eligible HCM employees, and HCM receives no management fee or performance compensation with respect to such investments.

HPS Funds

Highbridge Principal Strategies, LLC (“**HPS**”, and together with HCM, the “**HCM Entities**” and each, an “**HCM Entity**”) is a wholly owned subsidiary of HCM. References herein to HPS generally mean HPS and its direct and indirect subsidiaries, collectively. Certain private collective investment vehicles including domestic and foreign partnerships and corporations managed by HPS (“**HPS Funds**”) pay a quarterly management fee generally at the beginning or end of each quarter. A certain HPS Fund pays a quarterly management fee on every 20th of March, June, September and December. Certain HPS Funds pay a monthly management fee in arrears at the end of the 15th day and the last day of each month. During the commitment period of certain HPS Funds, the management fee is based on total commitments to or leveraged invested capital of the relevant HPS Fund and is generally comparable to a rate of between 0.50% and 1.50% on an annualized basis. Thereafter, the management fee is based on the outstanding invested capital of each HPS Fund and is generally comparable to a rate of between 0.50% and 1.50% on an annualized basis. Certain HPS Funds pay management fees based on the net assets of such HPS Funds and are equal to a rate of between 0.60% and 1.50% on an annualized basis. The management fee for a certain HPS Fund includes a base management fee of 0.20% per annum and subordinated management fee of 0.30% per annum of the principal amount of the collateral obligations held by such HPS Fund, including collateral obligations obtained through the use of leverage, which are payable only to the extent that funds are available for such purpose in accordance with the priority of payments described in such HPS Fund document. In addition, HPS and certain of its affiliates serve as the general partners of certain of the HPS Funds and may be apportioned allocations of net profits, or “carried interest,” generally comparable to 20% of net profits, generally subject to or in excess of applicable hurdles. Other HPS Funds have an independent general partner. With respect to such HPS Funds, HPS receives an incentive fee generally comparable to 15% - 20% of net profits subject to or in excess of applicable hurdles. With respect to certain HPS Funds, HPS is not entitled to receive any performance based compensation. Although the above fees are generally not negotiable, HPS may rebate, reduce and/or waive some or all of its management fee and/or performance compensation, as applicable, with respect to any investor in an HPS Fund, and intends to rebate, reduce and/or waive some or all of its management fee and/or

performance compensation with respect to, but not limited to, principals, employees and certain affiliates of HPS.

Public Funds

HCM provides investment advisory services to public collective investment vehicles sponsored by affiliates, including one or more U.S.-registered mutual funds and Luxembourg investment companies (together, the “**Public Funds**”). HCM acts as a sub-adviser to open-end investment companies (together, the “**Mutual Funds**”) advised by J.P. Morgan Investment Management Inc. (“**JPMIM**”). As compensation for services rendered as sub-adviser, HCM receives a management fee based on net assets payable monthly, equal to between 0.75% and 1.25% on an annualized basis.

HCM serves as sub-investment manager to sub-funds of Luxembourg investment companies sponsored by affiliates of HCM (together, “**SICAVs**”). As compensation for services rendered as sub-investment manager, HCM receives a management fee based on net assets payable monthly, equal to between 0.50% and 1.75% on an annualized basis. HCM may receive from one or more SICAVs a performance fee payable annually, equal to 20% in excess of applicable hurdles.

Third-Party Funds

Each of HCM and HPS serves as investment manager to private investment vehicles sponsored or owned by a third party and separately managed accounts (“**Third Party Funds**”). The Third Party Funds pay a management fee based on net assets or invested capital and payable monthly or quarterly, equal to between 0.30% and 1.8% on an annualized basis. HCM and HPS, as applicable, may also receive performance compensation payable annually or quarterly equal to between 0% and 20% of the net trading profits, subject to applicable hurdles in certain cases. The sponsors and/or owners of Third Party Funds may be affiliates of a prime broker of one or more HCM Funds or HPS Funds.

Fees and Compensation

The fees and compensation described under this Item 5 are deducted from clients’ assets for certain clients, while other clients, including certain Third Party Funds, are billed for such fees and compensation. Certain HCM Funds and HPS Funds must pay their management fees in advance. Such HCM Funds and HPS Funds may terminate their management agreements in accordance with the terms of such agreements and receive a prorated refund of any prepaid management fees.

In addition to the foregoing fees, clients may incur additional costs, including, but not limited to, (i) organizational and offering expenses, (ii) the cost of investments (including all direct expenses, investment expenses (e.g., brokerage commissions, exchange, National Futures Association and clearing fees, interest expenses, borrowing costs, clearing and settlement charges, custodial fees and bank service fees), legal, accounting and tax expenses relating thereto, unconsummated investment expenses and other charges for transactions), (iii) compensation paid to boards of directors, general partners or trustees, as applicable, (iv) administrative, legal and accounting fees, (v) other operating expenses, (vi) maintenance fees and (vii) extraordinary or non-recurring expenses. Clients that invest all or a portion of their assets through another investment vehicle may also pay their respective pro rata share of the expenses of such investment vehicle. See Item 12 for more detail on HCM’s and HPS’s brokerage practices.

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

As described in the response to Item 5 above, the HCM Entities receive performance-based compensation from certain clients. Certain employees of the HCM Entities manage both accounts that are charged a performance-based fee and accounts that are charged an asset-based fee.

With respect to clients from which an HCM Entity receives an asset-based fee, such HCM Entity may have an interest in engaging in relatively safe investments in order to receive such asset-based fee. On the other hand, with respect to clients from which an HCM Entity receives performance-based compensation, such HCM Entity may have an interest in engaging in riskier investments in order to increase this potential compensation with respect to such clients.

In addition, an HCM Entity may have incentives to favor a client that pays performance-based compensation over a client that (i) pays asset-based fees only or (ii) pays lower performance-based compensation. The HCM Entities, however, will not knowingly or deliberately favor certain clients over other clients. Furthermore, HCM has developed policies and procedures that provide that it will allocate investment opportunities and make purchase and sale decisions among its clients in a manner that it considers, in its sole discretion and consistent with its fiduciary obligation to each of its clients, to be reasonable. In many cases, these policies may result in the pro rata allocation of limited opportunities across accounts, but in many other cases, the allocations may reflect numerous other factors based upon HCM's good faith assessment of the best use of such limited opportunities relative to the objectives, limitations and requirements of each of its clients and applying a variety of factors, including those further described in each client's offering documents or agreements with each client.

Item 7 - Types of Clients

As described in the responses to Items 4 and 5, the HCM Entities provide investment advisory services to (i) HCM Funds, (ii) HPS Funds, (iii) Public Funds (including Mutual Funds and SICAVs) and (iv) Third Party Funds. Other than the Public Funds, most of such clients are U.S. and non-U.S. investment limited partnerships, companies, limited liability companies, trusts and other vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940, as amended. In addition, the securities of HCM Funds, HPS Funds, SICAVs and Third Party Funds are not registered or required to be registered under the U.S. Securities Act of 1933, as amended, and, other than the SICAVs, are generally privately placed to qualified investors in the United States and elsewhere. The investors in the HCM Funds, HPS Funds and Public Funds include financial institutions, public and corporate pension funds, endowments, foundations and family offices, as well as individuals and their estate planning vehicles.

Generally, the minimum initial investment amount for investors in the HCM Funds and the HPS Funds is between \$2,000,000 and \$10,000,000. The minimum initial investment amount generally can be waived at the discretion of the general partner, board of directors, trustees and/or administrator of each HCM Fund or HPS Fund, but not below an amount required under the applicable law. Generally, the minimum initial investment amount for investors in the Public Funds is between \$1,000 and \$10,000. While the HCM Entities do not impose a minimum dollar value of assets for new clients, new clients (including Third-Party Funds) generally have larger minimum initial investment amounts than investors in the HCM Funds, HPS Funds and Public Funds.

