

Highbridge Capital Management, LLC

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Form ADV, Part 2A

March 31, 2022

This brochure provides information about the qualifications and business practices of Highbridge Capital Management, LLC (“**HCM**”). If you have any questions about the contents of this brochure, please contact us at (212) 287-2500. 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.

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

HCM is registered as an investment adviser with the SEC. Such registration does not imply a certain level of skill or training.

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

Item 2 - Material Changes

This brochure dated March 31, 2022 is the annual update to the prior brochure dated March 31, 2021. This annual update reflects updates to disclosure in Item 15 related to HCM being deemed to have custody of funds or securities of the HCM Funds and the Co-Investment Vehicles (each as defined below). In addition, certain other non-material changes have been made throughout this brochure. Clients (as defined below) should carefully read this brochure in its entirety.

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Item 4 - Advisory Business

This brochure relates to the investment advisory services offered by Highbridge Capital Management, LLC (“**HCM**”). HCM is registered with the Securities and Exchange Commission (the “**SEC**”) as an investment adviser pursuant to the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). HCM generally provides investment advisory services directly to its Clients.

HCM is a global alternative investment management firm founded in 1992. The firm has developed a leading, diversified investment platform that currently offers credit and volatility focused private investment funds. HCM announced its decision to refocus its business exclusively around its credit and volatility strategies in mid-2019. In connection with this transition, HCM is winding down its multi-strategy fund. HCM manages capital for sophisticated investors, including financial institutions, public and corporate pension funds, sovereign wealth funds, endowments and family offices. HCM is based in New York with a research presence in London. HCM, together with 55I, LLC, Bear Stearns Asset Management Inc., Campbell Global, LLC, J.P. Morgan Alternative Asset Management, Inc., JPMorgan Asset Management (Asia Pacific) Limited, JPMorgan Asset Management (UK) Limited, J.P. Morgan Investment Management, Inc., JPMorgan Funds Limited, and Security Capital Research & Management Incorporated, each an SEC registered investment adviser, various affiliated foreign investment advisers and the asset management division of JPMorgan Chase Bank, N.A. comprise the Asset Management (“**AM**”) business of J.P. Morgan Asset & Wealth Management. J.P. Morgan Asset Management is the marketing name for the AM businesses of JPMorgan Chase & Co. and its affiliates worldwide. HCM is a subsidiary of JPMorgan Asset Management Holdings Inc., a wholly owned, indirect subsidiary of JPMorgan Chase & Co. (together with its affiliates, or as the context otherwise requires, “**JPM**”). JPMorgan Chase & Co. is a publicly traded global financial services firm.

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

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

As of December 31, 2021, HCM had assets under management in the amounts set forth below:

Assets Under Management	U.S. Dollar Amount
Assets Managed on a Discretionary Basis	\$ 3,297,465,686
Assets Managed on a Non-Discretionary Basis	\$ 0
Total Assets Under Management	\$ 3,297,465,686

Item 5 - Fees and Compensation

HCM Funds

Private collective investment vehicles including domestic and foreign partnerships, companies and trusts managed by HCM (other than the Co-Investment Vehicles and the Listed Company (each, as defined below) (collectively, the “**HCM Funds**”)) pay to HCM a monthly or quarterly management fee at the end of the applicable period and performance compensation, as described below. HCM may contractually reduce, modify, rebate and/or waive, and as described in Item 7 has in certain circumstances reduced, modified, rebated and/or waived, some or all of its management fee and/or performance compensation, as applicable, with respect to any investor in an HCM Fund, and intends to reduce, modify, rebate and/or waive some or all of its management fee and/or performance compensation with respect to, but not limited to, principals, employees and certain affiliates of, or investment funds managed by, HCM and its affiliates. The HCM Funds are comprised of an open-end private investment fund structure (the “**HCM Open-End Fund**”) and closed-end private investment fund structures (the “**HCM Closed-End Funds**”), as well as a multi-strategy fund that is in the process of being liquidated (the “**HCM Liquidating Fund**”). Each of the HCM Open-End Fund, the HCM Closed-End Funds and the HCM Liquidating Fund is comprised of multiple investment vehicles.

HCM Open-End Fund

The management fee for the HCM Open-End Fund is based on the net assets of the HCM Open-End Fund and is generally equal to a rate of 2.0% per annum. In addition, HCM, either as trading manager or special limited partner of the HCM Open-End Fund, is entitled to receive performance compensation. The performance compensation is generally equal to 20% of the net trading profits of the HCM Open-End Fund with respect to each fiscal year, and is generally payable as of the fiscal year end.

HCM Closed-End Funds

The management fee for the HCM Closed-End Funds is based on either the net invested capital or net asset value of the relevant HCM Closed-End Fund and is generally equal to a rate ranging from 0.85% to 1.50% per annum. In addition, a subsidiary of HCM, as special limited partner of the HCM Closed-End Funds, is entitled to receive a 20% carried interest, subject to a preferred return, from the relevant HCM Closed-End Funds.

HCM Liquidating Fund

HCM has determined to waive the management fee and performance compensation for the HCM Liquidating Fund.

Co-Investment Vehicles

HCM has organized a co-investment fund, comprised of multiple investment vehicles, to co-invest with certain of the HCM Funds (the “**Co-Investment Vehicles**”). The management fees and performance compensation paid by the Co-Investment Vehicles to HCM are negotiated on an investment-by-investment basis, and certain investments are not subject to any management fees.

LSE Listed Company

HCM serves as investment manager to a Guernsey closed-ended collective investment vehicle whose shares are listed on the London Stock Exchange (the “**Listed Company**” and together with HCM Funds and Co-Investment Vehicles, “**Clients**”). The Listed Company is invested in the HCM Open-End Fund, and HCM receives management fees and performance compensation directly from the HCM Open-End Fund with respect to the Listed Company’s investment in the HCM Open-End Fund. The Listed Company has entered into a managed wind down, as of December 2020, and is in the process of redeeming its entire holding in the HCM Open-End Fund. The Listed Company is also invested in the

HCM Liquidating Fund, but, as noted above, HCM does not receive any management fee or performance compensation in connection therewith.

The management fees and performance compensation described under this Item 5 are deducted from Clients' assets for the HCM Funds and the Co-Investment Vehicles.

