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This document is Balyasny Asset Management LP's (also referred to as "BAM") "Brochure." This Brochure provides information about the qualifications and business practices of BAM. If you have any questions about the contents of this Brochure, please contact BAM's Chief Compliance Officer at (212) 808-2300 or [legal@bamfunds.com](mailto:legal@bamfunds.com). The information in this Brochure has not been approved or verified by United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Any reference to BAM as a registered investment adviser does not imply a certain level of skill or training.

Additional information about BAM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2****Material Changes**

As stated in the March 2011 Brochure, on July 28, 2010, the SEC published "Amendments to Form ADV" which amends the disclosure document that we have provided to clients in the past pursuant to SEC rules. This Brochure was prepared according to the SEC's new requirements and rules. As such, this document is materially different in structure and requires certain new information that our pre-2011 brochures did not require.

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**Item 4**

**Advisory Business**

**Item 4.A.**

BAM's predecessor, Balyasny Capital Management LLC (referred to as "BCM"), was founded in December 2001 by Dmitry Balyasny. In December 2003, BCM converted from a limited liability company to limited partnership. Then, in January 2004, BCM's name was changed to Balyasny Asset Management LP. Mr. Balyasny owns greater than 75% of BAM and is the only principal owner of BAM.

**Item 4.B.**

BAM provides investment advisory services to high net-worth individuals and institutional clients through privately offered pooled investment vehicles (referred to as the "Investment Funds") and through separately managed accounts ("Separate Accounts" and together with the Investment Funds, the "Investment Vehicles"). BAM specializes in investing in a variety of alternative asset classes and strategies, but generally focuses on fundamental long/short equity, equity trading, global macro and credit.

The Investment Vehicles are formed as limited partnerships, limited liability companies and offshore corporations. The Investment Vehicles that are offered within the United States as well as to "U.S. Persons" in general (collectively, "U.S. Offerings") (as defined by Regulation S under the U.S. Securities Act of 1933, as amended) are available only to persons who are "accredited investors" under the Securities Act of 1933, as amended, and only to persons who are "qualified purchasers" under the Investment Company Act of 1940, as amended (the "IC Act"). Additionally, all investors must also be "qualified clients" under the Advisers Act of 1940, as amended. The Investment Vehicles are not registered as investment companies under the IC Act and are not made available to the general public. BAM's pooled investment vehicles are managed by BAM in its sole discretion. Interests in the Investment Vehicles are offered only by means of a private placement memorandum (also referred to as an offering memorandum).

The Investment Vehicles are funded through capital contributions and withdrawals that are permitted at stated intervals at then current net asset values. The Investment Vehicles engage in a range of alternative investment strategies, and are generally focused on fundamental long/short equity, equity trading, global macro and credit strategies.

**Item 4.C.**

In general, BAM provides investment advisory services to pooled investment vehicles. BAM's services to the pooled vehicles are provided pursuant to the terms of the relevant offering memorandum. Investors in the Investment Funds cannot obtain services tailored to their specific needs. However, BAM does provide investment advisory services to separately managed accounts. BAM's investment advisory services to its Separate Account clients are

customized based on the specific needs of each Separate Account client. The customized services to each Separate Account client include restrictions on investing in securities of certain companies as well as certain asset classes. Separate Accounts that are managed by BAM are generally charged management fees and are responsible for incentive allocations that are similar to, or more favorable than, those applicable to the Investment Funds. Additionally, the liquidity afforded to Separate Account clients may be, and in some instances is, more favorable than the terms offered to investors of the Investment Funds or other Separate Account clients. Generally, BAM requires Separate Account clients to have a minimum initial subscription amount of \$100 million; however, amounts less than \$100 million may be agreed upon in BAM's sole discretion.

The terms and conditions of each of the Investment Vehicles are as described more fully in the respective Investment Vehicle's offering memorandum.

**Item 4.D.**

As of the date this Brochure was published, BAM does not participate in wrap fee programs.

**Item 4.E.**

As of June 1, 2011, BAM manages approximately \$2.7 billion in client assets on a discretionary basis. BAM does not manage client assets on a non-discretionary basis.

**Item 5**

**Fees and Compensation**

**Item 5.A.**

In general, the fees for the Investment Funds are not negotiable, but the fees for Separate Accounts are negotiable.

The Investment Vehicles (as defined in Item 4.B. above) pay an annual management fee from 0.0% up to 2.0% of portfolio assets, calculated and payable either monthly in advance or monthly in arrears (for additional detail see Item 5.D. below), depending on the specific Investment Vehicle and the share class or investment option. The Investment Vehicles are responsible for an incentive allocation based on the performance of the portfolio, calculated on the basis of both realized and unrealized gains and losses. Incentive allocations range between 20% and 35% of any realized and unrealized gains, depending on the specific Investment Vehicle and the share class or investment option.

Performance-based allocations are only charged consistent with SEC rules and regulations, including Rule 205-3 under the Investment Advisers Act of 1940. The Board of Directors of the Investment Vehicles or BAM (depending on the specific Investment Vehicle), in their sole discretion, may waive all or a portion of fees or offer different liquidity terms with respect to investments made by employees and certain other investors in its Investment Vehicles or

Separate Accounts. In that connection, it should be noted that employees that are permitted to invest in the Investment Funds are typically charged a reduced Incentive Allocation or are not charged an Incentive Allocation at all (depending on the specific Investment Fund). Further, partners of BAM do not pay a Management Fee or an Incentive Allocation.

Incentive allocations are calculated and accrued monthly but are generally allocated annually at year-end. All performance-based allocations are calculated cumulatively; subject to a high water mark (on a partner by partner basis or share class basis) to prevent such allocation from being generated on recouped gains. Additionally, certain Investment Vehicles pay the compensation, including, but not limited to, performance based compensation, of the portfolio managers, traders and analysts employed by BAM (the “Investment Team”) along with the expenses incurred by the Investment Team (these may include, but are not limited to certain overhead associated with the Investment Team, market data, software services, personnel benefits, travel and entertainment) (the “Investment Team Expense”).

<b>Atlas Global Investments, Ltd.</b>	<b>Class A/B*</b>	<b>Class C/D (G/H**)</b>	<b>Class E/F</b>	
<b>Incentive Allocation</b>	20%	20%	30%	
<b>Management Fee</b>	2%	2%	0%	
<b>Other</b>	Pass-through of Investment Team Expenses***	Pass-through of Investment Team Expenses***	Pass-through of Investment Team Expenses***	

\*Class A/B Shares are no longer offered to investors. The initial terms for Class A/B Shareholders included a full “pass-through” structure (that is, instead of a management fee, all expenses were paid by the Class A/B shareholders) as well as an incentive allocation. In November 2005, the fee structure for the Class A/B shareholders was changed to a 2% management fee, a pass-through of Investment Team Expenses (defined above) only and a 20% incentive allocation. The Class A/B investors will receive a rebate on the management fee should the former fee structure be more advantageous than the current fee structure.