Agreements with Certain Investors

Certain investors in the HCM Funds and the HPS Funds have been granted one or more of the following rights with respect to their investments: (i) a reduced management fee and/or performance compensation; (ii) subject to certain terms, the right to receive improved fees, liquidity, information rights and other terms received by other investors in the applicable fund; (iii) the right to receive certain additional information with respect to the fund; (iv) notification to the investor with respect to the investor's ownership percentage of the fund; (v) limitation on the investor's ownership percentage of the fund below certain thresholds; (vi) notification to the investor with respect to the ownership by benefit plan investors of a fund's equity classes; and (vii) certain limitations on an investor's confidentiality obligations under the fund's organizational documents pursuant to laws or regulations to which the investor is subject (such as the public information or "sunshine" laws).

In addition to the above, certain investors in the HPS Funds have been granted one or more additional rights with respect to their investments, including but not limited to: (i) the right to opt out of the requirement to fund capital calls or otherwise be excused from participating in certain investments due to regulatory, tax or public policy or the investor's internal considerations; (ii) the right to designate one member of an internal oversight committee; (iii) rights with respect to distributions in kind; (iv) rights with respect to transfers of interests; and (v) the right to receive information regarding the investment and/or disposition strategy of the HPS Fund and potential co-investment opportunities for the investor.

Certain investors in the Third Party Funds have the right to receive notice of certain material withdrawals by HCM Entities and their employees from an HCM Fund.

Finally, HCM has entered into agreements with certain investors, which allow the subscription agreements of such investors to be amended in connection with the issuance by such investors of structured products referencing the performance of one or more HCM Funds. Such agreements permit the structured product issuer to hedge its obligations under such structured products through investments in one or more HCM Funds and afford the structured product issuer one or more of the following provisions

relating to their investments in the HCM Funds: (i) waiver of redemption fees in connection with quarterly redemptions for purposes of hedging transactions with respect to the issuer's exposure to the structured products; and (ii) the right to disclose information about one or more HCM Funds including, but not limited to, the applicable HCM Fund offering memorandum (a) to such issuer's investors or potential investors that participate or are expected to participate in a structured product using the returns of an HCM Fund as a reference for calculating its value and (b) to such issuer's affiliates involved in the administration of its hedging transactions in such HCM Fund.

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

Investment Strategies

I. HCM: HCM engages, on behalf of clients, in one or more of the investment strategies summarized below. More detailed information with respect to the following investment strategies is included in each client's offering and/or disclosure documents.

U.S. Convertible and Arbitrage: This strategy seeks to profit from both the optionality of the underlying convertibles and the convergence of the securities to fair value. The strategy employs sophisticated pricing/risk management tools which include quantitative modeling and screening software to identify underpriced options imbedded in convertible securities. The strategy may also rely on fundamental analysis with a focus on idiosyncratic volatility creating events. The strategy typically involves the purchase of a convertible bond or other equity linked security that is hedged with one or more of the following: stock, listed equity and index options, interest-rate futures, and credit derivatives.

U.S. & European Convertible Credit and Capital Structure: This strategy combines fundamental bottom-up credit research with quantitative and scenario modeling to identify cross capital structure investment opportunities. The strategy seeks to invest in securities where implied spreads are wider than HCM's view of fair value. Credit and scenario analyses combined with security selection are the key drivers of portfolio performance. Equity, credit, and derivative hedges are employed to "balance" trade return profiles.

Asia Arbitrage: This strategy employs both a fundamental and quantitative approach to seek dislocated convertible opportunities across the capital structure, with a focus on credit relative to equity, volatility strategies including correlation and volatility convexity, and dividend swaps versus index and relative share class trades. The strategy implements hedges across the equity, credit, rate and foreign exchange markets.

Statistical Arbitrage: This strategy seeks to provide long-term absolute returns by utilizing, as part of its investment strategy, statistically based computer algorithms that model the predictable components in the pricing of financial instruments.

Long/Short Equity: This strategy employs a "thesis-driven" approach, which examines companies and industries from the bottom up. This analysis is driven by both qualitative and quantitative research. The thesis-driven approach seeks a thorough understanding of the fundamentals of a business and/or investment situation, with a focus primarily on "large-cap" and "mid-cap" companies.

Credit Opportunities: This strategy employs a credit-based strategy seeking a portfolio of stressed, distressed and performing bank loans, bonds and other credit instruments. See "Leveraged Loans," "Liquid Loans" and "Senior Loans" below.

Global Macro: This strategy employs both a quantitative and fundamental approach to investing in macro strategies. The quantitative investment process employs forecasts based on fundamental drivers of return, places a strong emphasis on risk management, and seeks capital appreciation by trading currencies, commodities, and other macro assets. The fundamental-based strategy seeks to achieve returns through allocations to alpha-generating investment strategies by pursuing global-macro and absolute-return driven trading strategies with a focus on both developed and emerging markets. The fundamental approach may be top-down, bottom-up or both, depending on the specific asset class and geography.

Merger Arbitrage: The strategy seeks to achieve attractive risk-adjusted returns by employing both a qualitative and quantitative analysis of merger transactions. The strategy attempts to capture the spread between the current market price of a merger target and its expected value upon deal completion. In building the portfolio HCM focuses on, among others, yield and relative value, industry diversification and issuer concentration.

Senior/Specialty Loans: This strategy primarily invests in senior loans. Senior loans are typically floating-rate fixed-income instruments and typically represent the most senior portion of the issuer's capital structure, ahead of any mezzanine, high yield bonds and equity tranches. The term Senior loan refers to debt that is secured by a first lien security interest in one or more assets of the borrower, without reference to the legal form of the debt contract (loan, bond, note or otherwise). HPS generally expects to pursue a buy and hold strategy.

HCM may and currently does allocate a portion of its management responsibilities to affiliated and unaffiliated sub-advisers pursuant to sub-advisory agreements.

In addition, HCM utilizes leverage in its investment program. The leverage is generated from loans made by its clearing brokers for the purchase or sale of securities and from total return swaps.

II. **HPS:** HPS engages, on behalf of clients, in one or more of the investment strategies summarized below. More detailed information with respect to the following investment strategies is included in each client's offering and/or disclosure documents.

Collateralized Loan Obligations: This strategy is a structured credit vehicle that invests principally in floating rate secured corporate loans through a leveraged capital structure which seeks to benefit from low cost, long term, stable debt financing.

Leveraged Loans: This strategy involves purchasing, or obtaining exposure to, senior term loans, second lien term loans and high yield bonds in the primary or secondary market. The strategy may also invest in credit default swap indices, loan credit default swap indices and equities.

Liquid Loans: This strategy provides exposure to a diversified, actively managed portfolio consisting primarily of broadly syndicated senior secured loans.

Media, Communications and Technology Growth Equity: This private equity strategy seeks significant long-term capital appreciation by making early- to late-stage investments in media, communications and technology-based companies.

Mezzanine: This strategy focuses on investments in privately offered mezzanine securities, which are fixed-income securities, such as debt or preferred stock, typically in conjunction with an equity component such as common stock, warrants or options. The majority of investments are expected to be in securities of mid-cap companies in North America and Europe, although investment may be made in Latin America, Asia and elsewhere globally.

Senior/Specialty Loans: This strategy primarily invests in senior loans. Senior loans are typically floating-rate fixed-income instruments and typically represent the most senior portion of the issuer's capital structure, ahead of any mezzanine, high yield bonds and equity tranches. The term Senior loan refers to debt that is secured by a first lien security interest in one or more assets of the borrower, without reference to the legal form of the debt contract (loan, bond, note or otherwise). HPS generally expects to pursue a buy and hold strategy.

In addition, HPS utilizes leverage in certain of its investment programs. The leverage is generated from loans made by banks with capital commitments or assets as security or from total return swaps.

Risk Factors

I. HCM: The investment strategies employed by HCM on behalf of clients involve substantial risks, including the risk of loss of a client's entire investment. The following is a summary of the material risks associated with the investment strategies employed by HCM. More detailed information with respect to the following risk factors and the applicability of the following risk factors to each client managed by HCM is included in each client's offering and/or disclosure documents.

