



## Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Hayman Capital Management, L.P. ("Hayman" or the "Adviser"). If you have any questions about the contents of this brochure, please contact us at 214-347-8050. 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.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities or investment products. Such an offer may only be made to eligible persons by means of delivery of offering memoranda and/or other similar materials that contain a description of the material terms related to such investment.

Hayman is registered with the SEC as an investment adviser. Being a "registered investment adviser" or describing ourselves as being "registered" does not imply a certain level of skill or training.

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

## **Item 2 – Material Changes**

There have not been any material changes associated with this annual update as compared to the Form ADV Part 2A dated March 2014.

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## **Item 4 - Advisory Business**

Hayman, a Delaware limited partnership with a principal place of business in Dallas, Texas, was founded in December 2005 and is wholly owned, directly or indirectly, by J Kyle Bass. Hayman has been registered with the Securities and Exchange Commission as an investment adviser since April 2008. As of December 31, 2013, Hayman manages approximately \$2.1 billion in assets under management on a discretionary basis on behalf of its clients.

Hayman provides investment management services to private pooled investment vehicles (individually, a “Fund” and collectively, the “Funds”) and Separate Accounts (as defined below) (collectively with the Funds, “Clients”).

Investors in the Funds are typically institutions, funds-of-funds, family offices, and high-net-worth individuals. The investment mandates and restrictions of the Funds are described in their respective offering documents. Investors are not permitted to impose their own investment restrictions on the Funds.

### The Hayman Funds

Hayman is the general partner of Hayman Capital Partners, L.P., a Delaware limited partnership (“HCP” or the “Hayman Onshore Fund”) and is the managing general partner of Hayman Capital Master Fund, L.P., a Cayman Islands exempted limited partnership (the “Hayman Master Fund”). Hayman Offshore Management, Inc., a Cayman Islands exempted company (“HOM”) and affiliate of the Adviser, serves as the general partner of Hayman Capital Offshore Partners, L.P., an exempted limited partnership organized under the laws of the Cayman Islands (“HCOP” or the “Hayman Offshore Fund”) and the Hayman Master Fund. The Adviser serves as investment manager to HCP, HCOP, and the Hayman Master Fund (collectively, the “Hayman Funds”). HCP and HCOP invest substantially all of their assets in, and conduct substantially all of their investments and trading activities through, the Hayman Master Fund. The primary purpose of the Hayman Master Fund is to achieve a superior risk-adjusted return by investing primarily in event-driven situations or securities which will be influenced by macro-economic trends.

### The Japan Funds

Hayman is the general partner of Japan Macro Opportunities Partners, L.P., a Delaware limited partnership (“JMOP” or the “Japan Onshore Fund”) and is the managing general partner of Japan Macro Opportunities Master Fund, L.P., a Cayman Islands exempted limited partnership (“JMOMF” or the “Japan Master Fund”). HOM serves as the general partner of Japan Macro Opportunities Offshore Partners, L.P., an exempted limited partnership organized under the laws of the Cayman Islands (“JMOOP” or the “Japan Offshore Fund”) and the Japan Master Fund. The Adviser serves as investment manager to JMOP, JMOOP and the Japan Master Fund (collectively, the “Japan Funds”). The Japan Onshore Fund and Japan Offshore Fund invest substantially all of their assets in, and conduct substantially all of their investments and trading activities through, the Japan Hayman Master Fund. The primary purpose of the Japan Master

Fund is to make investments in the Japanese foreign currency and interest rate markets.

The investments received from investors in the Japan Funds at each closing are maintained in a special memorandum account on the books and records of the Japan Master Fund, each referred to as a “tranche”. An investor is only entitled to the assets of the Japan Funds attributable to the tranche(s) in which it invests.

#### Separate Accounts

Hayman provides investment management services to separately managed accounts, including “funds of one” (collectively, “Separate Accounts”). The investment mandates and other terms of Separate Accounts are negotiated with each client.

### **Item 5 - Fees and Compensation**

Investors in the Funds and the owners of the Separate Accounts are subject to the fees and expenses described below. Hayman has the authority to negotiate these fees and expenses at its discretion. Hayman has waived or negotiated lower fees or expenses for certain clients and/or employees and their family members.