In addition to the foregoing fees and compensation, the HCM Funds and the Co-Investment Vehicles, where applicable, will generally pay their organizational, offering, investment, operating and other expenses as further detailed in the relevant Client's offering materials. Such investment, operating and other expenses generally include, without limitation:

- (i) expenses related to investments, whether or not such investments are consummated (including all direct expenses, investment expenses (e.g., brokerage commissions, exchange, National Futures Association and clearing fees, interest expenses, borrowing costs, commitment fees and other finance charges, clearing and settlement charges, custodial fees, bank service fees and fees of unaffiliated third parties in connection with the approval of principal and/or agency cross transactions), reverse breakup, termination and other similar fees, investment-related legal (including expenses associated with litigation and threatened litigation), consulting and other professional fees, accounting and tax expenses, expenses related to regulatory and compliance filings associated with investments and other costs, fees and expenses relating to investments);
- (ii) compensation paid to boards of directors, general partners or trustees, as applicable;
- (iii) administrative, legal and accounting fees and expenses, and fees and out-of-pocket expenses of any services companies retained to provide certain services to the Clients (including valuation agents);
- (iv) travel, lodging and meal expenses related to due diligence meetings or other investment-related activities (including in connection with consummated and unconsummated investment and disposition opportunities);
- (v) fees and expenses related to regulatory and compliance filings associated with the operations of the Client, including, without limitation, Regulation D filings, state "blue sky" filings and other jurisdictional reporting, Form PF and Form CPO-PQR and filings in connection with the Alternative Investment Management Fund Directive;
- (vi) other operating expenses such as, depending on the specific Client, the costs of computer hardware, computer software, market data pricing services, data centers (including data hosting), telecommunications equipment and services, risk oversight services and systems, equipment leases and maintenance agreements, other equipment, company or analyst conferences, research, due diligence, legal and regulatory analysis, fees and expenses related to the negotiation and preparation of side letters with investors, accounting, audit, consulting and other professional fees and expenses and other services and costs; and
- (vii) extraordinary or non-recurring expenses.

For the avoidance of doubt, the above expenses are not meant to be an exhaustive list. HCM Funds that invest all or a portion of their assets through another investment vehicle may also pay their respective pro rata share of the expenses of such investment vehicle. The investment, operating and other expenses borne by the Co-Investment Vehicles are determined, and will vary, on an investment-by-investment basis. In addition, HCM has in the past (including with respect to certain HCM Funds and the Co-Investment Vehicles), and may again in the future, absorb certain expenses of certain Clients pursuant to expense caps or otherwise, including costs associated with the establishment and/or ongoing operation of

the Clients or negotiations of joint venture agreements on behalf of co-investors. The HCM Funds will bear expenses associated with any proposed investment identified for the HCM Funds even if such investment is ultimately not completed. The Co-Investment Vehicles, however, may not bear a portion of such expenses if the relevant co-investment is not completed.

HCM and its affiliates frequently incur common fees and expenses on behalf of one or more Clients. HCM seeks to allocate such fees and expenses among the relevant Clients in a manner that is fair and equitable over time. HCM's policies and procedures provide for the implementation of various methodologies by HCM to determine whether and how common expenses are allocated to such Clients. However, expense allocation decisions involve potential conflicts of interest and often depend on subjective determinations. In addition, the portion of a common expense that HCM allocates to a Client for a particular product or service may not reflect the relative benefit derived by the Client from that product or service in any particular instance. Expense allocation decisions made by HCM in good faith will be final and binding on Clients.

Each of the directors, general partners and trustees of the HCM Funds and the Co-Investment Vehicles, as applicable, will be generally responsible for all of its respective normal overhead expenses, including compensation for employees, rent, utilities and other similar items.

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

As described in the response to Item 5 above, HCM receives management fees and/or performance-based compensation, directly or indirectly, from its Clients. HCM may in the future simultaneously manage Clients that are charged performance-based fees and other Clients that are charged only asset-based fees. These Clients may utilize substantially similar investment strategies and invest in substantially similar assets types. This portfolio management relationship is often referred to as “side-by-side management.” Clients that pay performance-based fees reward HCM based on the performance in those Client accounts. As a result, performance-based fee arrangements provide a heightened incentive for HCM to make investments that present a greater potential for return but also a greater risk of loss and that may be more speculative than if only asset-based fees were applied. On the other hand, compared to a Client that is charged performance-based fees, HCM will have an interest in engaging in relatively safer investments when managing Client accounts that pay asset-based fees. The side-by-side management of Client accounts that pay performance-based fees and Client accounts that pay an asset-based fee only creates a conflict of interest because there is an inherent incentive for HCM to favor accounts with the potential to receive greater fees. For example, HCM will be faced with a conflict of interest when allocating scarce investment opportunities given the possibility of greater fees from Clients that pay performance-based fees as opposed to Clients that do not pay performance-based fees. Areas in which scarce investment opportunities may exist include local and emerging markets, high yield securities, fixed income securities, regulated industries and new issue securities. See also the discussion under “Participation or Interest in Client Transactions and Other Conflicts of Interest - Conflicts Related to the Advising of Multiple Accounts” under Item 10 below.

To address these types of conflicts, HCM has adopted policies and procedures pursuant to which investment opportunities will be allocated among similarly situated Clients in a manner that HCM believes, in its sole discretion and consistent with its fiduciary obligations to its Clients, to be fair and reasonable over time. In addition to the aforementioned policies and procedures, HCM also monitors a variety of areas, including compliance with IPO purchases and new issue allocation decisions.

Item 7 - Types of Clients

As described in the responses to Items 4 and 5, HCM provides investment advisory services to (i) the HCM Funds, (ii) the Co-Investment Vehicles and (iii) the Listed Company. The Clients are U.S. and non-U.S. investment limited partnerships, companies, trusts and other vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940, as amended. In addition, the securities issued by the Clients are not registered or required to be registered under the U.S. Securities Act of 1933, as amended (the “**1933 Act**”), and, other than the Listed Company, are generally privately placed to qualified investors in the United States and elsewhere. The investors in the HCM Funds and Co-Investment Vehicles are primarily sophisticated investors, which may include, but are not limited to, financial institutions, public and corporate pension funds, sovereign wealth funds, endowments, high net worth investors and family offices. Each investor in the HCM Funds and Co-Investment Vehicles is subject to suitability requirements as set forth in the applicable Client’s offering and subscription documents.

Generally, the minimum initial investment amount for investors in the HCM Funds is between \$5,000,000 and \$10,000,000. The minimum initial investment amount generally can be waived at HCM’s discretion, but not below an amount required under applicable law. The minimum investment amounts for the Co-Investment Vehicles are determined on an investment-by-investment basis.

Side Letters: Preferential Terms

The HCM Funds, the Co-Investment Vehicles and/or HCM from time to time enter into side letters or other similar agreements with investors in connection with their investment in an HCM Fund or Co-Investment Vehicle, as applicable, without the approval of any other investor in such investment vehicles. The side letters or other similar agreements have the effect of establishing rights (including economic terms) under, or altering or supplementing the terms of, the governing documents of the HCM Fund or Co-Investment Vehicle, as applicable, with respect to one or more such investors in a manner more favorable to such investors than those applicable to other investors. Currently, certain investors in the HCM Funds have side letters or other similar agreements granting one or more additional rights with respect to their investments, including, but not limited to: (i) fee and other economic arrangements including, but not limited to, reductions, modifications and waivers and/or rebates of fees or other compensation; (ii) exclusion rights applicable to particular investments, including without limitation, as a result of an investor’s specific policies or certain violations of federal, state or non-U.S. laws, rules or regulations; (iii) waivers of minimum investment amounts; (iv) “most favored nation” provisions; (v) additional or modified reporting obligations (such as notification of certain events involving an HCM Fund, HCM and/or certain principals thereof) or other enhanced information rights (such as receiving information regarding portfolio positions and their valuations and risk profiles, including on a more frequent basis); (vi) waiver of certain confidentiality obligations; (vii) rights with respect to certain transfers by an investor; (viii) rights or terms of an investor, or obligations and restrictions on HCM and/or an HCM Fund, necessary in light of particular legal, tax, regulatory or policy characteristics of an investor, including structuring of investments; (x) agreements to provide information or assist in connection with an investor’s tax reporting and/or filing obligations or the taking or defending of tax positions; (x) rights with respect to distributions including in kind proceeds, holdback amounts and clawback provisions; and (xi) certain obligations and restrictions on HCM, the HCM Fund general partner (or similar managing fiduciary) or an HCM Fund with respect to the exercise of its discretion on certain matters, including amendments and disclosure of certain investor-related information. In addition, currently certain investors in the Co-Investment Vehicles have side letters granting rights necessary in light of tax characteristics of the investors as well as certain other rights. The HCM Funds, the Co-Investment Vehicles and/or HCM without further act, approval or consent of any other person (including any investor) may in the future enter into side letters or other similar agreements providing the rights or