Risks Associated with Trading Instruments:

Securities. Clients may purchase a wide variety of debt and equity securities. Some of these securities may be low rated or unrated and illiquid. Clients may purchase privately placed and unregistered securities (including investments in private placements by publicly held companies (PIPES)). Such transactions are not subject to exchange rules. In addition, limitations on resale with respect to such securities may have an adverse effect on the marketability of portfolio securities, and the clients might be unable to dispose of securities purchased in private placements or other illiquid securities promptly or at reasonable prices. The value of equity securities generally will vary with the performance of the issuer and movements in the equity markets. Long, unhedged or only partially hedged investments in, and exposure to, equities may decline in value in the event of a general decline of the equity markets, a decline in a sector or a decline in a specific security. The value of convertible securities is sensitive to changes in (i) equity volatility and price and (ii) interest rates and credit spreads. The market for "high yield" bonds, preferred securities and other debt products, including bank loans, which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities), is thinner and less active than that for higher-rated securities. Further, no assurances can be given that the ratings on such securities accurately reflect their risk profiles.

Investing in Non-U.S. Securities. Investing in non-U.S. securities involves considerations that are not applicable to investing in U.S. securities, including unfavorable changes in currency rates and exchange control regulations, reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees, local economic or political instability and greater market risk in general. Furthermore, the clients may incur costs in connection with conversions between various currencies. In addition, there can be no assurance that currency hedging transactions will be effective.

Futures. Futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account.

Over-the-Counter Derivatives and Principal Transactions. The trading of over-the-counter derivatives will subject the clients to a variety of risks including: 1) counterparty risk; 2) basis risk; 3) interest rate risk; 4) settlement risk; 5) legal risk and 6) operational risk. There is less protection against defaults in principal trading than in trades on exchanges since principal trades are not effected on or through an exchange or a clearing house. The clients are generally not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Such potential counterparty concentration could result in significant losses to the clients. In addition, until the compliance date for various provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), over-the-counter derivative instruments not traded on exchanges will not be

subject to similar types of government regulation as exchange-traded instruments as well as the protections afforded to participants in a regulated environment. The Dodd-Frank Act grants the Commodity Futures Trading Commission (the “CFTC”) and SEC broad rulemaking authority to implement various provisions of the Dodd-Frank Act including comprehensive regulation of the over-the-counter derivatives market, which could adversely affect certain clients by increasing transaction costs and imposing restrictions on the investment or other operations of the Funds, HCM or their affiliates.

Options. Specific market movements of the securities, commodities, futures contracts or other instruments underlying an option cannot be predicted accurately.

Credit Default Swaps and CDS Indices Transactions. When a CDS Index is bought, the buyer is taking on the credit exposure to the loan and is exposed to defaults similar to when a loan portfolio is bought.

Bank Loans. Bank loans and participations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the clients to directly enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, or enforce any rights of set-off against the obligor.

Distressed Assets. Certain clients may purchase securities and other obligations, such as bank debt, trade claims and accounts receivable of companies that are experiencing significant financial or business distress. Such purchases may not show any return for a considerable period of time and they may result in substantial, or at times even total, losses.

Other Risks Associated with Investing:

Leverage and Short Exposure. Certain clients may seek to maximize their investment positions by borrowing funds or engaging in short selling of securities. As a result, the possibilities of profit and loss are increased.

Statistical Arbitrage; Quantitative Trading. Quantitative trading strategies, including statistical arbitrage, are highly complex, and could be severely compromised by, among other things, a diminution in the liquidity of the markets traded, telecommunications failures, power loss and software-related “system crashes.” Due to the high trading volume of quantitative trading strategies, the resulting transaction costs may be significant. Because this strategy is automated, HCM’s ability to respond to sudden developments in the markets may be constrained.

Prime Broker Risk; Clearing Brokers; Futures Commission Merchants; Custodians. Most or all of a client’s securities are held by its brokers and custodians. If such brokers and/or custodians became insolvent and there were not sufficient customer assets to pay all customers in full, then the securities and cash held in customers’ accounts at the broker or custodian would be distributed pro rata among customers. In addition, if a futures commission merchant fails to properly segregate customer funds, a client may be subject to a risk of loss of its funds on deposit.

Exchange Risk. Certain clients are subject to the risk of the failure of any exchanges on which their positions trade or of the exchanges’ clearinghouses. In addition, each exchange typically has the right to suspend or limit trading in all securities, futures or other instruments that it lists.

Trading on Non-U.S. Exchanges. Trading on a foreign exchange may involve certain risks not applicable to trading on U.S. exchanges, such as risks of fluctuations in the exchange rate between the currency of the locale of the foreign exchange and U.S. dollars, exchange controls, expropriation, burdensome or confiscatory taxation, moratoriums, or political or diplomatic events. In addition, certain clients may be affected by political and economic developments in or affecting certain non-U.S. markets in which the clients may trade, including those of developing countries, including changes in government policy, taxation and social, ethnic and religious instability.

Off-Balance Sheet Risk. A financial instrument with off-balance sheet risk exposes an 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.

Effect of the Recently-Enacted Dodd-Frank Act. Among other changes to applicable law, the Dodd-Frank Act has been enacted and will restrict banking entities from acquiring or retaining any equity or other ownership interest in, or sponsoring, a hedge fund or a private equity fund. However, the legislation permits banking entities to organize and offer a hedge fund or a private equity fund if certain conditions are satisfied, including the requirement that the banking entity does not acquire an equity interest or other ownership interest in the hedge fund or private equity fund except for a de minimis investment. While there can be no certainty as to the final form of any final rules implementing the Dodd-Frank Act (including certain provisions therein known as the “**Volcker Rule**”), those rules could, among other things, limit or prohibit certain employees of JPMorgan Chase & Co. and its affiliates, collectively, “JPM,” HCM and their investment vehicles from investing in or co-investing with the investment vehicles managed by HCM Entities. Furthermore, structural changes to the HCM investment vehicles will or could also be required.

Withdrawals from investment vehicles managed by HCM Entities by individuals or entities that are related to, or affiliated with, JPM, including without limitation any investment vehicles advised by JPM and certain employees of JPM (collectively, the “JPM Parties”) as a result of, or in connection with, the Volcker Rule could require liquidations of positions sooner than would otherwise be desirable, which could adversely affect the performance. In addition, regardless of the period of time in which such withdrawals occur, the resulting reduction in net assets, and thus in its equity base, could make it more difficult to diversify holdings and achieve the investment objective. Substantial redemptions or withdrawals by investors related to or affiliated with JPM could cause the distribution of a considerable percentage of liquid assets, leaving the remaining portfolio comparatively less liquid and could significantly increase expenses.

The Volcker Rule's prohibition on “covered transactions,” as defined in Section 23A of the Federal Reserve Act, between an HCM Entity or any of its affiliates and the investment vehicles managed by such HCM Entities, or any fund that is controlled by such investment vehicles, will restrict the activities of the investment vehicles. Further, the investment opportunities, investment strategies or actions of the investment vehicles managed by HCM Entities may be limited in order to comply with the Volcker Rule's restriction on material conflicts of interest. A fund that is not advised by a subsidiary of JPM, including an HCM Entity, may not be subject to these considerations.

Regulatory Intervention and Changing Regulatory Environment. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to intervene, directly and by regulation, in certain markets and may restrict or prohibit market practices, such as the short-selling of certain stocks. In addition, the regulatory environment for private investment funds is evolving, and changes in regulation may adversely affect the clients and their investment results. In addition, governmental regulatory activity, especially that of the Board of Governors of the U.S. Federal Reserve System, may

have a significant effect on interest rates and on the economy generally, which in turn may affect the price of the securities in which certain clients plan to deal.

Turnover. HCM may make trading decisions on the basis of short-term market considerations. Therefore, the portfolio turnover rate could be significant, requiring substantial brokerage commissions and fees.