The management fee is prorated for investments made in the middle of a billing period. In the event that the advisory services of the Adviser are terminated prior to the end of any calendar quarter, a proportionate amount of the applicable management fee will be refunded to such client or investor, as applicable. As described below, certain investments may be subject to withdrawals fees. Investors in the Funds should consult the offering documents for the relevant Fund for a detailed description of the fees and expenses applicable to their investment.

#### The Hayman Funds

The minimum aggregate investment that must be contributed and maintained to obtain Class I Interests in the Hayman Funds is \$150 million. Limited partners that do not have an aggregate investment of \$150 million will obtain Class A Interests. At any time a limited partner’s aggregate investment falls below the Class I Interest threshold, the entire balance of their capital accounts associated with the Class I Limited Partner will be automatically converted to Class A Interests.

Investors in the Hayman Onshore Fund and the Hayman Offshore Fund are subject to the following fee schedule:

Quarterly Management Fee:	Class A: 0.4625% (1.85% per annum)  Class I: 0.375% (1.5% per annum); both payable in advance
Annual Performance Allocation:	20% of net profits, subject to high water mark

Withdrawal Fee:	6% for withdrawals within first year, payable to the Master Fund
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### The Japan Funds

Investors in the Japan Onshore Fund and the Japan Offshore Fund are subject to the following fee schedule:

Quarterly Management Fee:	0.3125% (1.25% annually), payable in advance
Performance Distribution:	20% of distributions after return of initial capital, 35% after a 10X return on initial capital

Investors are subject to a 5% withdrawal penalty, payable to the relevant tranche, for withdrawals within three years of investing. This penalty does not apply to tranches held by a single Limited Partner.

Hayman does not bill the investors in the Funds for management fees or performance allocations/distributions. Rather, management fees are deducted from the assets of the applicable Funds on a quarterly basis, generally at the beginning of each calendar quarter. Each Fund charges its applicable management fee to the capital accounts or shares, as applicable, of each investor in such Fund accordingly. Similarly, the performance allocations for the Hayman Funds are made within the applicable Funds generally at the end of each year, or sooner with respect to any investments withdrawn or redeemed from a Fund at any time other than at the end of a fiscal year. Performance Distributions from the Japan Funds are withheld from distribution proceeds.

### Separate Accounts

Hayman does not maintain a fee schedule for Separate Accounts. Fees and expenses applicable to each account are negotiated separately.

### Expenses

Clients of Hayman, including the Funds, will generally bear costs associated with management of their accounts, including (a) broker's commissions, exchange fees, interest expenses, withholding and other taxes, custodial fees, clearing fees and account fees; (b) securities lending fees and expenses; (c) interest on margin accounts and other indebtedness, (d) regulatory costs and expenses, (e) expenses related to third-party research, publications, data and data services, including real-time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data; (f) outside professional fees and expenses, including those of attorneys, accountants, consultants, administrators and independent advisors; (g) travel expenses incurred in connection with evaluating, negotiating, managing, or disposing of investments; and (h) indemnification payments, insurance costs and extraordinary expenses (including, but not limited to, litigation expenses). Please see the *Brokerage Practices* section of this brochure for further information regarding commissions and other transaction costs incurred by clients.

## **Item 6 - Performance Based Fees and Side-by-Side Management**

As described above, Hayman receives performance-based fees or allocations from all of its clients. Management of accounts that do not pay performance-based compensation side-by-side with accounts that do pay such compensation may create an incentive for an adviser to favor the accounts with performance compensation. In order to mitigate this potential conflict, the Adviser does not manage accounts that pay performance-based compensation side-by-side with accounts following a similar strategy that do not pay such compensation.

## **Item 7 - Types of Clients**

Hayman provides investment management services to private pooled investment vehicles and separate accounts. Investors in the Funds are typically institutions, funds-of-funds, family offices, and high-net-worth individuals. The minimum initial capital contribution for the Hayman Funds is \$5 million. The minimum initial capital contribution for the Japan Funds is currently (i) \$10 million for a single Limited Partner to establish its own tranche and (ii) \$250,000 for a multi-investor tranche. The general partner to the Funds may grant exceptions to these minimums. Hayman shall determine from time to time the minimum investment for each Separate Account.

Investors in each of the U.S. Funds and U.S. investors in the each of the offshore Funds must each be (i) an “accredited investor” as defined in Regulation D under the U.S. Securities Act of 1933, as amended, and (ii) a “qualified purchaser” as that term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “1940 Act”).