\*\*Shares denominated in Euro

\*\*\*In addition to the management fee and incentive allocation, investors pay the Investment Team Expense.

<b>Atlas Global, LLC</b>	<b>Class A*</b>	<b>Class C</b>		
<b>Incentive Allocation</b>	20%	30%		
<b>Management Fee</b>	2%	0%		
<b>Other</b>	Pass-through of Investment Team Expenses**	Pass-through of Investment Team Expenses**		

\*The initial terms for Class A investors were modified in November 2005. These initial terms are no longer offered to investors. The initial terms for Class A investors included a full “pass-through” structure (that is, instead of a management fee, all expenses were paid by the Class A investors) as well as an incentive allocation. In November 2005, the fee structure for the Class A investors was changed to a 2% management fee, a pass-through of Investment Team Expenses only and a 20% incentive allocation. The Class A investors will receive a

rebate on the management fee should the former fee structure be more advantageous than the current fee structure.

\*\*In addition to the management fee and incentive allocation, investors pay the Investment Team Expenses.

<b>Atlas Institutional Fund, Ltd. and Atlas Institutional Fund, LLC</b>	<b>Class A/B</b>			
<b>Incentive Allocation</b>	30%			
<b>Management Fee</b>	2%			

<b>Atlas Institutional Fund II, Ltd. and Atlas Institutional Fund II, LLC</b>	<b>Class A/B</b>			
<b>Incentive Allocation</b>	20%			
<b>Management Fee</b>	2%			

<b>Atlas Fundamental Trading Fund, Ltd. and Atlas Fundamental Trading Fund, LP</b>	<b>Class A/B (G/H*) or Option 1**</b>	<b>Class C/D (I/J*) or Option 2**</b>	<b>Class E/F (K/L*) or Option 3**</b>	
<b>Incentive Allocation</b>	35%	30%	25%	
<b>Management Fee</b>	2%	2%	2%	

\*Share Class denominated in Euro

\*\*Atlas Fundamental Trading Fund, LP the U.S. domestic limited partnership

<b>Atlas Leveraged Fund, Ltd. and Atlas Leveraged Fund, LP*</b>	<b>Class A</b>			
<b>Incentive Allocation</b>	20%			
<b>Management Fee</b>	2%			
<b>Other</b>	Pass-through of Investment Team Expenses**			

\*The U.S. domestic limited partnership.

\*\*In addition to the management fee and incentive allocation, investors pay the Investment Team Expense.

<b>Atlas Fundamental Trading Leveraged Fund, LP*</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	
<b>Incentive Allocation</b>	35%	30%	25%	
<b>Management Fee</b>	2%	2%	2%	

\*Historically, Atlas Fundamental Trading Leveraged Fund, LP (“AFTL”) has only been offered to eligible BAM employees and eligible friends and family (collectively, “Friends and Family”). These investors are not charged the full incentive allocation. If BAM offers AFTL to outside investors, these non-Friends and Family investors will be responsible for the full management fee and Incentive Allocation presented above.

<b>Balyasny Dedicated Investor Offshore Fund, Ltd.*</b>  <b>and</b>  <b>Balyasny Dedicated Investor Onshore Fund, LP*</b>	<b>Class A/B</b>			
<b>Incentive Allocation</b>	25%			
<b>Management Fee</b>	2%			

\*BAM provides investment advisory services to Balyasny Dedicated Investor Offshore Fund, Ltd. and Balyasny Dedicated Investor Onshore Fund, LP (collectively, “BDI”). However, because BDI was set up for a dedicated investor platform, BAM does not market BDI or offer the interests of BDI to prospective investors.

<b>Balamat Cayman Fund, Ltd.*</b>	<b>Class A/B</b>			
<b>Incentive Allocation</b>	25%			
<b>Management Fee</b>	2%			

\*BAM provides investment advisory services to Balamat Cayman Fund, Ltd. (“Balamat”). However, because Balamat was set up for a dedicated investor platform, BAM does not market Balamat or offer the interests of Balamat to prospective investors.

## **Item 5.B.**

BAM deducts fees directly from client assets. Management Fees are deducted monthly. The Management Fees are calculated and payable either monthly in advance or monthly in arrears, depending on the specific Investment Vehicle and the share class or investment option. Please see Item 5.D. for additional details.

The Incentive Allocation is accrued monthly; however, investors do not pay the Incentive Allocation until fiscal year-end or, if a withdrawal/redemption occurs at any time other than at the end of a fiscal year, the withdrawing/redeeming investor will be responsible for the Incentive Allocation at the time of the withdrawal/redemption.

**Item 5.C.**

**Atlas Global Investments, Ltd.; Atlas Global, LLC; and Atlas Leveraged Fund, LP:**

Atlas Global Investments, Ltd. and Atlas Global, LLC (together, "Atlas Global") as well as Atlas Leveraged Fund, LP ("ALF") will pay the compensation, including performance-based compensation, to the Portfolio Managers, Traders and Analysts employed by the Investment Manager (the "Investment Team") along with the expenses incurred by the Investment Team (including, but not limited to market data, investment and trading-related computer hardware and software, personnel benefits to the Portfolio Managers, and to traders and analysts employed by the Investment Manager, travel and lodging). In this scenario, each Portfolio Manager is compensated based on the performance of the pool of assets that he or she manages within the Investment Fund's portfolios. Consequently, a particular Portfolio Manager may receive performance-based compensation in respect of the pool of assets that s/he manages during a period when the Investment Fund's overall capital depreciated (that is, the Investment Fund experienced a loss).

Atlas Global and ALF will also bear their own (and their pro rata share of the master fund's) operating and other expenses including, but not limited to, investment-related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, interest expense, consulting and other professional fees relating to particular investments, incentive fees and/or management fees to managers of investment vehicles in which an Investment Fund's assets may be invested, investment-related travel and lodging expenses, research-related expenses, including, without limitation, news and quotation equipment and services, investment and trading-related computer hardware and software, including trade order management software (i.e., software used to route trade orders) and expenses associated with installing computers, cable and telephone lines and equipment used primarily for investment and trading purposes), legal expenses, accounting, audit and tax preparation expenses, organizational expenses, expenses relating to the offer and sale of the Shares, expenses relating to obtaining liability insurance for the officers of the Investment Manager, remuneration to members of the Board of Directors, expenses relating to obtaining liability insurance for the members of the Board of Directors; the Administrator's fees; expenses related to the maintenance of the Fund's or the Master Fund's registered office; corporate licensing, extraordinary expenses and other similar expenses related to the Fund. To the extent such Fund expenses are advanced by the Investment Manager on behalf of the Fund, such expenses will be promptly reimbursed.