terms described above and/or additional rights or terms. In addition, certain investors (such as affiliated or related investors or investors that utilize the same adviser or consultant) have been permitted to aggregate their assets for purposes of fee reductions and/or “most favored nation” provisions.

Furthermore, JPM and HCM from time to time enter into strategic partnerships directly or indirectly with investors that commit significant capital to a range of products and/or investment ideas sponsored by JPM and/or HCM. Such arrangements include JPM or HCM granting certain preferential terms to such investors, including blended management fee and performance compensation rates that are lower than those applicable to the relevant HCM Fund when applied to the entire strategic partnership. Such preferential terms are generally not subject to any “most favored nation” provisions of side letters or other similar agreements.

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

Investment Strategies

HCM engages, on behalf of Clients, in credit and volatility focused investment strategies as summarized below. More detailed information with respect to the following investment strategies is included in each Client's offering and/or disclosure documents.

The HCM Open-End Fund combines fundamental research and capital structure knowledge with data and technology, proprietary valuation and investment tools, relative value investing and volatility trading capabilities. The HCM Open-End Fund invests in convertible securities, non-convertible bonds, SPACs (as defined below), loans, preferred equity, common equity, warrants, options and other securities and derivatives. In addition, the HCM Open-End Fund may invest in any of the following as a hedge: common equity, options, bonds, credit derivatives, interest rate swaps, treasuries and interest rate futures. The HCM Open-End Fund invests in global markets with a concentration in North America, Continental Europe and the United Kingdom. HCM utilizes leverage in the HCM Open-End Fund's investment program. Leverage may take a variety of forms, including margin loans by prime brokers for the purchase or sale of securities and implicitly as a result of low margin requirements, certain futures contracts and other derivative instruments such as equity total return swaps.

One HCM Closed-End Fund applies fundamental research to global investment opportunities primarily in the middle markets with a focus on North American and European investments in publicly traded and privately-held companies. This HCM Closed-End Fund directly originates investments through its proprietary sourcing network as well as actively participating in the secondary market, though this HCM Closed-End Fund will generally seek investments with a longer time horizon. To achieve its investment objective, this HCM Closed-End Fund seeks to combine income generated from secured or structurally protected investments and capital appreciation from special situation and distressed positions. This HCM Closed-End Fund may invest in and utilize a wide array of financial instruments to achieve its objectives, such as bonds, revolving loans, term loans, asset-backed funding facilities, royalty-based financings, convertible debt, warrants, rights, and preferred and common equity securities. In addition, this HCM Closed-End Fund may, from time to time, effect certain hedging and other derivative strategies in order to protect or preserve capital or for tactical reasons, including through investments in financial instruments related to the securities, companies, industries and sectors in which it invests. This HCM Closed-End Fund's investment period has expired pursuant to the terms of its governing documents.

Another HCM Closed-End Fund is organized for the principal purposes of making portfolio investments primarily in (i) relative-value convertible debt investments, specifically focusing on long convertible debt versus short equity investments in the convertible issuances of both large-cap and mid-cap publicly traded companies, (ii) event-driven and opportunistic convertible debt investments by focusing on long convertible debt versus short equity investments in stressed convertible credit instruments and also by investing in "busted" convertible debt opportunities and (iii) other financial instruments to achieve this HCM Closed-End Fund's investment objectives, including, but not limited to, making investments to preserve or protect an existing investment or in connection with corporate actions. Typically, this HCM Closed-End Fund will purchase convertible debt, convertible preferred stock and other equity-linked securities and may invest in (or short) one or more of the following as a hedge: common equity, options, bonds, credit derivatives, interest rate swaps, total return swaps, treasuries and interest rate futures. This HCM Closed-End Fund's investment period has expired pursuant to the terms of its governing documents.

Another HCM Closed-End Fund's principal investment objective is to achieve a positive return on capital

by applying fundamental equity and credit analyses to opportunities in the special purpose acquisition company (“**SPAC**”) market. To achieve its investment objective, this HCM Closed-End Fund will primarily seek to (i) make investments in the initial public offerings of SPACs, (ii) backstop and support private investments into public equities (“**PIPEs**”) for SPACs, with a focus on addressing SPAC sponsors’ needs for financing certainty while negotiating specific economic arrangements for this HCM Closed-End Fund, (iii) provide convertible debt to SPAC issuers as an alternative and diversifying source of capital; (iv) purchase SPAC equities that offer yields-to-redemption consistent with the risk-return profile sought by this HCM Closed-End Fund; and (v) acquire SPAC warrants, with the goal of creating both directional and hedged investment profiles. In addition, this HCM Closed-End Fund may invest in (or short) one or more of the following instruments as a hedge: common equity, options, interest rate swaps, total return swaps, treasuries and interest rate futures.

Certain strategies of the HCM Closed-End Funds overlap with certain of the strategies pursued by, and the investments held by, one or more other HCM Closed-End Funds and the HCM Open-End Fund.

Given that the HCM Liquidating Fund is in the process of liquidating its portfolio, a description of its investment strategies is not included above.

Material, Significant or Unusual Risks Relating to Investment Strategies

The investment strategies employed by HCM on behalf of Clients involve substantial risks, including the risk of loss of a Client’s entire investment. There can be no assurance that a Client will achieve its investment objective, and investment results may vary substantially from year to year. The following is a summary of the material risks associated with the investment strategies employed by HCM. Although it is comprehensive, the below list is not intended to be exhaustive and therefore not all possible risks have been described. More detailed information with respect to the following risk factors and the applicability of the following risk factors to each Client managed by HCM is included in each Client’s offering and/or disclosure documents.

Risks Associated with Investing and Trading Instruments

Instruments to Be Purchased. Certain Clients may purchase any type of debt or equity security or other instrument, including low rated or unrated debt instruments. Such instruments may offer higher yields than higher rated instruments, but may generally involve greater volatility of price and risk of principal and income, including the possibility of default by, or bankruptcy of, the issuers of the instruments. In addition, the markets for such instruments may be illiquid. Such Clients may purchase privately placed and unregistered instruments (including investments in PIPEs). Such Clients may invest in private and public debt owed by companies on either an assignment or participation basis. When a Client invests on a participation basis with a seller, it may not have direct access to the relevant key professionals leading the bankruptcy plan and will rely on information provided by the participation seller. Such Clients may enter into contracts with dealers as principal to purchase certain instruments. Such transactions are not subject to exchange rules. Such Clients may purchase instruments issued by the companies and governments of countries other than the United States, including developing countries. Such Clients may invest in the securities or other instruments of U.S. or non-U.S. open-ended or closed-ended investment companies, partnerships and other collective investment vehicles. Most partnerships and collective investment vehicles provide for withdrawal of interests only at specified intervals during a year. Consequently, such Clients would be unable to liquidate those interests other than at the specified dates.