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

Hayman’s investment process generally begins with idea generation driven by its Investment Team members’ monitoring of a defined set of sovereign actions, corporate events, global market conditions, and internal and external sources. Once an idea is generated, a preliminary evaluation of intrinsic value and risk/reward characteristics is conducted by the broader Investment Team. Potential investments are subject to further evaluation, generally including a fundamental analysis of government and/or company economics and an assessment of pricing discrepancies and identified catalysts. Country risk(s) (government, GDP, capital account, political situation, and currency assessment) are also assessed by the Investment Team.

Based on this process, Kyle Bass, as the Chief Investment Officer (“CIO”) makes the final decision whether to proceed with an investment idea and position sizing (subject to any limitations in the agreements for the Separate Accounts). Capital is allocated on a position-by-position basis, depending on the specific opportunity and risk/return profile of a potential investment. However, concentration of exposures to certain industries or

product types is monitored closely by the CIO, Chief Risk Officer, and the Investment Team, who help formulate portfolio construction.

Hayman's primary investment strategy focuses on the use of special situation and event-driven investments. Depending on the investment mandate of the specific client, the Adviser may invest in any type of asset, including swaps, options, futures, commodities, currencies, distressed debt, and other types of equity and fixed-income securities. Hayman generally does not invest directly in real estate.

The Japan Funds seek to invest in fully paid for fixed-income and foreign exchange securities and derivative products in the Japanese capital markets within a broad global macroeconomic strategy focusing on the risks to Japanese interest rate market and currency volatility relative to the U.S. dollar.

The risks involved with the Hayman's investment strategies and techniques are discussed below. All of these investments involve a risk of loss of invested capital, which clients and investors should be prepared to bear.

*Special Situation Companies/Distressed Investments.* The Adviser may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial business risks that can result in substantial or total losses. Among the problems involved in assessing and making investments in troubled issuers is that it may be difficult to obtain information as to the condition of such issuer. The market prices of the securities of such issuers are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than normally expected. It may take a number of years for the market prices of such securities to reflect their intrinsic values. Some securities may not be widely traded and the Adviser's positions in such securities may be substantial in relation to the overall market for such securities.

These types of securities require active monitoring and, at times, may require participating in bankruptcy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, client accounts may have a more active participation in the affairs of the issuer than originally contemplated. In addition, the Adviser's participation in such proceedings may restrict or limit clients' ability to trade securities of the subject company.

*Risk Arbitrage Transactions.* The Adviser may engage in risk arbitrage transactions where it purchases securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or it is not consummated or is



delayed, the market price of the security purchased by the Adviser may decline sharply and result in losses if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. In certain transactions, the position may not be “hedged” against market fluctuations. Even if the proposed transaction is consummated, this can result in losses. In addition, a security to be issued in a merger or exchange offer may be sold short by the Adviser in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, the Adviser may be forced to cover its short position at a higher price than its short sale price, resulting in a loss.

*Concentration.* Although the Adviser generally intends to diversify investments made by its clients, investments may at times be concentrated in a limited number of companies or industries. If such an investment performs poorly, this concentration could cause a proportionately greater loss than if a larger number of investments were made, and if such proportionately greater loss occurs, it may adversely impact the overall return on investment realized by clients.

*Illiquid Investments.* Certain investments may not be able to be sold except pursuant to a registration statement filed under the Securities Act of 1933 (the “Securities Act”) or in accordance with Rule 144 or another exemption under the Securities Act. Furthermore, because of the speculative and non-public nature of some investments, the Adviser may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent clients from realizing the same overall return on investment as may have been realized if such sales or dispositions had been made at a later date.

Certain securities may be difficult or impossible to sell at the time and price that the Adviser desires. The Adviser may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on the performance of the affected client accounts.

*Leverage.* When permitted, leverage increases the account’s exposure to losses. Moreover, if an account’s revenues were not sufficient to pay the principal of and interest on the debt when due, the client could sustain a total loss of investment.

*Counterparty Creditworthiness.* When the Adviser engages in certain transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed-income securities, the Adviser relies on the creditworthiness of its counterparty. In certain instances, counterparty risk or credit risk is affected by the lack of a central clearinghouse.