**Atlas Institutional Fund, Ltd.; Atlas Institutional Fund, LLC; Atlas Institutional Fund II, Ltd.; Atlas Institutional Fund II, LLC; Atlas Fundamental Trading Fund, Ltd.; Atlas Fundamental Trading Fund, LP; Balyasny Dedicated Investor Offshore Fund, Ltd.; and Balyasny Dedicated Investor Onshore Fund, LP:**



Atlas Institutional Fund, Ltd. and Atlas Institutional Fund, LLC (together, “Atlas Institutional”); Atlas Institutional Fund II, Ltd. and Atlas Institutional Fund II, LLC (together Atlas Institutional II”); Atlas Fundamental Trading Fund, Ltd. and Atlas Fundamental Trading Fund, LP (together, “Atlas Fundamental”); Balyasny Dedicated Investor Offshore Fund, Ltd. and Balyasny Dedicated Investor Onshore Fund, LP (together, “Balyasny Dedicated”) bear their own (and their pro rata share of their master fund’s) operating and administrative expenses that are not borne by the Investment Adviser or the Manager as provided above, including, without limitation, broker and investment-related expenses (including, without limitation, brokerage commissions, clearing and settlement charges, custodial fees and interest expense); professional fees and charges relating to particular investments; legal expenses; accounting, audit and tax preparation expenses; organizational expenses; expenses relating to the offer and sale of the Shares; expenses relating to obtaining liability insurance for the officers of the Investment Adviser and the Manager; remuneration to members of the Board of Directors; expenses relating to obtaining liability insurance for the members of the Board of Directors; the Administrator’s fees; expenses related to the maintenance of the Investment Fund’s or the Master Fund’s registered office; corporate licensing, extraordinary expenses and other similar expenses related to the Investment Fund. Organizational expenses may be amortized over a period of up to five years. To the extent such Fund expenses are advanced by the Investment Adviser or the Manager on behalf of the Investment Fund, such expenses will be promptly reimbursed.

In addition to the fees and expenses discussed above, investors will indirectly incur similar fees and expenses for investments in money market funds or exchange traded funds, as these funds in turn pay similar fees to their investment managers and other service providers.

In addition to the brokerage and transaction costs discussed above, please refer to Item 12 for more details on BAM’s Brokerage Practices.

As Balamat Cayman Fund, Ltd. (“Balamat”) is a Separate Account that BAM only provides investment advisory services to, additional costs and expenses are not known to BAM

#### **Item 5.D.**

Atlas Global, Atlas Institutional, Atlas Institutional II and BCF pay fees monthly in arrears. AFT, BDI, ALF and AFTL pay fees monthly in advance. Management fees are generally non-refundable if the advisory contract is cancelled prior to the end of a payment period.

#### **Item 5.E.**

No one under BAM’s supervision or control is compensated for the sale of interests in the Investment Vehicles.

### **Item 6**

#### **Performance-Based Fees and Side-By-Side Management**

Item 5.A. of this Brochure contains full details on the Incentive Allocations that each

Investment Vehicle is responsible for. Please see Item 5.A. for this information.

BAM manages several Investment Vehicles. Most of these vehicles are arranged in a “master-feeder” structure. Under this structure, all trading is done by the “master fund.” The “feeder fund” invests all of its assets into the master fund. Investors invest their capital into the feeder funds. Certain feeder funds within a particular master-feeder structure charge fees that are higher (or lower) than the other feeder funds in the same master-feeder structure. In addition, feeder funds may have more than one share class or investment option, and therefore, management fees and/or Incentive Allocations will be higher (or lower) for one share class or investment option than the other share classes or investment options.

Because of the different Incentive Allocations charged by the feeder funds, there are inherent incentives to favor the feeder funds that are responsible for a higher Incentive Allocation. However, because the trading takes place at the master fund level and ownership of the assets is attributed to the master fund, BAM is able to allocate the profit and loss of the assets to each specific investor in proportion to their ownership percentage of the master fund’s total assets, thereby, mitigating the incentive to favor the feeder funds with the higher Incentive Allocation.

BAM’s trade order aggregation and allocation process is also intended to mitigate the inherent incentive to favor a fund structure (for example, one that charges higher fees) over another fund structure (one that charges lower fees). Please see Item 11.C. for greater detail on BAM’s allocation process.

## **Item 7**

### **Type of Clients**

BAM provides investment advisory services to high net-worth individuals and institutional clients through privately offered pooled investment vehicles (referred to as the “Investment Funds”) and through separately managed accounts (“Separate Accounts” and together with the Investment Funds, the “Investment Vehicles”).

The investors in the Investment Vehicles include, but are not limited to high net worth individuals, family offices, other private investment funds, including funds of funds, investment companies, trusts, estates, U.S. and non-U.S. institutions, charitable institutions, foundations, endowments municipalities and corporate pensions, profit sharing plans.

The Investment Vehicles are formed as limited partnerships, limited liability companies and offshore corporations. The Investment Vehicles that are offered within the United States as well as to “U.S. Persons” in general (collectively, “U.S. Offerings”) (as defined by Regulation S under the U.S. Securities Act of 1933, as amended) are available only to persons who are “accredited investors” under the Securities Act of 1933, as amended, and only to persons who are “qualified purchasers” under the Investment Company Act of 1940, as amended (the “IC Act”). Additionally, all investors must also be “qualified clients” under the Advisers Act of 1940, as amended. The Investment Vehicles are not registered as investment companies under the IC Act and are not made available to the general public. BAM’s pooled investment

vehicles are managed by BAM in its sole discretion. Interests in the Investment Vehicles are offered only by means of a private placement memorandum (also referred to as an offering memorandum).

Please refer to Item 4.B. and Item 4.C. for additional information on Separate Accounts. Generally, BAM requires Separate Account clients to have a minimum initial subscription amount of \$100 million; however, amounts less than \$100 million may be agreed upon in BAM's sole discretion.

## **Item 8**

### **Methods of Analysis Investment Strategies and Risk of Loss**

#### **Item 8.A.**

Investing in securities involves a risk of loss that clients should be prepared to bear.

The Investment Vehicles managed by BAM are multi-strategy investment funds. BAM's investment advisory services focus on four primary strategies fundamental long/short equity, equity trading, global macro trading and credit. BAM's long/short equity and equity trading strategies include (but are not limited to) investments and trading in the following market sectors: Energy, Health Care, Financial/Insurance, Industrial, Technology, Media, Telecommunications, Consumer Staples, Consumer Discretionary and Merger Arbitrage/Events.