Equity. Certain Clients invest in equity securities and equity-like securities. The value of such securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, such Clients may suffer losses if they invest in equity securities and equity-like securities of issuers whose performance diverges from HCM's expectations or if equity markets generally move in a single direction and the Clients have not hedged against such a general move.

Long Equity Exposure. Certain Clients' strategies involve long, unhedged or only partially hedged investments in, and exposure to, equities. Such investments may decline in value in the event of a general decline of the equity markets, a decline in a sector or a decline in a specific security.

Risks of Publicly Traded Securities. Clients' investments in publicly traded companies may be sensitive to movements in the stock market and trends in the overall economy. In addition, by investing in publicly traded investments Clients will be subject to applicable laws and regulations which may, among other things, restrict or prohibit the Clients' ability to sell an investment. Furthermore, Clients may be limited in their ability to make investments and to sell existing investments in public securities because HCM may have material, non-public information regarding the issuers of those securities or as a result of other JPM policies or obligations. Transactions in certain public securities, therefore, may be restricted. The inability to sell securities in these circumstances could materially adversely affect the investment results of a Client.

Leverage and Short Exposure. Certain Clients may seek to maximize investment positions by borrowing funds. As a result, the possibilities of profit and loss are increased. Borrowing money to purchase investments will provide such Clients with the advantages of leverage but exposes them to capital risk and higher current expenses, including interest expenses. If such Clients do not secure leverage or lose their leverage, as described below, they may not meet their investment objectives. In addition, such Clients may not be able to obtain leverage on terms favorable to them and/or terms comparable to terms obtained by other private investment funds, including with respect to interest rates. Any gain in the value of investments purchased with borrowed money or income earned from these investments that exceeds interest paid on the amount borrowed would cause such a Client's net asset value to increase more quickly than would otherwise be the case. Conversely, any decline in the value of the investments purchased would cause such a Client's net asset value to decrease more quickly than would otherwise be the case. In addition to purchasing investments on margin, Clients may engage in short selling of securities. A short sale will result in a gain if the price of the securities sold declines

sufficiently between the time of the short sale and the time at which securities are purchased to replace those borrowed. A short sale will result in a loss if the price of the securities sold short increases or does not decline sufficiently to cover transaction costs. Any gain would be decreased and any loss would be increased by the amount of any premium or interest which a Client may be required to pay with respect to the borrowed securities. A short sale involves a risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss. In addition, should the securities pledged to brokers to secure a Client's margin accounts decline in value, the Client could be subject to a "margin call," pursuant to which the Client would be required either to deposit additional funds or securities with the broker or to suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Client's assets, the Client might not be able to liquidate assets quickly enough to satisfy its margin requirements.

Certain Clients may borrow money from banks. Such borrowing will increase the Client's leverage and, therefore, will create the same risks attendant to purchasing securities on margin. The Client will provide collateral to the banks from which it borrows by registering the interests of the Client in the names of such banks or their nominees. This procedure exposes the Client to the risk that, for whatever reason, including, without limitation, the default, insolvency, negligence, misconduct or fraud of such banks, the Client will not reacquire the ownership of such interests upon the repayment by the Client of such loans. Also, the Client will be unable to reacquire such interests if the Client defaults on such loans. The Client's failure or inability to reacquire such interests from the banks in whose name the interests are registered in support of a loan could entangle the Client in protracted litigation and, potentially, result in the complete loss of such interests. While HCM will cause a Client to borrow money only from banks HCM believes to be creditworthy, lenders' credit risk could deteriorate extremely rapidly and unexpectedly under certain circumstances, and there can be no absolute certainty that such lenders will return such interests to the Client upon the repayment of such loans. In addition, for certain Clients, such borrowed amounts may be secured by capital commitments made by such Client's investors and such investors' contributions may be required to be made directly to the lenders instead of to the Client.

Reliance on, and Rights Against, Third Parties. Certain Clients are reliant on the performance of third party service providers, including the administrators, auditors, placement agents and legal advisors. In addition, HCM relies on third parties to provide it with different types of data, including real time, raw, and calculated data via the Internet. Clients could be adversely affected if HCM's data providers' computer systems or infrastructure cannot properly process and calculate the information needed for HCM to conduct its trading strategies or if such information provided is incorrect or incomplete. HCM does not warrant or guarantee the accuracy and/or completeness of any data or information provided by third party sources and does not make any express or implied warranties of any kind with respect to such data or information. HCM does not have any liability for any errors or omissions in connection with any data or information provided by third party sources.

Each investor's contractual relationship in respect of its investment in a Client is with the Client only and investors will not generally have any contractual claim against any service provider with respect to such service provider's default. Accordingly, investors must generally rely upon the board of directors, general partner and/or trustee to enforce the Client's rights against the service providers. In certain circumstances, which are generally not expected to prevail, investors may have limited rights to enforce the Client's rights on a derivative basis or may have rights against service providers if they can establish that such service providers owe duties to the investors. In addition, investors will have no right to participate in the day-to-day operation of the Client, including decisions regarding the selection of service providers. Investors will also have no opportunity to evaluate any economic, financial and other information that will be utilized by HCM in its selection of investments. Finally, the board of directors, general partner or trustee, as applicable, and/or HCM will select the Client's service providers and determine the retention and compensation of such providers without the review by or consent of the investors. The investors must

therefore rely on the ability of the board of directors, general partner or trustee, as applicable, and/or HCM to select and compensate service providers.

Systemic Risk. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Clients interact on a daily basis.

Employee and Service Provider Misconduct. HCM’s reputation is critical to maintaining and developing relationships with existing and prospective investors, as well as with the numerous third parties with which HCM and the Clients do business. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest, or other misconduct by individuals in the financial services industry, and there is a risk that an employee of, or contractor to, HCM or its affiliates could engage in misconduct that adversely affects the investment strategies implemented by HCM. It is not always possible to deter such misconduct, and the precautions HCM takes to detect and prevent such misconduct may not be effective in all cases. Misconduct by an employee of, or contractor to, HCM or one of its affiliates, or even unsubstantiated allegations of such misconduct, could result in direct financial harm both to HCM and its Clients as well as harm HCM’s reputation, which would have a materially adverse effect on the Clients. Similar risks may arise from employee misconduct of a service provider to HCM or the Clients.

Principal Transactions. Certain Clients trade in spot and forward contracts on foreign currencies, metals and/or other commodities, and securities, and may engage in swaps, options, options on swaps and other derivatives, and other off-exchange transactions, with banks, broker-dealers or other counterparties, including JPM, as principal. For example, a Client may directly purchase convertible or high yield bonds sold by JPM in accordance with applicable law. There is less protection against defaults in principal trading than in trades on exchanges since certain principal trades are not effected on or through an exchange or a clearing house.