In times of market distress consistent with current economic conditions, a counterparty may default rapidly and without notice to the Adviser, and the Adviser may be unable to take action to cover its exposure, either because it lacks the contractual ability or because market conditions make it difficult to take effective action in a timely manner. In the event of a counterparty default, the affected accounts could incur significant losses. In the event that one of the counterparties becomes insolvent or files for bankruptcy, the ability to eventually recover any losses suffered as a result of that counterparty’s default

may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding. Concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose affected accounts to significant losses. In the event of a counterparty default, particularly a default by a major investment bank, affected clients could incur material losses.

*Off-Balance Sheet Risk.* In the normal course of business, the Adviser may invest in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic 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. Additionally, in the normal course of business, the Adviser may purchase long positions in option contracts that do not have off-balance sheet-risk.

*Short Sales.* The Adviser may effect short sales. Short selling is the practice of selling securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. To complete a short sale, an account generally must borrow the securities from a third party in order to make delivery to the buyer. The account generally is required to pay a brokerage commission that will increase the cost of selling such securities. The proceeds of the short sale plus additional cash or securities must be deposited as collateral with the lender of the securities to the extent necessary to meet margin requirements. The amount of the required deposit will be adjusted periodically to reflect any change in the market price of the securities that the account is required to return to the lender. The account is obligated to return securities equivalent to those borrowed at any time on demand of the lender of the securities borrower by purchasing them at the market price at the time of replacement. An increase in the value of any security that is the subject of short selling by an account may, as a result of the foregoing, have a material adverse effect on the assets of the account.

*Options.* Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price.

*Futures Contracts.* The Adviser may invest in commodities futures contracts, options on futures contracts and in other products that may be traded on commodities exchanges regulated by the U.S. Commodity Futures Trading Commission or international exchanges or in the over-the-counter markets. Futures prices generally are extremely volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is common in a futures trading account. As a result,

a relatively small price movement in a futures contract may result in substantial losses. Similar to other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested. In addition, futures trading may be illiquid and frequently involves high transaction costs.

*Index Contracts.* The Adviser may invest in customized instruments to seek to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities, foreign currencies or commodity prices. These hedging strategies may be executed by the Adviser through the use of exchange-traded equity index options, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, “index contracts”) structured by investment banking institutions.

Index contracts generally have substantial risks associated with them, including possible default by the counterparty to the transaction, illiquidity and, to the extent the Adviser’s view as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used. In addition, certain over-the-counter index contracts may have no markets. As a result, the Adviser might not be able to close a transaction without incurring substantial losses, if at all.

*Foreign Securities.* The Adviser may invest in securities of companies domiciled or operating in one or more foreign countries. Investing in foreign securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, foreign currency risk, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversion between various currencies and foreign brokerage commissions that may be higher than in the United States. Foreign securities markets also may be less liquid, more volatile and subject to less governmental supervision than in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

*Swaps and Similar Contracts.* In addition to index contracts and other exchange-traded option contracts, the Adviser may invest in over-the-counter contracts that involve dealing with counterparties and their ability to satisfy their obligations under such contracts. Specifically, the Adviser may utilize repurchase agreements, forward contracts or swap arrangements, each of which may expose clients to credit risks to the extent that any counterparties to such contracts default on their obligations to perform under the relevant contracts.

## **Item 9 - Disciplinary Information**

Hayman and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the Adviser.

## **Item 10 - Other Financial Industry Activities and Affiliations**

Hayman and its partners, affiliates and employees may engage in other activities, including providing investment management and advisory services to other funds and accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the Clients and their affairs. Such activities may require a substantial amount of time. Hayman and its affiliates may allow certain investors in the Funds to invest side-by-side with a Fund in connection with certain investments, and Hayman and its affiliates may receive fees in connection with such investments. None of the Funds, its investors or any other Clients have any right to participate or to obtain an interest in any such investment opportunities or any other outside activities of Hayman, its partners, affiliates and employees. In addition, such other activities could subject Clients to trading restrictions or position limits that could prevent Hayman from acting in the best interest of the Fund.

The Investment Manager faces conflicts of interest when allocating investment opportunities among its Clients. Hayman and any of its affiliates may give different advice or take different action with respect to any Funds or Separate Accounts. Allocation of investment opportunities among Clients will be made on a basis that Hayman determines in good faith to be fair and reasonable taking into account considerations that it deems relevant, such as the investment objectives and investment portfolio of the Clients.