BAM utilizes various analysis techniques including technical analysis, fundamental analysis, and cyclical analysis. The analysis conducted by BAM for its long/short equity, equity trading and credit strategies include company specific financial modeling, comprehensive review of earnings reports, interaction with analysts employed by broker-dealers and research vendors as well as interaction with investor relations personnel employed by the public companies whose securities the Investment Vehicles trade. The analysis conducted by BAM for its global macro strategy focuses on global macro economics, policy decisions of central banks, as well as (but not limited to) data related to gross domestic product, consumption, investment, monetary and employment/unemployment on a global basis.

The primary sources of information utilized by BAM include (but not limited to) fundamental proprietary research developed by BAM, research reports and materials prepared by broker-dealers and other vendors, financial newspapers and magazines, annual reports published by publicly listed companies, prospectuses, SEC and other regulatory filings, company press releases and corporate rating services.

#### **Item 8.B.**

Please see Item 11.C. for details on BAM's trade allocation policy.

BAM's various trading strategies may result in greater portfolio turnover and, consequently, greater transaction costs to the Investment Vehicles. An investor should be aware that it may lose all or part of its investment in the Fund. All investments risk the loss of capital. BAM believes that its research techniques moderate this risk through a careful selection of securities, hedging and the use of other financial instruments. However, no guarantee or representation is made that the Investment Vehicle's investment program will be successful. Investment results may vary substantially over time. The Investment Vehicles may engage in option transactions, margin transactions, short sales, forward contracts, utilize leverage and have limited diversification, all which can increase the adverse impact to which the Investment Vehicles' portfolio.

The success of the investment program depends on the ability of the Portfolio Managers to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the capital markets. Identification and exploitation of the trading strategies involves uncertainty. No assurance can be given that the Portfolio Managers will be able to correctly locate trading opportunities or exploit price discrepancies in the capital markets. In the event that the Portfolio Manager is incorrect in identifying perceived mispricings, the Investment Vehicles may incur losses.

Equity securities fluctuate in value in response to many factors, including (but not limited to) the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments.

Merger Arbitrage/Events is a strategy that seeks to profit from changes in the price of securities of companies involved in extraordinary corporate transactions. The difference between the price paid by an Investment Vehicle for securities of a company involved in a publicly known corporate transaction and the anticipated value to be received for those same securities upon completion of the proposed transaction will often be very small. Since the price bid for the securities of a company involved in an announced corporate transaction will generally be at a significant premium above the market price prior to the announcement, if the proposed transaction appears likely not to be completed or in fact is not completed or it is delayed, the market price of the securities will usually decline sharply, perhaps by more than the Investment Vehicle's anticipated profit. The Merger Arbitrage business is extremely competitive. In any given transaction, arbitrage activity by other firms will tend to narrow the spread between the price at which a security may be purchased by the Investment Vehicles and the Investment Vehicles expect to receive upon completion of the transaction.

An Investment Vehicle may buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Investment Vehicle's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Investment Vehicle has the right to benefit from price movements in a large number of securities with a small commitment of capital. These

activities involve risks that can be substantial, depending on the circumstances.

When the Investment Vehicle buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the Investment Vehicle's investment in the option (including commissions). The Investment Vehicle could mitigate those losses by selling short, or buying puts on, the securities as to which it holds call options, or by taking a long position (*e.g.*, by buying the securities or buying calls on them) in securities underlying put options.

When the Investment Vehicle sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, the Investment Vehicle would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Investment Vehicle might suffer as a result of owning the security.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

As part of their Credit and/or Global Macro strategies, the Investment Vehicles may invest in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government and non-U.S. governments or one of their agencies or instrumentalities; and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

As part of their Credit strategy, the Investment Vehicles may invest in distressed securities. Distressed securities are generally securities of companies that are in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. Distressed securities are particularly risky investments although they also may offer the potential for correspondingly high returns. Distressed securities may be considered speculative, and the ability of distressed companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within a distressed

company.

The Investment Vehicles also invest in non-U.S. securities. Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated or whose prices are quoted in non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gain or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the United States. An Investment Vehicle might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Investment Vehicle's performance.

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by an Investment Vehicle due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Investment Vehicle. Market illiquidity or disruption could result in major losses to the Investment Vehicle.

The Investment Vehicles typically will leverage their capital as this may enable the Investment Vehicles to achieve a higher rate of return. This typically requires the Investment Vehicles to pledge their securities as collateral in order to borrow additional funds for investment purposes. The Investment Vehicles may also leverage their investment return with options, short sales, repurchase and reverse repurchase agreements, swaps, forwards and other derivative instruments. The amount of borrowings which the Investment Vehicles may have outstanding at any time may be substantial in relation to their capital.

An Investment Vehicle may trade in futures contracts (and options on futures). Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit

fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Investment Vehicle from promptly liquidating unfavorable positions and subject the Investment Vehicle to substantial losses. In addition, the Investment Vehicles may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the U.S. Commodity Futures Trading Commission ("CFTC")) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

While leverage presents opportunities for increasing the Investment Vehicles' total returns, it also has the effect of increasing losses. Any event which adversely affects the value of an investment held by an Investment Vehicle would be magnified to the extent the Investment Vehicle is leveraged. The cumulative effect of the use of leverage by the Investment Vehicle in a market that moves adversely to the Investment Vehicle's investments could result in a substantial loss to the Investment Vehicle which would be greater than if the Investment Vehicle were not leveraged.

The use of leverage also creates financial obligations to the credit facilities that provide the financing. These credit facilities are typically broker-dealers. In exchange for financing, the credit facilities require the Investment Vehicles to pledge collateral. Typically, the collateral is valued by the credit facility. The credit facility also sets the amount of collateral required to support a security or position, the borrowing rate to finance the security or position and/or a broker-dealer's willingness to continue to provide credit to the Investment Vehicles. Adverse changes in the value of a security or position, the amount of collateral required, or a broker-dealer's willingness to continue to provide credit to the Investment Vehicles could force liquidation of a portion or all of the Investment Vehicle's portfolio at distressed prices, which could result in significant losses to the Investment Vehicle.

The use of leverage and the use of "over-the-counter" instruments results in counterparty risk. This causes the Investment Vehicles to take on credit risk with regard to the counterparties that they transact with. The Investment Vehicles also bear the risk that a counterparty will not settle a transaction in accordance with the terms and conditions of the financial instrument. To minimize this risk, BAM maintains a Counterparty Credit Committee, which monitors the

financial condition of the counterparties used by the Investment Vehicles.