Investing in Convertibles. Certain Clients invest in convertible securities. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. Because of the embedded equity component of convertible securities, their value is sensitive to changes in equity volatility and price. The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Client is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Moreover, a decrease in equity volatility and price could result in a loss for the Client. The debt characteristic of convertible securities also exposes a Client to changes in interest rates and credit spreads. The value of the convertible securities may fall when interest rates rise or credit spreads widen. A Client's exposure to these risks may be unhedged or only partially hedged.

Bank Loans. Certain Clients engage in bank loan trading and may make investments structured as loans. Clients that engage in bank loan trading may purchase loans or portions of loans in the secondary market. Bank loans, participations and private investments structured as loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Client to directly enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such loan obligation, or enforce any rights of set-off against the obligor. While loan investments made and/or purchased by a Client are generally intended to be over-collateralized, a Client cannot guarantee the adequacy of the protection of the Client's interests, including the validity or enforceability of a loan investment and the maintenance of the anticipated priority and perfection of the applicable security interests. In the event of a foreclosure, the Client may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest, resulting in a loss to a Client. Such loan investments may involve companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Furthermore, in purchasing a participation, a Client may not directly benefit from the collateral supporting the loan obligation in which it has purchased the participation. As a result, a Client would assume the credit risk of both the obligor and the selling institution, which would remain the legal owner of record of the applicable loan. Participations are typically sold strictly without recourse to the selling institution, and the selling institution will generally make no representations or warranties about the underlying loan, the portfolio companies, the terms of the loans or any collateral securing the loans. Certain loans have restrictions on assignments and participations which may negatively impact a Client's ability to exit from all or part of its investment in a loan. In analyzing each private lending opportunity, bank loan or participation, HCM would compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by a Client.

Bank loans may not be considered "securities" for purposes of the 1933 Act and certain other U.S. federal securities laws, and, as a purchaser of bank loans and participations, a Client may not be entitled to rely on the anti-fraud and other protections of such laws.

Securities Lending. Certain Clients may seek to increase their returns by lending their portfolio securities. Securities lending involves the risk of default by the borrower. If the borrower fails to return the securities in a timely manner, or at all, the Client may lose money and there may be a delay in recovering the loaned securities. The Client could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral.

Off-Balance Sheet Risk. In the normal course of business, certain Clients 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 a loss in excess of the investor's recognized asset carrying value in such financial instrument, if any, or if the ultimate liability associated with the financial instrument has the potential to

exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities.

Hedging Transactions. Clients may utilize a variety of financial instruments, both for investment purposes and for risk management purposes in order: (a) to protect against possible changes in the market value of the Client's investments resulting from fluctuations in the price of securities; (b) to protect the value of unrealized gains in the Client's investments; (c) to facilitate the sale of any such investments; (d) to enhance or preserve returns, spreads or gains on any Client investment; (e) to hedge the interest rate or currency exchange rate on any of the Client's liabilities or assets; (f) to protect against any increase in the price of any securities the Client anticipates purchasing at a later date; or (g) for any other reason that HCM deems appropriate. A substantial risk remains, nonetheless, that such techniques will not always be possible to implement and, when possible, will not always be effective in limiting losses.

The success of a hedging strategy for a Client will depend, in part, upon the correct assessment of the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many instruments change as markets change or time passes, the success of a hedging strategy for a Client will also be subject to HCM's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. Hedging against a decline in the value of an investment does not eliminate fluctuations in the value of such investment or prevent losses if the value of such investment declines, but the Client may establish other positions designed to gain from those same developments, thus moderating the decline in an investment's value. Such hedging transactions also limit the opportunity for gain if the value of a portfolio position should increase. Moreover, it may not be possible for the Client to hedge against a fluctuation that is so generally anticipated that the Client is not able to enter into a hedging transaction at a price sufficient to protect from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

While Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if the Clients had not engaged in such hedging transactions. For a variety of reasons, a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged may not be sought. Such an imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss. A particular risk may not be hedged against including because it may be determined that the probability of the risk occurring not be sufficiently high as to justify the cost of the hedge, or because the occurrence of the risk is not foreseen. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Client's investments.

Investments in Undervalued Assets. Certain Clients may invest in undervalued loans and other assets as part of their investment strategy. The identification of investment opportunities in undervalued loans and other assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial or complete losses.

A Client may incur substantial losses related to assets purchased on the belief that they were undervalued by their sellers, if they were not in fact undervalued at the time of purchase. In addition, a Client may be required to hold such assets for a substantial period of time before realizing their anticipated value, and, there is no assurance that the value of the assets would not decline further during such time. Moreover, during this period, a portion of a Client's assets would be committed to those assets purchased, thus preventing the Client from investing in other opportunities.

Competitive Debt Environment. The business of investing in debt investments is highly competitive and involves a high degree of uncertainty. Market competition for investment opportunities includes traditional lending institutions, including commercial and investment banks, as well as a growing number of non-traditional participants, such as hedge funds, private equity funds, mezzanine funds, and other private investors, as well as business development companies, or business development companies, and debt-focused competitors, such as issuers of collateralized loan obligations and other structured loan funds. Some of these competitors may have access to greater amounts of capital and to capital that may be committed for longer periods of time or may have different return thresholds than Clients, and thus these competitors may have advantages not shared by Clients. Strong competition for investments could result in fewer investment opportunities for a Client, as certain of these competitors are establishing investment vehicles that target the same or similar investments that the Client intends to purchase. Moreover, identifying attractive investment opportunities is difficult and involves a high degree of uncertainty. HCM may identify an investment that presents an attractive investment opportunity, but may not be able to complete such investment in a manner that meets a Client's objectives. The Client may incur significant expenses in connection with the identification of investment opportunities and investigating other potential investments that are ultimately not consummated, including expenses related to due diligence, transportation and legal, accounting and other professional services as well as the fees of other third-party advisers.

High Yield Debt Instruments. Certain Clients purchase and/or hold "high yield" bonds, preferred securities and other debt products, including bank loans, which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Debt instruments in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated instruments and are generally considered to be predominately speculative with respect to the issuers' capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than instruments with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated instruments, the yields and prices of such instruments may tend to fluctuate more than those of higher-rated instruments. The market for lower-rated instruments is thinner and less active than that for higher-rated instruments, which can adversely affect the prices at which these instruments can be sold. In addition, adverse publicity and investor perceptions about lower-rated instruments, whether or not based on fundamental analysis, may contribute to a decrease in the value and liquidity of such lower-rated instruments. Further, rating agencies may downgrade certain instruments in which a Client has invested. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. No assurances can be given that the ratings on such instruments accurately reflect their risk profiles.