II. HPS: The investment strategies employed by HPS on behalf of clients involve substantial risks, including the risk of loss of a client's entire investment. In addition to certain of the risk factors listed above, the following is a summary of the additional material risks associated with the investment strategies employed by HPS. To the extent any clients managed by HCM invest in any HPS funds, the following risks would apply as well. More detailed information with respect to the following risk factors and the applicability of the following risks factors to each client managed by HPS is included in each client's offering and/or disclosure documents.

Risks Associated with Trading Instruments:

Senior Secured Loans. Senior secured loans and participations are subject to risks, including: (i) the possible invalidation, avoidance, unwinding or subordination of an investment transaction; (ii) so-called lender liability claims; (iii) environmental liabilities; (iv) limitations on the ability to directly enforce compliance by the obligor with the terms of the loan or credit agreement or enforce (or retain all the proceeds realized from) any rights of set-off against the obligor; and (v) the possibility of being outvoted by other lenders in syndicated senior secured loans on important issues. In addition, these investments may be subject to the risk that the clients' security interests in the underlying collateral are not properly or fully perfected. Compounding these risks, the collateral securing debt investments will often be subject to casualty or devaluation risks. In addition, certain clients may invest in senior loans that, unlike typical senior loans, have limited mandatory amortization requirements. Lastly, the characterization of an investment as senior debt or senior secured debt does not mean that such debt will necessarily have repayment priority with respect to all other obligations of a portfolio company. Portfolio companies may have, and/or may be permitted to incur, other debt and liabilities that rank equally with or senior to the senior loans in which the clients invest.

Nature of Fixed-Income Securities. Fixed-income securities in which a client invests may be unsecured, whereas all or a significant portion of the issuer's senior indebtedness may be secured. In such situations, the ability of the client to influence a portfolio company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. Investments in fixed-income securities may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a client earlier than expected.

Debtor Risks. A fundamental risk associated with certain of the client's investment activities is the risk that a corporate debtor will be unable to make principal and interest payments when due.

Subordinated Loans. A client may acquire and/or originate subordinated loans. If a borrower defaults on a subordinated loan or on debt senior to the client's loan, or in the event of the bankruptcy of a borrower, the loan held by the client will be satisfied only after the senior loans are repaid in full.

Below Investment Grade Debt Obligations. Below investment grade debt obligations have greater credit and liquidity risk than investment grade obligations as the lower rating of such obligations

reflects a greater possibility that adverse changes in the financial condition of an obligor or in general economic conditions, or both, may impair the obligor's ability to make payments in respect of such debt. In addition, obligors of below investment grade debt obligations may be highly leveraged and may not have available to them more traditional methods of financing. During an economic downturn, a sustained period of rising interest, or a period of fluctuating exchange rates (in respect of those obligors with operations located in non-U.S. countries), such obligors may be more likely to experience financial stress and may be unable to meet their debt obligations due to the obligors' inability to achieve sufficient financial results or the unavailability of financing or under certain market conditions may not be able to refinance their debt obligations which may increase their risk of default.

Cov-Lite Loans. Generally, "Cov-Lite" loans either do not require the obligor to maintain debt service or other financial ratios or do not contain common restrictions on the ability of the obligor to change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans. Ownership of Cov-Lite loans may expose the fund to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than in the case with loans that have such requirements and restrictions, which could result in an adverse impact on the fund's ability to make payments on its interests/shares.

Potential Early Redemption of Some Investments. The terms of loans in which the clients invest may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the clients earlier than expected, either with no or a nominal prepayment premium.

Risks Arising from Purchases of Secondary Debt. Clients are unlikely to be able to negotiate the terms of secondary loans as part of their acquisition of the debt and, as a result, these investments may not include some of the covenants and protections generally sought when the clients originate loans.

Non-Recourse Obligations. The clients may invest in certain securities that are non-recourse obligations of issuers. Such securities are payable solely from proceeds collected in respect of collateral pledged by an issuer to secure such obligations.

Certain Guarantees. Certain clients may invest in debt that is guaranteed by a subsidiary of the issuer. In some circumstances, guarantees of senior debt issued by subsidiaries of a portfolio company may be subject to fraudulent conveyance or similar avoidance claims made by other creditors. As a result, such creditors may take priority over the claims of the clients under such guarantees.

Investment in Restructurings. The clients may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject the clients to certain additional potential liabilities.

Investments in Undervalued Assets. Certain clients may invest in undervalued loans and other assets as part of their investment strategy. The identification of investment opportunities in undervalued loans and other assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired.

Minority Equity Investments. Certain clients may make minority equity investments in entities in which the clients do not control the business or affairs of such entities.

Term Loan Total Return Swap. Certain clients may obtain leverage for senior term loans and second lien term loans by borrowing funds through a total return swap. Exposure to such loans through the total return swap presents risks in addition to those resulting from direct purchases of the loans.

Other Risks Associated with Investing:

Long-Term Investments. Certain investments will typically not be liquidated for a number of years after the initial investment. Factors such as overall economic conditions and the competitive environment may shorten or lengthen the intended holding period for any investment or group of investments.

Lender Liability Considerations and Equitable Subordination. Courts in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed “lender liability”). Because of the nature of certain of the investments, a client could be subject to allegations of lender liability. A court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.”

Fraud; Financial Reporting. Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower.

Diversification Risk. Certain clients may invest in a limited number of investments. A consequence of a limited number of investments is that the aggregate returns realized by the clients may be substantially affected by the unfavorable performance of a small number of such investments.

Control Person Liability. Certain clients may have controlling interests in some of their portfolio companies. The exercise of control over a company may impose additional risks of liability.

Reliance on Company Management. Management will be primarily responsible for the operations of the portfolio companies in which a client invests on a day-to-day basis. Although it is the intent of HPS that the clients invest in companies with strong operating management, there can be no assurance that the existing management team, or any new one, will be able to operate the company successfully.

Risk Arising from Provision of Managerial Assistance. The clients may obtain rights to participate in the governance of certain portfolio companies. Such rights could expose the assets of the clients to claims by a portfolio company, its security holders and its creditors, including claims that a client is a controlling person and thus is liable for securities laws violations.

Creditors Committee and/or Board Participation. In connection with some of the investments, the clients may, but are not obligated to, seek representation on official and unofficial creditors committees and/or boards (or comparable governing bodies) of the portfolio companies. While such representation may enable the client to enhance the value of the investments, it may also prevent the client from disposing of the investments in a timely and profitable manner, because serving on a creditors committee increases the possibility that the clients will be deemed an “insider” or a “fiduciary” of the portfolio company.

Bankruptcy. A client’s investment and lending activities may result in its becoming a creditor in bankruptcy cases. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks.

Competitive Debt Environment. The business of investing in debt investments is highly competitive. Market competition for investment opportunities includes traditional lending institutions, including commercial and investment banks, as well as a growing number of non-traditional participants, such as private funds and other investors. Strong competition for investments could result in fewer investment opportunities for the clients, as certain of these competitors are establishing investment vehicles that target the same or similar investments that the clients intend to purchase.

Hedging Policies and Risks. The clients may employ hedging or other risk management techniques. However, unanticipated changes in interest rates, currency exchange rates or securities prices may result in a poorer overall performance for the clients than if they had not entered into such hedging transactions.

Effect of Changes in Interest Rates on Investments. Many loans, especially fixed rate loans, decline in value when long-term interest rates increase. Declines in market value, if not offset by any corresponding gains on hedging instruments, may ultimately reduce earnings or result in losses to the clients.

Clients may be subject to material risks other than those described above. Additional risks pertaining to specific clients are disclosed in the offering materials and/or disclosure documents of each client. We encourage clients to carefully review the full description of risk factors presented in their offering and/or disclosure documents.

Item 9 - Disciplinary Information

We do not believe that there have been any legal or disciplinary events that are material to our advisory business or the integrity of our management.

Item 10 - Other Financial Industry Activities and Affiliations

HCM is registered with the CFTC as a commodity trading advisor and commodity pool operator. Certain HCM employees are registered with the CFTC as associated persons of HCM.