The Investment Vehicles will engage in short selling. Short selling involves selling securities that are borrowed from a prime broker (for a fee) in order to deliver them to the purchaser. Short sellers have an obligation to replace the borrowed securities at a later date. Short selling allows the Investment Vehicles to profit from a decline in market price (to the extent such decline exceeds the transaction costs and the costs of borrowing the securities). A short sale creates the risk of a theoretically unlimited loss as the price of the underlying security could theoretically increase without limitation, thus increasing the cost to the Investment Vehicle of buying those securities to “cover” the short position (i.e., return the borrowed securities to the lender). There can be no assurance that the Investment Vehicle will be able to maintain the ability to borrow securities sold short. In such cases, the Investment Vehicle can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Item 8.C.**

Please review all risks detailed in Item 8.B. above.

**Item 9**

**Disciplinary Information**

Not applicable

**Item 10**

**Other Financial Industry Activities and Affiliations**

**Item 10.A. and Item 10.B.**

Not applicable

**Item 10.C.**

BAM may utilize third-party affiliated and unaffiliated sub-advisors to manage a portion of the Investment Vehicle’s assets. Currently, one unaffiliated sub-advisor is used to manage a portion of Atlas Master Fund, Ltd.’s assets. This sub-advisor is not registered with the SEC as an investment adviser; it is, however, registered with the Financial Services Authority of the United Kingdom.

Balyasny Capital Management LLC (“BCM”) is an affiliate of BAM. BCM serves as the



General Partner to the Investment Funds managed by BAM that have been created as limited partnerships. BCM also serves as the Managing Member to the Investment Funds managed by BAM that have been created as limited liability companies. BCM also owns shares issued by each of the master funds managed by BAM. BCM's ownership of shares issued by the master funds allows BCM to collect the Incentive Allocation. The Incentive Allocation is the mechanism used in the place of a performance fee. The Incentive Allocation works by increasing the value of the shares of the master fund owned by BCM by a percentage (between 20% and 35% depending on the specific Investment Vehicle) of the excess of the realized and unrealized appreciation (if any) of the net asset value corresponding to each investor's investment. The incentive allocation is subject to a "high-watermark" in order to prevent an incentive allocation from being taken on recuperated losses.

Please see Item 6 and Item 11.C. for details on how BAM addresses the conflict raised by the fact that certain Investment Vehicles are responsible for higher Incentive Allocations.

BAM also wholly owns Balyasny Asset Management (Hong Kong) Limited ("BAM HK"). BAM HK is registered as an Asset Manager with the Securities and Futures Commission of Hong Kong (the "SFC"). Registration with the SFC permits BAM HK to conduct investment advisory services within Hong Kong. BAM HK has entered into sub-advisory agreements with BAM and certain of the Investment Vehicles with all compensation being paid to BAM HK by BAM.

BAM is the beneficial owner of Balyasny Europe Asset Management LLP ("BEAM") which is regulated by the Financial Services Authority of the United Kingdom. BEAM does not currently provide investment advisory services. BEAM is also registered with the Securities Exchange Board of India ("SEBI") as a Foreign Institutional Investor ("FII").

Please see Item 6 above and Item 11.B., Item 11.C. and Item 11.D. below for conflicts that may arise due to BAM's management of multiple Investment Vehicles as well as how these conflicts are addressed by BAM

## **Item 11**

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### **Item 11.A.**

Employees and principals of BAM may only purchase and sell securities in accordance with BAM's Code of Ethics and Employee Trading Policy to which all employees are subject. This policy is monitored by the Compliance Department.

Employees are permitted to maintain personal brokerage accounts, subject to the Code of Ethics and Employee Trading Policy.

The Code of Ethics and Employee Trading Policy includes the following points:

- A statement of the standard of business conduct.
- Limits on gifts and entertainment.
- Employees may trade direct obligations of the U.S. government (e.g., treasury securities); futures; commodities; currencies; Bankers' acceptances, bank certificates of deposit, commercial paper, and high-quality short-term debt obligations, including repurchase agreements; Shares issued by money market funds; Shares of open-end mutual funds that are not advised or sub-advised by BAM (or BAM's affiliates); and Shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds, none of which are funds advised or sub-advised by BAM (or BAM's affiliates).
- Employees are allowed to have accounts that trade securities and instruments, other than those outlined above, provided that Employees have no authority to direct the investment of such accounts (e.g. an independent adviser or broker is given full investment discretion and Employees cannot instruct such broker/adviser on what to buy or not to buy).
- Employees can hold securities and instruments in their brokerage accounts other than those outlined above if they constitute legacy positions that were either initiated prior to joining BAM or before BAM prohibited personal trading in covered securities (on April 16th 2007). These legacy positions can only be closed-out with the prior approval of a member of the Compliance or Legal Team.
- Employees must pre-clear all private placements and are not allowed to receive allocations of Initial Public or Subsequent Offerings in their personal accounts.
- The Firm maintains a "Restricted List" of companies about which a determination has been made that it is prudent to prohibit trading activity.
- Employees must acknowledge in writing having received and read a copy of the Code of Ethics and Employee Trading Policy.
- Any exceptions to the above need prior approval of by a member of the Compliance Department.

A copy of our Code of Ethics and Personal Trading Policy is available to investors and prospective investors upon request.

#### **Item 11.B.**

BAM, in its capacity as investment manager to Atlas Master Fund, Ltd. ("AMF"), recommends that AMF purchase interests in Shakti Master Fund, LP ("Shakti"). AMF wholly owns 100% of Shakti. BCM is the general partner of Shakti, Atlas Fundamental Trading Fund, LP ("AFT LP"), Atlas Leveraged Fund, LP ("ALF") and Atlas Fundamental Trading Leveraged Fund, LP ("AFTL") and is also the managing member of Atlas Global, LLC ("Atlas Global"), Atlas Institutional Fund, LLC and Atlas Institutional Fund II, LLC.

In order to mitigate the conflict of advising certain Investment Funds managed by BAM to invest in other Investment Funds also managed by BAM, BAM does not permit these investors to obtain terms that are more favorable than the terms offered to any other investor. It should be noted; however, that employees that are permitted to invest in the Investment Funds are typically charged a reduced Incentive Allocation or are not charged an Incentive Allocation at

all (depending on the specific Investment Fund). Further, partners of BAM do not pay a Management Fee or an Incentive Allocation.

Through its marketing efforts, BAM solicits clients and prospective clients to invest in the Investment Funds. Likewise, in its capacity as investment adviser, BAM recommends the Investment Funds to its clients and prospective clients. BAM mitigates this conflict by ensuring that its marketing efforts adhere to applicable securities and anti-fraud rules.