Distressed Assets. Certain Clients may purchase and/or hold securities and other obligations, such as bank debt, trade claims and accounts receivables of companies that are experiencing significant financial or business distress, including companies experiencing poor operating results, having substantial financial or capital needs or negative net worth (including start-up companies), facing special competitive or product obsolescence problems, or that are involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk, they may not show any return for a considerable period of time and they may result in substantial, or at times even total, losses. Such risks include, but are not limited to, the following:

(a) subordination to substantial amounts of senior indebtedness, all or a significant portion of which may be secured; (b) the possibility of substantial changes in rights and covenants which could result in less protection for a Client with respect to securities purchased in proceedings under Chapter 11 of the U.S. Bankruptcy Code; (c) the lack of regulation of the OTC (defined below) securities markets in which distressed securities are often traded; (d) difficulty in obtaining information as to the true condition of the issuers of such securities and obligations; and (e) the lack of any established market-making, margin or other requirements which would help to insure that a viable trading market exists for a particular security.

Such investments also may be adversely affected by state and U.S. federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the Bankruptcy Court's power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spreads between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market prices of such securities to reflect their intrinsic value. It is anticipated that some of such securities in the portfolio of a Client may not be widely traded, and that the Client's position in such securities may be substantial in relation to the market for such securities. These types of securities require active monitoring and may, at times, require participation by HCM in bankruptcy or reorganization proceedings. To the extent that HCM becomes involved in such proceedings, the Client may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, a Client's participation in such proceedings may restrict or limit such Client's ability to trade securities of the issuer. Additionally, any such securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings and, as a result, may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that HCM will correctly value the assets collateralizing a Client's loans or correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action or that any bankruptcy trustee will meet or outperform the announced liquidation plan.

Risks Related to Bankruptcy. One or more of the issuers of an investment held by a Client may become involved in bankruptcy or similar proceedings. There are a number of significant risks inherent in the bankruptcy process. For example, many events in a bankruptcy are adversarial and beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a court would not approve actions which may be contrary to the interests of a Client. Reorganizations can be contentious and adversarial. Participants may use the threat of, as well as actual, litigation as a negotiating technique. In addition, the duration of a bankruptcy case can only be roughly estimated. The bankruptcy process can involve substantial legal, professional and administrative costs to the company and a Client, it is subject to unpredictable and lengthy delays, and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Any of these factors may adversely affect the return on a creditor's investment. Further, U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Client's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. Additionally, in the early stages of the bankruptcy process it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be substantial. A bankruptcy may result in creditors and equity holders losing their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor. Moreover, a Client may purchase creditor claims subsequent to the commencement of a bankruptcy case, and it is possible that such purchase may be disallowed by a court if it determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

In addition, it is possible a court may invalidate, in whole or in part, the indebtedness underlying an investment of a Client as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the obligor or recover amounts previously paid by the obligor in satisfaction of such

indebtedness. Moreover, in the event of the insolvency of an issuer of indebtedness in which a Client invests, payments made on such indebtedness could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before the issuer becomes a debtor in a bankruptcy case.

Further, several judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated an implied or contractual duty of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Because of the nature of certain of the investments, a Client could be subject to allegations of lender liability. Because of the potential of HCM or its affiliates to have investments in several positions in the same, different or overlapping levels of a portfolio company’s capital structure, a Client may be subject to claims from creditors of a portfolio company that the investments should be equitably subordinated to the payment of other obligations of the portfolio company by reason of the conduct of a Client or HCM and its affiliates.

In addition, under common law principles that in some cases form the basis for “lender liability” claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of a Client’s investments, a Client could be subject to claims from creditors of an obligor that Client investments issued by such obligor that are held by the Client should be equitably subordinated. A lender of record could also be exposed to claims for equitable subordination or “lender liability” or both because affiliates of, or persons related to, HCM may hold equity or other interests in the obligor of the related loan. In addition, the laws of certain non-U.S. jurisdictions may impose liability upon lenders or bondholders under factual circumstances supplemental to those described above. As a Client may hold investments in which it would not be the lead creditor, it is possible that “lender liability” or equitable subordination claims affecting the Client investments could arise without the direct involvement of the Client. In addition, under certain circumstances, a U.S. bankruptcy court could also recharacterize claims held by a Client as equity interests, and thereby subject such claims to the lower priority afforded equity claims in certain restructuring scenarios. Any such claim, if determined adversely to a Client, could have a material adverse effect on such Client’s returns to investors.

In any reorganization or liquidation proceeding relating to a company in which the Client invests, the Client may lose its entire investment, may be required to accept cash or securities with a value less than the Client’s original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from an investor’s investment in Clients may not adequately compensate the investors for the risks assumed.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain, while other developing countries may have no bankruptcy laws enacted, adding further uncertainty to the process for reorganization.

Creditors Committee and/or Board Participation and Controlling Interests. In connection with some

of its investments, the Clients may, but are not obligated to, seek representation on official and unofficial creditors' committees and/or boards (or comparable governing bodies) of the portfolio companies. While such representation may enable HCM to enhance the value of the investments, it may also prevent a Client from disposing of the investments in a timely and profitable manner, because serving on a creditors committee increases the possibility that a Client will be deemed an "insider" or a "fiduciary" of the portfolio company. If HCM concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to a Client, it may resign from that committee or group, and such Client may not realize the benefits, if any, of participation on the committee or group. If representation on a creditors committee or board causes a Client or HCM to be deemed an affiliate or related party of the portfolio company, the securities of such portfolio company held by a Client may become restricted securities, which are not freely tradable. Participation on a creditors' committee and/or board representation may also subject a Client to additional liability to which they would not otherwise be subject as an ordinary course, third-party investor. A Client will indemnify HCM or any other person designated by HCM for claims arising from such board and/or committee representation, which could adversely affect the return on a Client's investments. A Client will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise their rights with respect to such portfolio companies, but changes in circumstances could produce adverse consequences in particular situations.

If the Client, alone or as part of a group acting together for certain purposes, becomes the beneficial owner of more than 10% in the aggregate of certain classes of securities of a U.S. public company or places a director on the board of directors of such a company, the Client may be subject to certain additional reporting requirements and to liability for short-swing profits under Section 16 of the 1934 Act. Furthermore, the Client may also be subject to similar reporting requirements in non-U.S. jurisdictions where it holds significant positions in the securities of public companies in such jurisdictions. Consequently, HCM may limit the amount, or alter the timing, of purchases of securities in order to not trigger the foregoing requirements. It is expected that the Client's holdings will be aggregated with those of certain other clients of HCM for purposes of certain securities laws and, as a result, the Client may become subject to certain reporting requirements and trading restrictions, including, but not limited to, Sections 13 and 16 of the 1934 Act, it otherwise would not have been if such holdings were not aggregated.

Middle-Market Companies. Certain Clients invest in middle-market companies. While investments in middle-market companies may present greater opportunities for growth, such investments may also entail greater risks than are customarily associated with investments in large companies. Middle-market companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. Middle-market companies may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render such companies more vulnerable to competitors' actions and market conditions. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms or from traditional sources, such as public capital markets or commercial banks, when required. Middle-market companies generally have less predictable operating results and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Further, there is ordinarily a more limited secondary trading market for the sale of interests in smaller, private companies, which may limit exit opportunities and therefore have a material adverse effect on the performance of the Clients.