HCM, either directly or indirectly, controls, the following Relying Advisers:

- Highbridge Capital Management (UK), Ltd.
- Highbridge Capital Management (Hong Kong) Limited
- Highbridge Principal Strategies, LLC
- Highbridge Mezzanine Partners, LLC
- Highbridge Mezzanine Partners II, LLC
- Constellation Growth Capital LLC
- CVC III Partners LLC
- Highbridge Principal Strategies (UK), LLP.
- HB RV Partners GP, L.P.

Each of the Relying Advisers is involved in identifying and monitoring investments recommended or made on behalf of one or more clients. The Relying Advisers conduct no other investment advisory activities. Principals and employees of the Relying Advisers are subject to HCM's Code of Ethics.

Highbridge Capital Management (UK), Ltd. ("**HCMUK**"), a subsidiary of HCM in the United Kingdom, was organized in January 1998 and has its principal place of business at 25 St James's Street, London SW1A 1HA. HCMUK is authorized in the United Kingdom to carry out asset management services to HCM. HCMUK currently provides investment advice solely to certain HCM Funds.

Highbridge Capital Management (Hong Kong), Limited ("**HCMHK**") was incorporated in March 2004 and is a subsidiary of HCM. HCMHK has its principal place of business at Two International Finance Centre, No. 8 Finance Street, Suites 3513–3516 Central, Hong Kong. HCMHK has obtained a license in Hong Kong to carry out asset management services to HCM. HCMHK currently provides investment advice solely to certain HCM Funds.

Highbridge Principal Strategies, LLC ("**HPS**") was formed in March 2007, Highbridge Mezzanine Partners, LLC ("**HMP**") was formed in November 2007, Highbridge Mezzanine Partners II, LLC ("**HMPII**") was formed in January 2012, Constellation Growth Capital, LLC ("**CGC**") was formed in September 2008, CVC III Partners LLC ("**CVC**") was formed in April 2007 and HB RV Partners GP, L.P. ("**HBRV**") was formed in March 2013. Each of HMP, HMPII, CGC, CVC and HBRV is a subsidiary of HPS, and references in this paragraph to HPS include such subsidiaries. HPS has its principal place of business at 40 West 57th Street, New York, New York 10019. Certain employees and principals of HPS are employees and principals of HCM. HPS and its affiliates manage and/or serve as general partner to certain private investment vehicles that invest in debt and equity opportunities. In addition, principals of HPS and HCM have made commitments to invest in investment vehicles managed by HPS. HPS also directly manages certain assets of Highbridge International LLC, an HCM Fund.

Highbridge Principal Strategies (UK), LLP ("**HPS-UK**"), an indirect subsidiary of HPS in the United Kingdom, was organized in December 2007 and has its principal place of business at 25 St James's Street, London SW1A 1HA. HPS-UK is authorized in the United Kingdom to carry out asset management services. Affiliates of funds managed by HPS and an affiliate of JPM are parties to a

services agreement that provides for arm's length fee arrangements in consideration of certain operational and financial services provided by one or more employees of the JPM affiliate.

HCM is engaged in a strategic partnership with Gávea Investimentos Ltda., a majority owned subsidiary of JPM ("**Gávea**"). Gávea is a Brazilian investment manager that was organized in 2003 and its principal place of business is at Av Ataulfo de Paiva, 1100, 7º andar, Rio de Janeiro RJ, 22440-035, Brazil. Gávea is registered with the CFTC as a commodity pool operator and is an exempt reporting adviser relying on the private fund adviser exemption. Gávea generally provides investment advisory services directly and through subsidiary advisory entities. In addition affiliates of Gávea serve as the general partners of funds managed by Gávea. HCM has certain governance and information rights regarding the operations and activities of Gávea, and currently, one of Gávea's principals serves as a member of HCM's investment committee. Accordingly, certain employees of Gávea, in their capacities as members of the HCM Investment Committee, may have access to portfolios of certain HCM Funds. Additionally, HCM clients invest in certain Gavea funds.

A trading manager is required to aggregate those futures and options on futures positions that it or its principals own or control for speculative position limit purposes. Therefore, all futures and options on futures positions owned or controlled by HCM will be aggregated for speculative position limit purposes. In the future, positions of other entities that are owned or controlled by HCM or its principals may be aggregated with HCM's positions. As a result, HCM, as well as any such other entities in the future, may be required to revise trading orders for their respective clients as a result of such aggregation.

HCM acts as sub-adviser to certain U.S. mutual funds managed by J.P. Morgan Investment Management, Inc. pursuant to an investment sub-advisory agreement.

HCM acts as sub-adviser to certain Luxembourg funds pursuant to investment sub-advisory agreements with J.P. Morgan Asset Management (Europe) S.à.r.l.

CGC has a sub-advisory agreement with Bear Stearns Asset Management Inc. ("**BSAM**"), an affiliated investment adviser of HCM, to manage certain private equity funds. BSAM also has a revenue sharing arrangement with CGC.

Certain affiliates of JPM, including, but not limited to, J.P. Morgan Securities LLC, JPMorgan Distribution Services, Inc., J.P. Morgan Institutional Investments, Inc., J.P. Morgan Asset Management Marketing Limited, J.P. Morgan Asset Management (UK) Limited, JPMorgan Asset Management (Europe) S.à.r.l., J.P. Morgan (Suisse) SA, JPMorgan Asset Management (Japan) Limited, J.P. Morgan Securities plc (together with its affiliates, "**JPMS**") serve as placement agents for HCM Funds and HPS Funds. JPMS does not receive placement fees from HCM Funds and HPS Funds but receives fees directly from HCM and HPS, as applicable, and from certain investors subscribing for shares/interests in certain HCM Funds and HPS Funds. In addition, JPM, as owner of the HCM Entities, indirectly benefits from the services of JPMS, which places shares/interests in HCM Funds and HPS Funds, by increasing the assets upon which the HCM Entities receive fees directly or indirectly from HCM Funds and HPS Funds.

Currently, an HCM Fund has a prime brokerage account with J.P. Morgan Clearing Corp. HCM is in the process of liquidating the positions in such account, and the account will be terminated upon completion of the liquidation.

Certain affiliates of JPM, including J.P. Morgan Hedge Fund Services (Ireland) Limited, J.P. Morgan Bank (Ireland) plc, J.P. Morgan Chase Bank N.A. and JP Morgan Bank Luxembourg S.A. serve as the administrator and/or custodian for certain HCM Funds, HPS Funds, SICAVs and Mutual Funds.

An affiliate of JPM provides leverage to certain HPS Funds and certain other affiliates of JPM also act as co-administrative agent, bookrunner and syndication agent in connection with the placement or syndication of such indebtedness. The interest, fees and other compensation received by JPM and its affiliates in connection with these activities will not be shared with such HPS Funds or the limited partners of such HPS Funds. In addition, in connection with such borrowing, JPM or its affiliates may be granted a security interest in the capital commitments of, and the ability to call capital from, the limited partners of such HPS Funds. The provision of such leverage may create a conflict of interest between JPM and such HPS Funds in certain circumstances, and may cause JPM or its affiliates to take action against certain limited partners or such limited partners' interests in such HPS Funds.

Certain clients engage in principal transactions with JPM and its affiliates as counterparty, including J.P. Morgan Securities LLC and J.P. Morgan Securities plc, and may do so in the future. Certain clients may also engage in agency cross transactions with or through JPM and its affiliates with respect to which JPM or its affiliates receive commissions, fees or markups. These transactions create a conflict of interest between an HCM Entity's interest in assuring that clients receive best execution on all transactions and in limiting or reducing the fees paid by the clients, and its interest in generating profits and fees for JPM and its affiliates. In order for clients to enter into these principal and/or agency cross transactions with or through JPM, HCM or any of their affiliates, in an efficient manner that is also consistent with applicable law, including Section 206(3) of the Advisers Act, the board of directors or general partner of the client may select a third party unaffiliated with HCM, or ask the relevant fund investors' advisory committee, to review and approve or disapprove any such transactions consistent with applicable law. A more complete description of this process is included in the client's offering and/or disclosure documents. The fee charged by the unaffiliated third party for these services will generally be an expense of the client. Such unaffiliated third party may perform other services for clients, including valuation services.