#### **Item 11.C.**

BAM currently manages two proprietary accounts, ALF and AFTL (ALF and AFTL together along with any proprietary accounts created in the future, shall be referred to as the “Proprietary Accounts”). ALF and AFTL do, and any future Proprietary Accounts may, aggregate trades along with the other Investment Vehicles managed by BAM in accordance with the policy described in greater detail in this Item 11.C. below. The purpose of the Proprietary Accounts is to obtain heightened leverage in an amount that is not consistent with the investment strategies of the other funds managed by BAM.

ALF will split trades with AMF, generally pro rata, based on ALF’s gross value after factoring in the use of borrowed money (or leverage) (“Notional Capital”) and the Notional Capital of AMF subject to various constraints including, but not limited to, trading counterparties, eligibility requirements, risk and various other reasons, including but not limited to sub-advisory services provided by third-party sub-advisers. ALF intends to generally replicate the strategies of AMF. It should also be noted that ALF maintains exposure to AMF’s illiquid portfolio in the form of Class N Shares issued by AMF to ALF.

AFTL splits trades with Atlas Fundamental Trading Master Fund, Ltd. (“AFTM”), generally pro rata, based on AFTL’s Notional Capital and the Notional Capital of AFTM subject to various constraints including, but not limited to, trading counterparties, eligibility requirements, risk and various other reasons. AFTL intends to generally replicate the strategies of AFTM.

Proprietary Accounts that have outside investors (non-BAM investors) (currently, ALF) will participate in IPOs on a pro-rata basis based on the actual equity amount of the Proprietary Account that is attributable to the outside investors only. Once a Proprietary Account is no longer deemed to be a proprietary account (in BAM’s sole discretion), eligible partners and employees of BAM will be permitted to participate in allocations of these investments. AFTL will not receive IPO allocations at this time, but may elect to do so in the future (in BAM’s sole discretion) if outside investors are admitted (Proprietary Accounts, in general, will operate under this same guideline). Similarly, the Proprietary Accounts will receive allocations of securities with limited opportunities that the other Investment Vehicles are investing in and will participate in investments that are oversubscribed, which will be allocated based on the actual equity amount of the specific Proprietary Account and the actual equity amount of the Investment Vehicle serving as the “model fund,” subject to the parameters and restrictions described in greater detail in this Item 11.C. below. The Proprietary Accounts will also be filled on odd-lots under the same guidelines. The Proprietary Accounts will not engage in

principal transactions unless consent has been granted by all appropriate parties or such action otherwise complies with the Investment Advisers Act of 1940, as amended as well as other applicable securities laws.

When BAM purchases securities for more than one account, BAM will aggregate orders unless aggregation is not consistent with our duty to obtain best execution or aggregation is not consistent with the terms of the investment guidelines and restrictions for each of the Investment Vehicles that trades are being aggregated on behalf of.

Except for favoring the Investment Vehicles over the Proprietary Accounts with respect to IPOs and other limited opportunities (discussed in this Item 11.C. above and below), no Investment Vehicle(s) will be favored over any other Investment Vehicle(s). Each Investment Vehicle that participates in an aggregated order will participate at the average price for all of BAM's transactions in that security on a given business day, with transaction costs shared pro rata based on each Investment Vehicle's participation in the transaction.

Before entering an aggregated order, a written statement (the "Allocation Statement") will be prepared, generally at the beginning of each month, which specifies the participating Investment Vehicles and how the order will be allocated among those Investment Vehicles. If the aggregated order is filled in its entirety, it will be allocated among the Investment Vehicles in accordance with the Allocation Statement. If an order is not filled in its entirety then the part of the order to be allocated to the Proprietary Accounts will be reduced to zero before any other Investment Vehicle's portion is reduced at all. However, a Proprietary Account that has outside investors (non-BAM investors) will participate in partial fills of securities with limited investment opportunities on a pro-rata basis based on the actual equity amount of the Proprietary Account that is attributable to the outside investors only. Once a Proprietary Account is no longer deemed to be a proprietary account (in BAM's sole discretion), eligible partners and employees of BAM will be permitted to participate in allocations of these investments (with fills allocated based on actual equity as described above).

If a Portfolio Manager places trade orders for more than one Investment Vehicle within the same investment strategy (for example the Atlas Master Fund strategy, which includes the Separate Account clients whose trading objective models that of AMF), that Portfolio Manager's trade orders will generally be allocated pro-rata based on the "notional" (the gross value after factoring in the use of borrowed money or leverage) assets of the specific Investment Vehicles involved in the trade.

If a Portfolio Manager places trade orders for more than one Investment Vehicle across different investment strategies (the Atlas Master Fund strategy and the Atlas Fundamental Trading Master Fund strategy, which includes the Separate Account clients whose trading objective models that of AFTM), that Portfolio Manager's trade orders will generally be allocated pro-rata, first, to each specific investment strategy based on the notional amount that specific Portfolio Manager advises for each investment strategy and, second, to each Investment Vehicle participating in the specific investment strategy, pro-rata, based on the each specific Investment Vehicle's notional assets (as defined in the preceding paragraph).

On occasion, BAM will not be able to purchase or sell all of the securities ordered as part of an aggregated order in a single day. If the order is partially filled, it will generally be allocated pro rata in proportion to the size of the orders placed for each Investment Vehicle (other than the Proprietary Accounts, which will be treated as described in paragraph immediately before this paragraph) to the extent practicable based on the Allocation Statement.

In certain limited circumstances, such as where bank debt or private securities are purchased in an aggregated order, BAM may not be able to allocate a portion of the order to a particular Investment Vehicle because of (among other things) minimum investment restrictions, excessive costs or investor eligibility rules.

With respect to allocations of limited investment opportunities, such as privately placed securities and initial public offerings of securities, BAM will determine which Investment Vehicles are eligible to participate in those opportunities. BAM will generally prepare a separate allocation statement covering IPOs for the different Investment Vehicles based upon among other things each Investment Vehicle's investment strategy. As stated above, Proprietary Accounts that have outside investors (non-BAM investors) will participate in IPOs on a pro-rata basis based on the actual equity amount of the Proprietary Account that is attributable to the outside investors only. Once a Proprietary Account is no longer deemed to be a proprietary account (in BAM's sole discretion), eligible partners and employees of BAM will be permitted to participate in allocations of these investments. Investment Vehicles without sufficient available capital may not participate in these investments. Additionally, BAM may give added weight to those Investments Vehicles whose investment programs are responsible for obtaining the investment opportunity when allocating limited investment opportunities.

Initial Public Offerings and subsequent primary offerings are allocated pro rata based on the actual equity amount of the Investment Vehicles involved.