Healthcare Regulation, Reimbursement and Reform. Various segments of the healthcare industry are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. An adverse review or determination by a regulatory authority, or a change in the regulatory requirements or reimbursement programs, could have a material adverse

effect on the operations of the companies in which a Client invests. While certain Clients intend to make investments in companies that comply with relevant laws and regulations, certain aspects of such portfolio companies' operations may not have historically been subject to judicial or regulatory interpretation. Legislative changes, including the enactment of the Patient Protection and Affordable Care Act, as amended, (the "**Health Care Reform Act**") have had, and will likely continue to have, a significant impact on the healthcare industry. The future of the Health Care Reform Act is uncertain and it may be repealed or replaced. In addition, various legislative proposals related to the healthcare industry are introduced from time to time at the United States federal and state level, and in various non-U.S. jurisdictions, and any such proposals, if adopted, could have a significant impact on the healthcare industry. Such attempts to reform the healthcare delivery system has resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce costs and such pressure could have a material adverse effect on profit margins of one or more investments held by Clients.

Healthcare Research and Innovation. The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on one or more investments of certain Clients.

Pharmaceutical-Related Investments. Certain Clients may invest in biopharmaceutical assets. The biopharmaceutical and pharmaceutical industries are highly competitive and rapidly evolving. The length of any product's commercial life, including that of any product that an investment of certain Clients owns or produces now or in the future, cannot be predicted. There can be no assurance that such biopharmaceutical assets will not be rendered obsolete or non-competitive by new products or improvements made to existing products by a competitor. Competitive factors affecting the market position of such biopharmaceutical assets include: (i) effectiveness; (ii) side effect profile; (iii) price; (iv) timing and introduction of the product; (v) effectiveness of marketing strategy; (vi) governmental regulation; (vii) introduction of generic competition; (viii) new and improved medical procedures; and (ix) third-party insurance reimbursement policies.

Post-Reorganization Securities. Post-reorganization securities typically entail a higher degree of risk than investments in securities of companies that have not undergone a reorganization or restructuring. If HCM's evaluation of the anticipated outcome of an investment situation should prove incorrect, a Client could experience a loss. In addition, a Client may receive post-reorganization equity securities, which may be subject to greater risk than debt securities.

Investment in Reorganizations and Restructurings. Certain Clients may make investments in restructurings that involve companies that are experiencing or are expected to experience severe financial difficulties. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, a Client's investment is subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of the company. In addition, such investments could subject a Client to certain additional potential liabilities that may exceed the value of such Client's original investment therein. For instance, under certain circumstances, payments to a Client and distributions by such Client to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Having a "blocking position" in a security that is subject to a plan of reorganization or a restructuring

entails significant risks if HCM's evaluation of the anticipated outcome of the investment situation should prove incorrect. In addition, an investment in a company involved in a reorganization proceeding or restructuring entails significant risks and may be adversely impacted if HCM's evaluation of the anticipated outcome of the investment situation should prove incorrect. Accurate information pertaining to the true condition of such issuers is frequently difficult to obtain.

Some of the investments certain Clients will make may require active monitoring and representation on official and unofficial creditors' committees for a company involved in a reorganization proceeding or restructuring. Accordingly, certain Clients may seek representation on such committees from time to time if HCM, in its sole discretion, determines that such representation is necessary or advisable to protect or further a Client's interests. Serving on an official or unofficial committee increases the possibility that a Client will be deemed an "insider" or a "fiduciary" of the company it has so assisted and may restrict a Client's trading of its investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the bankruptcy court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest held by a Client in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company.

Non-Publicly Traded and Illiquid Securities. Limitations on resale may have an adverse effect on the marketability of portfolio securities, and Clients might be unable to dispose of securities purchased in private placements or other illiquid securities promptly or at reasonable prices. Clients might also have to register such restricted securities in order to dispose of them, resulting in additional expense and delay. Adverse market conditions could impede a public offering of securities. Such investments may be difficult or impossible to sell or, if salable, may be salable only at a substantial discount to their perceived value.

Consequently, if a Client experienced substantial withdrawals of capital at a time when a material portion of the Client's portfolio was invested in non-publicly traded or illiquid securities, withdrawing or non-withdrawing investors could be adversely affected. Withdrawing investors could receive cash withdrawals leaving the Client with an increasingly illiquid portfolio. Alternatively, the Client could suspend withdrawals or effect withdrawals in kind by transferring non-publicly traded or illiquid securities to the withdrawing investors. Because there is little or no market for non-publicly traded or illiquid securities, the valuation assumptions with respect to such investments may prove incorrect. Such valuations will affect the Client's net asset value and therefore the price at which investors may purchase or redeem interests or the amount of certain fees payable to HCM. Clients will not make any retroactive adjustment to the net asset value at which interests are purchased or redeemed based on subsequent adjustments to the Client's net asset value. The actual results could differ materially from the estimated valuations.

Contingent Liability on Disposition of Investments. Some of the certain Clients' investments will involve private securities with no active trading market. In connection with the disposition of an investment in private securities, such Clients may be required to make certain representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. Such Clients also may be required to indemnify the purchasers of such investment if any such representations are inaccurate or if certain potential liabilities arise. These arrangements may result in the incurrence of contingent liabilities for which HCM may establish reserves or escrow accounts which, as a consequence, may reduce amounts distributable by such Client to investors. In that regard, investors may be required to return amounts distributed to them to fund obligations of such Clients, including indemnity obligations, subject to certain limitations set forth in the governing documents of the Client.

Over-the-Counter Derivatives. The trading of over-the-counter ("OTC") derivatives subjects Clients to a variety of risks including: 1) counterparty risk; 2) basis risk; 3) interest rate risk; 4) settlement risk; 5) legal risk and 6) operational risk. Counterparty risk is the risk that one of the Client's counterparties might default on its obligation to pay or perform generally on its obligations. Basis risk is the risk attributable to

the movements in the spread between the derivative contract price and the future price of the underlying instrument. Interest rate risk is the general risk associated with movements in interest rates. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law including, but not limited to, because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures.

Investments in IPO Securities. Certain Clients invest in initial public offering (“**IPO**”) securities. IPO securities have no trading history and information about the companies may be available for very limited periods. The prices of securities sold in IPOs may be highly volatile and their purchase may involve high transaction costs. At any particular time or from time to time, HCM may not be able to invest in securities issued in IPOs on behalf Clients, or invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to HCM. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Similarly, as the number of purchasers to which IPO securities are allocated increases, the number of securities issued to Clients may decrease. The performance of an account during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when it is able to do so. In addition, as a Client increases in size, the impact of IPOs on the Client's performance will generally decrease.

Counterparty Risk. Some of the markets in which Clients effect their transactions are OTC or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of risks relating to the credit or liquidity of the counterparty, the financial and operational soundness and creditworthiness of the counterparty and/or disputes over the terms of the contract (whether or not bona fide), thus causing the Client to suffer a loss. This counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Client has concentrated its transactions with a single or small group of counterparties. The ability of the Client to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Client. Clients are generally not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Such potential counterparty concentration could result in significant losses to Clients.