Certain HCM Funds and HPS Funds will be treated as affiliated entities for purposes of Sections 23A and B of the Federal Reserve Act, as amended. Those sections require that banking subsidiaries of JPM comply with certain standards and restrictions in dealing with affiliates such as HCM Entities.

Certain clients may be deemed indirectly "controlled" for purposes of the Bank Holding Company Act of 1956, as amended (the "**BHCA**"). As a result, so long as such clients are deemed "controlled," those clients will be limited in investment activities, including the amount of their equity investment in a particular issuer, the length of time that they may hold a particular investment, and if applicable, the ability to have input into the business plans of an issuer. In addition, during any time clients are deemed "controlled," for purposes of calculating maximum permitted ownership under various statutes, positions held by such clients will be aggregated with positions held by JPM and certain accounts managed by affiliates of JPM.

JPM Special Purpose Vehicles

JPM and its affiliates have established various special purpose vehicles (the "**JPM SPVs**") to hold interests in certain HCM Funds and HPS Funds. Neither HCM nor HPS serves as the investment manager of the JPM SPVs.

J.P. Morgan Private Investments Inc. ("**JPMPI**"), a wholly owned subsidiary of JPM, is the administrator of the JPM SPVs. JPMPI, on behalf of the JPM SPVs, has engaged Harmonic Fund Services ("**Harmonic**") to provide certain administrative functions to the JPM SPVs. Harmonic also serves as the administrator for certain HCM Funds and HPS Funds. JPMPI has no role in the business, operations, investments or investment decisions of HCM Funds or HPS Funds, and JPMPI does not serve as administrator to HCM Funds or HPS Funds.

The HCM Entities may in the future advise other managed accounts and may establish and/or advise other investment vehicles. In addition, the persons employed by the HCM Entities to assist in the performance of the duties of the HCM Entities may not devote their full time to serving the HCM Funds, the HPS Funds and other clients.

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

HCM has adopted a Code of Ethics (the “**Code**”) and each of the Relying Advisers has adopted the Code. The Code obligates all principals, officers, directors, employees and other persons associated with the HCM Entities or designated by the Compliance Department (“**Supervised Persons**”) to put the interests of the clients of the HCM Entities before their own personal interests in connection with their fiduciary duties. All of the Supervised Persons are also required to comply with all applicable federal securities laws and to report violations of the Code. As part of the Code of Ethics, HCM has adopted policies and procedures including, but not limited to, those related to insider trading and the misuse of material, non-public information, personal trading, political contributions, and outside business activities. HCM also maintains a gifts and entertainment policy requiring the reporting of gifts and entertainment and restricts the acceptance of certain gifts.

As part of HCM’s personal trading policy, Supervised Persons of the HCM Entities are required to disclose their securities holdings. Trading in securities in personal accounts of Supervised Persons is subject to preclearance by HCM’s Compliance Department (the “**Compliance Department**”). Holding periods (generally 60 days) apply to purchases and sales of securities in personal trading accounts. Securities that have been or may be traded for client accounts may not be traded in personal trading accounts during certain blackout periods. No Supervised Person may purchase a security in an initial public offering. Trading in employee accounts is reviewed by the Compliance Department on a pre- and post-trade basis.

Clients and prospective clients may obtain a copy of the Code by contacting the Compliance Department at telephone (212) 287-4900.

HCM maintains one or more restricted lists which are composed of companies whose securities are subject to certain trading prohibitions due to HCM’s, JPM’s or their affiliates’ business activities.

The principals, employees or other related persons of the HCM Entities may from time to time purchase interests in one or more clients. In addition, such principals may also serve on the board of directors of certain HCM Funds or HPS Funds. The offering memorandum of each client that is provided to each investor discloses such affiliated directorship, where applicable.

As described in Item 10 above, certain clients engage in principal transactions with JPM and its affiliates as counterparty, and may do so in the future.

Subject to requirements of applicable law, and without limiting the generality of the foregoing, an HCM Entity may from time to time cause a client to sell or transfer a security or an instrument to another client. HCM Entities may engage in the practice of cross trading in order to “rebalance” the portfolios, where a particular client needs liquidity, where investment objectives differ, to reduce or eliminate transaction costs or market impact, in order to combine accounts or otherwise.

HCM Entities may from time to time select JPMS as executing broker in transactions for clients. Such HCM Entity will be acting in a fiduciary capacity and JPMS will receive normal consideration for the services it renders. From time to time, HCM Entities may use electronic communication networks or other alternative trading systems in which JPMS has an ownership interest.

JPM and its affiliates have, and continue to seek to develop, banking and other financial and advisory relationships with numerous domestic and overseas companies and governments. JPM and its affiliates also advise and represent potential buyers and sellers of businesses worldwide. Clients may have invested in, or may wish to invest in, such an entity represented by JPM or its affiliates or with which JPM or its

affiliates have a banking or other financial relationship. JPM and its affiliates also have relationships with, and represent, entities that may have invested in or may wish to invest in companies in which the client invests. In addition, JPM and its affiliates may represent, or may provide acquisition financing to, a client competing with the client for an investment in a company. In providing services to its clients, JPM and its affiliates may recommend activities that would compete with or otherwise adversely affect the client or the client's investments. It should be recognized that under certain circumstances identified actual or potential conflicts arising from such relationships may indirectly preclude the client from engaging in certain transactions and may constrain the client's investment flexibility.

If permitted by applicable law, including the Volcker Rule, certain clients will make short-term investments of excess cash in money market funds and other instruments sponsored or managed by JPM and/or its affiliates. In connection with any of these investments, such clients will pay all fees pertaining to investments in such money market funds, and, in such event, no portion of any fees otherwise payable by the clients will be offset against fees payable in accordance with any of these investments (i.e., there could be "double fees" involved in making any of these investments). In these circumstances, as well as in other circumstances in which JPM or its affiliates receive any fees or other compensation in any form relating to the provision of services, no accounting or repayment to such clients will be required. Currently, certain HCM Funds, HPS Funds and Third-Party Funds invest in such money-market funds.

JPM and its affiliates may provide financial, consulting, investment banking and other services to, and receive customary compensation from, an entity which is the issuer of a security or the borrower with respect to a loan investment purchased or held by a client. In addition, JPM and its affiliates may provide financial, consulting, investment banking and other services to the HCM Entities. Any fees or other compensation received by JPM or its affiliates in connection with such activities will not be shared with the client or any investor in the client. Such compensation could include financial advisory fees or fees in connection with restructurings or mergers and acquisitions, as well as underwriting or placement fees, financing or commitment fees, trustee fees and brokerage fees. Moreover, when JPM or its affiliates provide or arrange financing to a borrower in which a client has invested, the holder of the senior securities (which may include JPM or its affiliate) may have, and in the event of the borrower's financial distress or insolvency will have, interests substantially divergent from those of the client. There can be no assurance that JPM will be able to accommodate the interests of such client or that of its other clients.

Under certain circumstances, clients may invest in connection with a transaction in which JPM and/or HCM or their affiliates, principals or employees (the "**Affiliated Group**") have already invested or are expected to participate. In some cases, an HCM Entity may invite JPM or its affiliates or such HCM Entity's principals to co-invest with the clients because, for example, the investment opportunity is larger than the typical investment amount for the clients or because co-investing with the Affiliated Group may provide the clients or the portfolio company in which the clients invest with certain benefits. In such cases, the amount available for investment by the clients may be correspondingly reduced to permit the Affiliated Group the opportunity to co-invest. Clients may also partner with other entities in which the Affiliated Group holds an investment or with which the Affiliated Group has a significant business relationship. An HCM Entity has the discretion to grant co-investment rights and to determine the terms of any co-investment by its clients, and the terms on which Affiliated Group may co-invest in an investment opportunity may be substantially different, and potentially more favorable, than the terms on which such clients invest.