It should be noted that an aggregated order may be allocated on a basis different from that specified in the Allocation Statement if all Investment Vehicles receive fair and equitable treatment and the reason for the different allocation is explained to a member of the Compliance Department and is approved (by email, memo or otherwise) by a member of the Compliance Department. Reasons for allocating on a basis different from that specified in the Allocation Statement may include, but are not limited to: an Investment Vehicle's investment guidelines and restrictions, risk parameters, available cash, liquidity requirements, portfolio exposure, permitted or available counterparties, hedging, tax or legal reasons, and to avoid odd-lots or in cases when a pro rata allocation would result in a de minimis allocation to one or more Funds. In the event of a de minimis allocation the de minimis shares shall be allocated as detailed in the Allocation Statement.

BAM's books and records will separately reflect, for each Investment Fund, all aggregated orders in which the Investment Vehicle participated and all securities held by, and bought and sold for, that Investment Vehicle. For avoidance of doubt, BAM may rely upon the allocation records kept by its prime-broker.

Each Investment Vehicle's assets will be deposited with one or more custodians, and the Investment Vehicle's assets will not be held collectively any longer than is necessary to settle the purchase or sale in question; cash or securities held collectively for Investment Vehicles will be delivered to the custodian as soon as practicable following settlement.

BAM will receive no additional compensation of any kind as a result of an aggregated order.

Individual investment advice and treatment will be accorded to each Investment Vehicle.

Please see Item 11.A. for details on BAM's Personal Trading Policy.

**Item 11.D.**

As stated in Item 11.C., the Proprietary Accounts will not engage in principal transactions unless consent has been granted by all appropriate parties or such action otherwise comports with the Investment Advisers Act of 1940, as amended (and other applicable securities laws). However, BAM may cause a security to be traded between two clients (other than Proprietary Accounts and ERISA clients) where it believes such trade to be in the interest of each client. BAM generally has such authority under the general grant of investment discretion given to it by its clients. BAM's practice is to engage in cross trades in limited circumstances where the purchase and sale of the same security at the same time by different clients helps to achieve more favorable terms to each client than through separate transactions not involving a cross trade. These circumstances can arise when a client wishes to sell a security to generate cash or to realign such client's asset allocation at a time when BAM would like to purchase the security for other clients. In some cases, BAM may determine to reallocate assets (which may involve generating cash to fund withdrawals or investing new capital) within its Investment Vehicles and thereby create a need to sell the security from one Investment Vehicle and a need to purchase the same security in another Investment Vehicle. The lower the liquidity for a given security, the more likely there will be a benefit to effecting a cross transaction. For this reason, cross transactions are more likely in stocks of smaller companies than stocks of larger companies.

BAM's duty to be unbiased and fair to clients on both sides of a cross transaction may pose an inherent conflict of interest. To ensure that it fulfills its duty to each client that is party to a cross transaction, BAM seeks to ensure the appropriateness of the transaction for each client and that it is fair to both sides of the transaction. It does so by (i) confirming that the security is underrepresented in the purchasing investment fund's portfolio based on BAM's portfolio weightings at the time, (ii) confirming that the security is over-represented in the selling investment fund's portfolio based on portfolio weighting or that investment fund does not have options for generating needed cash or reallocating assets as desired, and (iii) determining current market prices based on current market quotes. Cross trades between clients are generally priced at the closing price, as established by an independent broker. In causing cross trades to be effected between Investment Vehicles, BAM will effect a journal transaction with the Investment Vehicles' prime brokers, generally at no cost, or utilize an unaffiliated broker-dealer at normal commission rates.

In addition, BAM may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date (or otherwise as permitted under applicable exchange rules). If an erroneous allocation cannot be corrected prior to or after settlement, BAM may, if appropriate and subject to applicable law, correct the erroneous allocation by effecting a cross-trade between client accounts at the price at which the initial trade was effected.

Please see Item 11.A. for details on BAM's Personal Trading Policy.

## **Item 12**

### **Brokerage Practices**

BAM allocates transactions to broker-dealers for execution on markets/exchanges and at prices and commission rates that in BAM's good faith judgment are in the best interest of its clients. BAM takes into consideration primarily available prices, brokerage commission rates, and other relevant factors including, but not limited to, execution capabilities, the size of the transaction, the difficulty of execution, the operational facilities of the broker-dealer involved, the risk in positioning a block of securities, the quality of the overall brokerage and research services provided by the broker-dealer, the broker-dealer's willingness to commit capital and the value of an ongoing relationship with such broker-dealer. Research services include, but are not limited to, economic forecasts, investment advice, fundamental and technical advice, market analysis, statistical services and analyses of particular securities and investment situations.

Some of these services are considered part of a "soft dollar" arrangement, as described in greater detail below. Where these services are provided by an executing broker-dealer, BAM may pay a brokerage commission in excess of that which another broker-dealer might have charged for effecting the same transaction if BAM determines in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer (viewed in terms of either the particular transaction or BAM's overall responsibilities with respect to the account over which it exercises investment discretion).

BAM currently uses commission dollars generated by client trades to pay for third-party research and brokerage products. This is commonly referred to as paying with "soft dollars." Research may include, among other things, proprietary research from brokers, which may be written or oral, market, economic and financial data, performance measurement services, analyses concerning specific securities, companies industries or sectors, statistical information, pricing data, databases and quotation services. There are also instances where BAM receives investment research and access to, or discounts from, a brokerage firm's (or such firm's affiliate's) research and/or trading platforms in exchange for trade orders. Certain of these soft dollar arrangements require BAM to generate a specific level of commissions in order to receive such research or brokerage products. All of BAM's soft dollar usage is within the safe harbor permitted under Section 28(e) of the Securities and Exchange Act of 1934, as amended. If a product or service obtained with client commission dollars provides both soft dollar

eligible and ineligible assistance, we will make a reasonable allocation of the cost which may be paid with soft dollars.

The use of client brokerage commissions to obtain research or other products and services is a benefit to BAM as it does not require BAM to produce or pay for the research, products or services. As a result, BAM has an incentive to select specific broker-dealers based on BAM's interest in receiving the research or other products and/or services, rather than basing this decision on BAM's clients' interest in receiving most favorable execution. In addition, soft dollar benefits may not be proportionally allocated to each Investment Vehicle that pays the actual commissions that generate the soft dollars. Also, soft dollar benefits are not limited to only those Investment Vehicles that generated the actual soft dollars. Likewise, it is possible that Investment Vehicles which may not directly benefit from the ancillary service provided by a particular broker-dealer will enter into transactions through such broker-dealer. However, BAM believes that the overall effect of such transactions on all accounts, when the ancillary services furnished to all Investment Vehicles are considered in totality, will be equally beneficial to all Investment Vehicles.

Notwithstanding the above, upon appropriate notice and disclosure, as required, BAM may generate soft dollar balances outside of the safe harbor of Section 28(e).