If permitted under applicable law and the governing documents of each Client, Hayman may, on behalf of a Client for liquidity, portfolio rebalancing, trade allocation or other reasons, purchase investments from, sell investments to or enter into agreements with other Clients (i.e. "cross transactions"). The terms of any such cross transactions will be commercially reasonable and will not be materially less favorable to a Client than those available in the market. Hayman will receive no special fees or other compensation in connection with cross transactions. Expenses incurred in a cross transaction will be allocated equitably in the sole discretion of Hayman between the Clients that are parties to the cross transaction. Similarly, if a transaction is cancelled, any costs incurred will be allocated equitably in the sole discretion of Hayman between the Clients that are parties to the cross transaction.

The Investment Manager is registered as a commodity pool operator and commodity trading adviser with the CFTC and is a member of the U.S. National Futures Association.

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

Subject to Hayman's Code of Ethics, neither the Adviser nor its employees are prohibited from buying or selling securities for their own accounts, and may take investment positions similar or contrary to those acquired for Clients. Certain of Hayman's employees may invest in the Funds as limited partners. The Adviser waives the management fee and the performance allocation with respect to Fund investments held by employees.

Hayman has adopted a written Code of Ethics that is applicable to all of its officers and employees. Among other things, the code requires such officers and employees to adhere to high ethical standards, act in clients' best interests, and abide by all applicable regulations. The Code of Ethics includes an Insider Trading Policy that is designed to prevent officers and employees from misusing material non-public information; including information regarding the Clients' transactions. The Adviser's Code of Ethics also includes a Personal Trading Policy, which requires officers and employees to hold personal investments for at least six months and to pre-clear most personal securities transactions with the Chief Compliance Officer. Officers and employees are prohibited from engaging in transactions in securities on Hayman's restricted list, as well as from trading ahead of Clients or otherwise engaging in transactions that may harm Clients. Any personal investment opportunities that may be appropriate for the Adviser's Clients must be presented to Hayman's Investment Team for consideration of Client investment prior to an officer or employee making an investment. Restrictions on personal trading apply to officers and employees, as well as their family members living in the same household and certain other beneficial owners. A copy of Hayman's Code of Ethics is available to any client or prospective client upon request.

## **Item 12 - Brokerage Practices**

The Adviser has discretion to select broker-dealers to execute transactions on behalf of Clients. Some separate account clients may be permitted to direct Hayman to use specific broker-dealers. Hayman may be unable to achieve best execution for client transactions when a client limits the Adviser's ability to direct securities transactions.

Hayman's primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. Hayman also takes into account certain other factors, which may include, the size of order, difficulty of execution and operational facilities of a brokerage firm, the firm's risk in positioning a block of securities, financial strength, integrity and stability of the brokerage firm, value of research and/or brokerage related services provided by the brokerage firm and the competitiveness of commission rates in comparison with other brokers satisfying Hayman's other selection criteria.

Consistent with seeking best execution, Hayman may place brokerage orders with brokers that provide Hayman with supplemental research, market and statistical information (“soft dollar” items), including advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. The term “soft dollars” refers to the receipt by an adviser of products and services provided by brokers without any cash payment by the adviser, based on revenue generated from brokerage commissions for transactions executed for clients of the investment manager. Using soft dollars to obtain investment research and/or brokerage related services creates a potential conflict of interest between the Adviser and its client accounts, because the soft dollars may be used to acquire products and services that are not exclusively for the benefit of the accounts which paid such commissions and that may primarily or exclusively benefit the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources (including management fees paid by client accounts), the Adviser’s use of soft dollars would tend to increase the Adviser’s profitability. Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities.

Hayman is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such soft dollar items or to pay higher commissions to such firms if Hayman determines such prices or commissions are reasonable in relation to the overall services provided. Because commission rates in the United States are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

Hayman obtains research and/or brokerage related services from some broker-dealers at which its client accounts generate commissions, which benefits the Adviser. Research and brokerage related services furnished within the last year include written information and analysis concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; and discussions with research personnel. The Adviser does not, however, negotiate higher rates on fees and expenses to be paid by its client accounts in exchange for lower rates on fees and expenses to be paid by the Adviser.

The Adviser has an arrangement with Bloomberg Tradebook LLC (“Bloomberg”) whereby a portion of the commissions charged on client trades may be used to offset the cost of other products and services provided by Bloomberg. Products and services that may be paid for under this arrangement include securities and market research, Bloomberg analytical and compliance tools, execution platforms for various products, market data, and order management systems (“Bloomberg Services”). A portion of the Bloomberg Services used by Hayman may not be deemed investment research or execution services within the safe harbor provisions of Section 28(e) of the Exchange

Act. Aside from its arrangement with Bloomberg, Hayman does not maintain formal soft dollar agreements with brokers or other third-parties.