In addition, the terms of the clients' investment, including the type of security purchased, may be different from the terms of the Affiliated Group's investment or the type of security the Affiliated Group purchases. Conflicts could arise after the Affiliated Group on the one hand, and the clients on the other hand, make investments in the same issuer with respect to the issuer's strategy, growth and financing alternatives and with respect to the manner and timing of the clients' exit from the investment compared

to the Affiliated Group's exit. Should the Affiliated Group invest in a different type of security from the security purchased by the clients, additional conflicts may arise, particularly if the issuer experiences financial difficulties.

The Affiliated Group may also have short positions in the same security or instrument or a different security or instrument in the same issuer as a security or instrument purchased by the clients, which may present additional conflicts, particularly if the issuer experiences financial difficulties.

JPM and/or its affiliates, subject to applicable law, may also make a market in and conduct proprietary trading activities in securities of, or other investments in, companies in which a client invests for JPM's own account, or accounts of its affiliates, and for the account of JPM's or its affiliates' clients. Such activities will be conducted independently of the client but could affect the value of securities held by the client.

HCM Entities may recommend that certain clients (including client funds) invest all of their investable assets in other client funds pursuant to a master-feeder fund structure. In addition, HCM and its affiliates, on the one hand, and one or more clients, on the other, may invest in different classes of securities of the same issuer, and the classes in which HCM and its affiliates invest may not have the same rights as the classes in which such clients invest. Moreover, multiple clients may pursue or enforce rights with respect to a particular issuer, or HCM, JPM and/or their affiliates may pursue or enforce rights with respect to a particular issuer on behalf of one or more clients, and such actions may not always be favorable to each of the clients. Finally, in certain instances, personnel of an HCM Entity may obtain information about an issuer that is material to the management of certain clients' portfolios and that could limit the ability of personnel of the HCM Entities to buy or sell securities of the issuer on behalf of other clients. These facts are disclosed, when applicable, in the offering memorandum of each client that is provided to each investor.

The principals, employees or other related persons of the HCM Entities may from time to time purchase interests in certain client funds that are "master funds" in which certain other client funds invest pursuant to a master-feeder fund structure.

The principals, employees or other related persons of the HCM Entities may from time to time serve as directors of companies that clients invest in and, in that capacity, will be required to make decisions that they consider to be in the best interests of such companies. In certain circumstances, such as in situations involving bankruptcy or near insolvency of a company, actions that may be in the best interest of such company may not be in the best interests of the clients, and vice versa. Accordingly, in these situations, there may be conflicts of interests between an individual's duties as a principal, employee or other related person of an HCM Entity and such individual's duties as a director of such company.

In addition, the Affiliated Group may trade for their own accounts and may invest in and trade the same securities and instruments that a client invests in and trades. In addition, the Affiliated Group may manage accounts for other individuals or entities, including entities in which the Affiliated Group or its directors or employees may hold an interest, either directly in managed accounts or indirectly through investments in private investment entities. Any of such accounts may pay different fees, trade with different amounts of leverage or utilize different trading strategies than the clients. In addition, clients may enter into transactions with such accounts and the Affiliated Group may invest in and trade the same securities and instruments on behalf of such accounts that a client invests in and trades. The Affiliated Group or its personnel may have income or other incentives to favor such accounts. The HCM Entities, however, will not knowingly or deliberately favor any such accounts over the clients in its dealings on behalf of such accounts.

Item 12 - Brokerage Practices

Selection Criteria, Generally

In general, clients will invest directly or indirectly in securities and other interests. Subject to any limitations set out in the investment management agreements with Third Party Funds, an HCM Entity may select any broker or dealer, including its affiliates, and has a formal review process to approve such relationships. Each HCM Entity, as investment adviser is under a duty to obtain “best execution,” which the SEC generally describes as a duty to execute securities transactions so that a client’s total costs or proceeds in each transaction are the most favorable under the circumstances. This duty generally begins with a requirement that the HCM Entity obtain the best price available for the securities in each transaction. However, the HCM Entity may not always pay the lowest possible commission or markup or markdown, but may take into account a number of factors, including a broker’s trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities, willingness to commit capital, access to a particular trading market, availability of securities to borrow or short sales, and the value of research it provides. An HCM Entity may give consideration to certain of these factors more than others in choosing brokers depending on the particular investment strategy at issue. Each HCM Entity conducts periodic reviews of the execution quality provided by broker-dealers used by such HCM Entity. Each HCM Entity may 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 solely relying on receiving the most favorable execution.

Soft Dollars

An HCM Entity is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. An HCM Entity may consider the value of research services or products that a broker/dealer provides to the clients of such HCM Entity. Because many of those research services could benefit such HCM Entity and other clients of such HCM Entity, it may have a conflict of interest in allocating a client’s brokerage business. Each HCM Entity intends to comply with Section 28(e) of the Securities Exchange Act of 1934, as amended, except with respect to securities transactions for which Section 28(e) is unavailable. Under Section 28(e), an HCM Entity’s use of a client’s commission dollars to acquire research products and services is not a breach of its fiduciary duty to the client—even if the brokerage commissions paid are higher than the lowest available—as long as (among certain other requirements) such HCM Entity determines that the commissions are reasonable compensation for both the brokerage services and the research acquired. The types of research HCM Entities acquired during the last fiscal year include: reports or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities and financial publications. The “safe harbor” under Section 28(e) applies to the use of the client’s “soft dollars” even when the research acquired is used in making investment decisions for other clients. Conversely, the research information provided to an HCM Entity by brokers through which other clients of HCM or its affiliates effect securities transactions may be used by HCM or its affiliates in providing services to other clients. The safe harbor is not available where transactions are effected on a principal basis with a markup or markdown paid to the broker-dealer, and is not available for services or products that do not constitute research. Additionally, the safe harbor is not applicable to futures transactions. The HCM Entities do not currently engage in any third-party soft dollar arrangements.

Prime Brokers and Futures Commission Merchants

Prime brokers and futures commission merchants may provide a variety of services to HCM Funds, HPS Funds and other clients of the HCM Entities, which may include clearance and settlement of transactions, placement agent services, custody of the clients’ investment instruments and cash, extending margin credit to clients, arranging for stock loans to implement short sales, lending of the clients’ portfolio securities to third parties and capital introduction services whereby the HCM Entities may be afforded the

opportunity to make a presentation regarding its services to certain qualified investors by the prime brokers and/or futures commission merchants. While the prime brokers, futures commission merchants and/or their affiliates generally provide capital introduction services at no additional cost and certain other services at favorable or below market rates, the HCM Entity, and not the client, may be the principal or sole beneficiary of those services, thus presenting a potential conflict of interest between the client and the HCM Entity, which is responsible for selecting the prime brokers and/or futures commission merchants and negotiating such person's brokerage, margin and other fees. An HCM Entity may have brokerage relationships with other clients of the HCM Entities which may benefit such other clients, thus presenting a potential conflict of interest between such other clients and such HCM Entity.

HCM currently engages certain brokers, affiliates of which may refer investors to certain HCM Funds. HCM pays a portion of the management fee and/or incentive fee to such affiliates of the brokers for referring investors to HCM Funds.

Aggregation and Allocation

Aggregation (or "bunching") describes the practice of combining the orders of more than one client for the purchase or sale of the same security. The HCM Entities will often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. In the event that an aggregated order is not completely filled (or is filled throughout the trading day at different prices), the partially filled order (or the various prices) will be average priced and allocated on a fair and consistent basis. For the investment vehicles managed or sub-advised by HCM that employ the Global Macro strategy, due to the nature of the instruments traded, it is often not possible to average price. When not possible, generally, HCM's Global Macro group utilizes the High-Low methodology, where by each account is assigned a number and fills are consistently assigned high-to-low in order of the accounts. With respect to the statistical arbitrage portfolios, because each portfolio has its own dedicated Optimizer, trade lists are not aggregated and orders are sent to market for specific portfolios. Therefore, there is no post trade allocation required.