BAM has entered into agreements on behalf the Investment Vehicles with certain broker-dealers that act as prime brokers and execution brokers on behalf of the Investment Vehicles. From time to time, BAM personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by those brokers. These conferences and programs may be a means by which BAM can be introduced to potential investors in the Investment Vehicles. Currently, neither BAM nor the Investment Vehicles compensate the brokers for organizing these "capital introduction" events or for investments ultimately made by prospective investors attending such events (although either may do so in the future). However, these events as well as the other services provided by a broker may be a factor in deciding whether to use that broker for brokerage, financing and the other activities conducted by the Investment Vehicles, BAM will not commit to allocate a particular amount of brokerage to a broker-dealer in any of these situations.

BAM is aware of its fiduciary obligation to seek the "best execution" on securities transactions. Best execution entails the efficient placement of orders, clearance, settlement and overall execution quality as well as the price obtained in the transaction. As part of its efforts to obtain best execution, BAM will aggregate orders for multiple clients as detailed below.

During our last fiscal year, we acquired with client brokerage commissions (or markups or markdowns) (i) research, such as proprietary research from brokers, which may have been written and/or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies,



industries or sectors; market, economic and financial studies and forecasts; appraisal services; and invitations to attend conferences or meetings with management or industry consultants.

When BAM purchases securities for more than one account, BAM will aggregate orders unless aggregation is not consistent with our duty to obtain best execution or aggregation is not consistent with the terms of the investment guidelines and restrictions for each of the Investment Vehicles that trades are being aggregated on behalf of.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. We directed transactions to such brokers only consistent with best execution. As mentioned above, certain of these soft dollar arrangements require BAM to generate a specific level of commissions in order to receive such research or brokerage products.

No Investment Vehicle will be favored over any other Investment Vehicle (other than as it concerns the Proprietary Accounts as disclosed previously in Item 11.C.); each Investment Vehicle that participates in an aggregated order will participate at the average price for all of BAM's transactions in that security on a given business day, with transaction costs shared pro rata based on each Investment Vehicle's participation in the transaction.

#### **Item 12.B.**

See Item 11.C. for more detail on BAM's trade aggregation and allocation process.

### **Item 13**

#### **Review of Accounts**

#### **Item 13.A. and Item 13.B.**

All accounts are reviewed on a regular basis to determine their conformity with risk parameters, investment objectives, and guidelines. Each portfolio manager receives daily updates of portfolio positions and transactions for which such portfolio manager is responsible. The Executive Committee meets regularly to review the accounts. Further, the portfolio managers and analysts meet regularly to review and discuss portfolio status, potential investments and related issues. All accounts are reviewed in light of emerging trends and developments as well as market volatility.

#### **Item 13.C.**

Investors in BAM's Investment Funds and Separate Accounts generally receive monthly or quarterly statements indicating their capital balances or net asset value and generally receive quarterly or annual letters highlighting the developments for the period. In addition investors in the U.S. domiciled vehicles are generally issued Schedule K-1s between the months of March and May and audited financial statements are provided to all investors within 120-days

of fiscal year-end. Certain investors may receive additional information. Separate Account clients may also receive reports showing open positions, dividend and interest income, realized gains and losses, and performance for the period. The nature and operation of separate accounts affords Separate Account clients greater and more frequent transparency than investors in the Investment Funds, and in most instances, Separate Account clients are afforded total transparency. The reports discussed above are in written/typed form.

#### **Item 14**

### **Client Referrals and Other Compensation**

#### **Item 14.A.**

Please see Item 12.A. for details concerning soft dollar benefits.

#### **Item 14.B.**

BAM currently uses the services of non-affiliated private placement agents to offer interests in certain of the Investment Vehicles. From time to time, BAM may use additional private placement agents as well. BAM compensates such private placement agents for their referrals. These arrangements will be governed by Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, as well as other forms of guidance (for example, no action letters) provided by the SEC.

#### **Item 15**

### **Custody**

On an annual basis BAM delivers audited financial statements to investors in the Investment Funds within 120-days of fiscal year-end. The Investment Funds are audited annually by an accounting firm that is a member of the Public Company Accounting Oversight Board. The audit of the Investment Funds is conducted in accordance with accounting principles that are generally accepted in the U.S. (i.e., U.S. GAAP).

#### **Item 16**

### **Investment Discretion**

BAM has full discretion with respect to securities transactions effected for the Investment Vehicles. This authority is granted pursuant to an investment management agreement (“IMA”) between BAM and the Investment Vehicles. Individual investors grant authority to the Investment Vehicles to enter into an IMA with BAM by signing the relevant subscription agreement. As discussed in Item 4.B., BAM also serves as an investment adviser to Separate Accounts (as defined in Item 4.B. above). Generally, BAM will have full discretion under the investment advisory contracts in place with its Separate Account clients to buy and sell securities without prior client approval. BAM exercises its investment discretion consistent with the applicable investment strategy, as well as any investment guidelines or restrictions

imposed by the relevant Investment Vehicle and accepted by BAM. BAM does not advise clients concerning holdings outside their respective accounts that are managed by BAM. BAM generally has full authority to determine broker-dealers to be utilized and commissions to be paid with respect to securities transactions effected for its Investment Funds and the Separate Accounts.

In all cases, this discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Investment Vehicle. BAM's Separate Account clients may impose contractual restrictions and/or limitations on BAM's discretionary authority.

#### **Item 17**

### **Voting Client Securities**

BAM is generally responsible for determining how to vote all proxies with respect to securities held in client accounts. BAM has retained Glass, Lewis & Co. ("Glass Lewis") to provide research, reporting, vote execution and recordkeeping services. BAM generally follows voting guidelines established by Glass Lewis. However, certain BAM personnel may override Glass Lewis' recommendations on a case-by-case basis, provided that BAM does not face a conflict of interest in voting such securities. Additionally, BAM may abstain from voting (which generally requires submission of a proxy voting card) or affirmatively decide not to vote if BAM determines that abstaining or not voting is in the best interests of the Investment Vehicles.

BAM may contractually agree with its Separate Account clients to allow its Separate Account clients to direct a vote for a particular proxy solicitation, provided that doing so will not raise a conflict of interest with respect to other Investment Vehicles voting on the same proxy.

Investors that wish to obtain a record of BAM's proxy voting policy or proxy voting history can contact BAM by calling (212) 808-2300 and asking to speak to someone in the Compliance Department.

#### **Item 18**

### **Financial Information**

#### **Item 18.A.**

Not applicable

#### **Item 18.B.**

There are no conditions that impair BAM's ability to meet its contractual and fiduciary commitments to its clients.

#### **Item 18.C.**

Neither BAM nor the control persons of BAM have been the subjects of a bankruptcy proceeding in the past 10 years.