Hayman may receive capital introduction services from some of the broker-dealers it uses to execute and/or settle its transactions. Although such services may benefit Hayman by increasing its assets under management, the Adviser does not direct brokerage transactions based on the availability of capital introduction services or the referral of clients or investors.

#### Aggregated Trades

In many instances, Hayman may determine that it is in one or more of its Clients' best interests to engage in a block trade comprised of shares to be purchased or sold by more than one Client account. Such a block trade may result in a lower brokerage commission, thereby benefiting the Client accounts. Block trades are allocated based on the capital allocated to the trade by the CIO for each account. Intended allocations are documented prior to execution, and partial fills are allocated pro-rata to the intended allocation, within round lot parameters.

### **Item 13 - Review of Accounts**

Accounts under Hayman's management are monitored on a regular basis by the CIO, the Chair of the Risk Committee ("Risk Officer"), and the rest of the Investment Team, as well as the Chief Compliance Officer. With respect to accounts that are actively managed, the Risk Officer regularly reviews reports that are designed to identify accounts or positions that are outside of the Adviser's risk guidelines. The CIO and Investment Team are alerted immediately if a risk guideline has been breached. On at least a monthly basis, the Risk Officer performs stress tests, including shocks to volatility, CDS spreads, currency, and interest rates.

Investors in the Hayman Funds and Japan Funds receive capital account statements electronically via a web-portal on a monthly basis prepared by the Funds' administrator. Investors in all of the Funds receive audited financial statements and K-1s annually.

Separate Account clients receive account statements directly from their chosen custodian on at least a quarterly basis. Hayman may supplement these custodial statements with reports, as negotiated with each client.

### **Item 14 - Client Referrals and Other Compensation**

Hayman currently does not have a solicitation arrangement with any party for referral of clients and investors to the Adviser. However, Hayman continues to pay a portion of its advisory fees for certain legacy investors referred to the Adviser who remain investors.

## **Item 15 - Custody**

All of the Funds' accounts are held in the custody of unaffiliated broker-dealers or banks. Hayman is generally deemed to have custody over the cash and securities held by the Funds due to its affiliation with the general partners of each Fund, which gives the adviser access to these assets. Hayman employs robust internal controls to seek protect the Funds' assets, including a dual signature requirement for transfers to non-client accounts. All investors in the Funds receive audited financial statements annually.

The Adviser does not have custody over cash or securities held by Separate Accounts.

## **Item 16 - Investment Discretion**

Hayman has discretionary authority to manage the assets of each Client pursuant to an investment management agreement or other governing agreement applicable to such Client and to which Hayman is a party. These agreements include an explicit grant of discretionary authority to manage the applicable Client's assets. With respect to the Funds, there are no specific limitations placed on this authority, provided that Hayman will exercise its discretionary authority in accordance with the investment objectives and strategy and applicable limitations, if any, set forth in applicable offering documents of each Fund. With respect to each Separate Account, there are certain limitations placed on this authority that is negotiated with each Separate Account Owner.

## **Item 17 - Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Hayman has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Hayman receives will be treated in accordance with these policies and procedures.

The Adviser's proxy voting policies and procedures are designed to vote proxies in the best interests of clients. These proxy voting policies, together with information regarding how the Adviser has voted past proxies with respect to each Client, is available to clients and investors upon written request. Upon agreement with Hayman, owners of Separate Accounts can take responsibility for voting their own proxies, or can give Hayman instructions about how to vote their shares.

Hayman generally considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, Hayman votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. Hayman also generally votes in favor of compensation practices and other measures that are in line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.



The Chief Compliance Officer oversees the proxy voting process. In the absence of a conflict of interest, the Chief Compliance Officer consults with relevant members of the Investment Team in deciding how to vote a proxy. If a conflict arises with respect to a security held by a Fund, the Chief Compliance Officer will consult with the Hayman General Counsel, as well as outside counsel or consultants as necessary, in deciding how to vote the proxy. If a conflict arises with respect to a security held by a Separate Account for which Hayman votes proxies, the Chief Compliance Officer will consult with the client in deciding how to vote the proxy.

## **Item 18 - Financial Information**

Hayman has never been the subject of any bankruptcy proceeding and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.