Subject to applicable law, including the Employee Retirement Income Security Act of 1974, as amended, HCM has developed policies and procedures that provide that it will allocate investment opportunities and make purchase and sale decisions among clients in a manner that it considers, in its sole discretion and consistent with its fiduciary obligation to the clients, to be reasonable. In many cases, these policies may result in the pro rata allocation of limited opportunities across clients' accounts, but in many other cases, the allocations may reflect numerous other factors based upon HCM's good faith assessment of the best use of such limited opportunities relative to the objectives, limitations and requirements of each client and applying a variety of factors, including those described herein. HCM seeks to treat all clients fairly in light of all factors relevant to managing an account, and in some cases it is possible that the application of the factors described below may result in allocations in which certain clients may receive an allocation when other clients do not. Similarly, HCM may cause the liquidation of such positions for clients in its discretion in accordance with the foregoing principles. Such allocations or liquidations may benefit one client over another or may be detrimental to a client. Certain clients may be restricted from making some types of investments due to (i) regulatory prohibitions, such as with respect to "new issue" securities; (ii) prohibitions on investing in options or other contractual restrictions; or (iii) differing investment objectives, policies or risk parameters.

Without limiting the generality of the foregoing, certain of the Public Funds employ trading strategies similar or substantially similar to the trading strategies employed on behalf of one or more HCM Funds. Certain of the Public Funds and Third Party Funds, however, do not employ certain categories of strategies or instruments employed by the related HCM Funds. There is a conflict of interest between the interest of investors investing in the HCM Funds to benefit from such strategies and/or instruments and

the interest of HCM in allocating investment opportunities to the HCM Funds from which HCM receives higher fees. This allocation of investment opportunities may, among other reasons, impact the relative performance of such Public Fund and Third Party Fund and their related HCM Funds.

Initial public offerings are purchased for certain HCM and HPS Funds as disclosed in applicable offering memoranda.

HCM Entities anticipate that certain clients may make an investment in a company in which another client holds an investment in a different class of such company's debt or equity. In such circumstances, HCM may face a conflict in making decisions with respect to such securities given their different rights and economic interest in the company. Generally speaking, HCM expects that clients will make such investments only when, at the time of its investment, HCM believes that such investment is in the best interests of the client, notwithstanding the potential for conflict. In those circumstances where HCM clients hold investments in different classes of a company's debt or equity, HCM may, to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between each of them, including causing the first account to take certain actions that, in the absence of such conflict, it would not take, such as (i) remaining passive in a restructuring or similar situations (including electing not to vote or voting pro rata with other security holders), (ii) investing in the same or similar classes of securities as the second client in order to align their interests, (iii) divesting investments or (iv) otherwise taking an action designed to reduce adversity. Any such step could have the effect of benefiting one HCM client or HCM or its affiliates and might not be in the best interests of or may be adverse to another client.

Trade Error

Although HCM Entities exercise due care in making and implementing investment decisions, employees of HCM Entities may from time to time make errors with respect to trades made on behalf of clients. Subject to applicable law, HCM Entities will not be liable to clients, except Public Funds and certain Third-Party Funds, for any trading losses, liabilities, damages, expenses or costs resulting from trade errors except those losses, liabilities, damages, expenses or costs (i) resulting from the intentional misconduct, bad faith or gross negligence of an HCM Entity or (ii) that may not be waived or limited under applicable law.

HCM will be liable to Public Funds, and both HCM and HPS will be liable to certain Third-Party Funds, for any trading losses, liabilities, damages, expenses or costs as a result of trade errors identified by HCM or HPS, as applicable.

Item 13 - Review of Accounts

The aggregate portfolio risk exposures are continuously monitored and reviewed for HCM Funds by an experienced in-house risk management team at the direction of HCM's Chief Risk Officer and Head of Risk Analytics. Generally, these reviews are performed to assess risk exposure across the spectrum of the HCM Entities' investment activities and are driven by risk factor models, stress testing and scenario analysis. Additionally, in conjunction with the Risk Management team, the Chief Compliance Officer and/or his designee(s) conduct routine reviews of trading activity in client accounts. Transactions are reviewed to ensure compliance with internal policies and procedures, applicable regulatory limitations and certain investment guidelines.

On a daily basis the Operations team within Highbridge is responsible for reconciling transactions executed to ensure the accuracy of the Firm's books and records.

Clients and/or shareholders and limited partners of HCM Funds will generally be sent weekly performance estimates. In addition, HCM Funds and HPS Funds will be sent written monthly and/or quarterly performance statements setting forth such information deemed appropriate by the applicable HCM Entity. In addition, each shareholder and limited partner of the HCM Funds and the HPS Funds will receive written annual reports containing audited financial statements and other indicia of performance. Certain Third Party Funds receive a daily transaction report for the purposes of daily portfolio reconciliation. HCM Entities may provide clients with additional information on an as requested basis.

Item 14 - Client Referrals and Other Compensation

Placement agents, including solicitors, who refer investors to HCM Funds and HPS Funds are paid by HCM and HPS. Such placement agents include, but are not limited to, JPMS and certain affiliates of the brokers of certain HCM Funds and HPS Funds. Certain placement agents, including JPMS, receive fees directly from investors subscribing for shares/interests in such HCM Funds and HPS Funds, as the case may be, in addition to any compensation received from HCM and HPS.

Conflicts of interest may exist with respect to such placement agents. The potential for placement agents affiliated with JPM, such as JPMS, and for JPM itself, to receive (directly or indirectly) compensation in connection with investors' subscriptions for interests in HCM Funds and HPS Funds creates a conflict of interest in recommending that the potential investors purchase such interests. In addition, JPM, as owner of the HCM Entities, indirectly benefits from the services of affiliated placement agents, such as JPMS, which place interests in HCM Funds and HPS Funds, by increasing the assets upon which the HCM Entities receive fees from the clients. Moreover, an affiliated placement agent, such as JPMS, may also be an affiliate of a prime broker of certain HCM Funds, in which case the prime broker indirectly benefits from the services of such placement agent because the placement agent places interests in the HCM Fund, which increases the assets upon which the prime broker receives brokerage commissions from the HCM Fund.

Compensation to placement agents, if any, will be in accordance with Rule 206(4)-3 under the Advisers Act.

Item 15 – Custody

HCM does not maintain custody of client funds or securities. HPS does not have custody of client funds or securities except with respect to certain HPS Funds. With respect to such HPS Funds, such HPS Funds are subject to audit and deliver audited financial statements to their investors within 120 days of the applicable fiscal year-end. The HCM Entities do not generally maintain custody of the assets of the Third Party Funds.

Item 16 - Investment Discretion

HCM has discretionary authority to manage the securities portfolios of the clients pursuant to investment management agreements with such clients, which customarily do not place limitations on HCM's authority to manage a client's portfolio. HCM's discretionary authority is generally subject to such restrictions as set forth in each client's offering documents or agreements with such client and/or the rules and regulations of any exchange or market on which HCM trades securities on behalf of clients.

Item 17 - Voting Client Securities

HCM has authority to vote client securities. HCM's proxy voting procedures are designed to address the resolution of any conflicts of interest that may arise in connection with proxy voting. HCM is responsible for voting and handling all proxies in relation to the securities held on behalf of the clients.

HCM has contracted with Institutional Shareholder Services ("**ISS**"), a division of RiskMetrics Group, to vote proxies received by HCM for certain clients. Generally, ISS proxy voting guidelines provide for votes on a case-by-case basis and pursuant to certain guidelines. HCM's proxy voting procedures also require that HCM identify to ISS, and address, conflicts of interest between HCM and its clients. At times, a Portfolio Manager may determine to vote a proxy contrary to the proposed vote of ISS. In such instances, the Portfolio Manager is required to confirm to the Compliance Department that no material conflict of interest exists personally or with HCM.

Clients may obtain a copy of HCM's procedures and information about how HCM voted a client's proxies by contacting the Compliance Department at (212) 287-4900.

Item 18 - Financial Information

HCM 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.