Non-U.S. Investments. Investing in non-U.S. securities involves considerations that are not applicable to investing in U.S. securities, including unfavorable changes in currency rates and exchange control regulations, reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees, local economic or political instability and greater market risk in general. In particular, investing in securities of issuers located in emerging market countries involves additional risks, such as exposure to economic structures that are generally less diverse and mature, and political systems that can be expected to have less stability, than those of developed countries. Other characteristics of emerging market countries that may affect investment in their markets include certain national policies that may restrict investment by foreigners in issuers or industries deemed sensitive to relevant national interests, and the absence of developed legal structures governing private and foreign investments and private property. The typically small size of the markets for securities of issuers located in emerging markets and the possibility of a low or nonexistent volume of trading in those securities may also result in a lack of liquidity and in price volatility of those securities. In addition, interest, dividends, capital gains and other income paid by non-U.S. issuers may be subject to withholding and other non-U.S. taxes that may decrease the net return on these investments.

Trading on Non-U.S. Exchanges. Certain Clients purchase and sell securities, futures, options, commodities and currencies on exchanges located outside the United States, where the regulations of the SEC and the CFTC do not apply. Trading on a non-U.S. exchange may involve certain risks not applicable to trading on a U.S. exchange, such as risks of fluctuations in the exchange rate between the currency of the locale of the non-U.S. exchange and U.S. dollars, exchange controls, expropriation, burdensome or confiscatory taxation, moratoriums, or political or diplomatic events.

Foreign Currencies. For the purpose of trading in spot foreign currency contracts, and forward or options contracts to purchase or sell foreign currencies, certain Clients will contract with or through its banks or brokers to make or take future delivery of a particular foreign currency. Although the foreign currency market is not believed to be necessarily more volatile than the market in other commodities, there is less protection against defaults in the forward trading of currencies because such forward contracts are not effected on or through an exchange or clearing house. Trading in spot foreign currency contracts is generally not regulated by the CFTC. Therefore, with respect to this trading, Clients will not be afforded the protections provided by CFTC regulation, including segregation of funds. Trading in options on foreign currencies and forward foreign currency contracts, however, is regulated by the CFTC, although a limited category of forward foreign currency contracts have been excluded from some of the regulations under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended (the “**Dodd-Frank Act**”). Therefore, a Client may not be afforded all CFTC regulatory protections with respect to those excluded transactions. Other forward contracts may be subject to further regulation that could entail increased costs and, among other things, result in additional recordkeeping, reporting and margining requirements.

Exchange Rate Fluctuations; Currency Considerations. A portion of certain Clients’ assets may be invested in securities and other instruments denominated in various currencies and in other financial instruments, the price of which is determined with reference to such currencies. To the extent unhedged, the value of a Client’s positions in investments will fluctuate with the exchange rates of the currencies in which the Client’s investments are denominated or to which they are referenced, as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of one of these currencies compared to the other currencies in which the Client makes investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Client’s investments in their local markets and may result in a loss to the Client. Conversely, a decrease in the value of one of the currencies in which the Client’s various investments are denominated will have the opposite effect.

Furthermore, a Client may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Client at one rate, while offering a lesser rate of exchange should the Client desire immediately to resell that currency to the dealer. Clients will conduct currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell the currencies needed. It is anticipated that certain Clients’ currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Client.

Clients may seek to protect the value of some portion or all of its portfolio holdings against currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when a Client wishes to use them or will be able to be liquidated when the Client wishes to do so.

In addition, any currency hedging transactions entered into by a Client may include a credit component, pursuant to which the Client may be required to grant to its hedging counterparty a security interest in certain of the Client's assets. Such security interest may include an undivided interest in all of the Client's assets, and may not be limited solely to the assets that are attributable to the classes to which the hedge relates. Accordingly, in such a case, if a Client defaults with respect to a currency hedging transaction relating solely to one set of interest classes, then the hedging counterparty could lay claim to an interest in all of the Client's assets, including those assets relating to the other classes.

Futures Trading. Certain Clients may trade in futures and options thereon. Futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the trader. Moreover, exchange-traded futures positions are marked to the market each day, and variation margin payments must be paid to or by a trader. Futures trading may also be illiquid, and certain commodity exchanges do not permit trading in particular commodities at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits which conditions have in the past sometimes lasted for several days with respect to certain contracts a Client could be prevented from promptly liquidating unfavorable positions and thus be subjected to substantial losses.

Speculative Position, Price and Trading Limits and Other Exchange Risks. The CFTC and various exchanges impose speculative position limits on the number of positions that any trader, such as HCM, may directly or indirectly hold or control in particular commodities. In some cases all open positions in accounts managed or controlled, directly or indirectly, by HCM and any person or persons who are acting with the trading manager will be aggregated for the purpose of determining such position limits. HCM believes that from time to time established speculative position and trading limits may adversely affect its trading for Clients. It is possible that trading decisions may have to be modified from time to time and positions liquidated in order to avoid exceeding applicable position limits, and a Client might be unable to enter into or hold certain positions if the accounts managed or controlled by HCM were to exceed the applicable limits. Such modification or liquidation could adversely affect the operations and profitability of the Client by increasing transaction costs to liquidate positions and limiting potential profits on the liquidated positions.

In addition, some U.S. commodity exchanges limit fluctuations in certain prices during a single day by imposing what are known as "daily price fluctuation limits" or "daily limits." The existence of "daily price fluctuation limits" or "daily limits" may reduce liquidity or effectively curtail trading in particular markets. Once the price of a particular contract has increased or decreased by the daily limit, positions in the contract can effectively neither be taken nor liquidated. Contract prices in various investments may occasionally fluctuate beyond the daily limit for several consecutive days with little or no trading. Such occurrences could prevent a Client from promptly liquidating unfavorable positions and subject the Client to substantial losses, which could exceed the margin initially committed to such trades. Daily limits may reduce liquidity, but they do not limit ultimate losses, as such limits apply only on a day-to-day basis. In addition, even if contract prices have not fluctuated beyond the daily limit, a Client may not be able to execute trades at favorable prices if there is only light trading in the contracts involved.

As part of its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular investment or commodity interest, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilize or fix commodity prices or exchange rates, restricting or substantially eliminating trading in the affected commodities or currencies.

Options. Clients engage in the trading of equity options and non-equity options including options on physical commodities and on futures contracts. Specific market movements of the securities, commodities, futures contracts or other instruments underlying an option cannot be predicted accurately. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the commodity futures contract or security underlying the option which the writer must purchase or deliver upon exercise of the option. Trading of commodity options involves risks substantially similar to those involved in trading commodity futures contracts or margined securities, in that options are speculative and highly leveraged. Clients may also engage in the trading of options on baskets of securities and stock indices.

Investments in Exchange-Traded Funds. Certain Clients from time to time invest in exchange-traded funds (“ETFs”). As with other investments, investments in ETFs are subject to market risk and, for non-index strategies, selection risk. In addition, with respect to index strategies, imperfect correlation between an ETF’s portfolio securities and those in its index, rounding of prices, the timing of cash flows, the ETF’s size, changes to the index and regulatory requirements may cause tracking error, which is the divergence of an ETF’s performance from that of its underlying index. Members will indirectly bear their proportionate share of the fees and expenses of any ETF in which the Client invests. As a result, the cost of investing in an ETF may exceed the cost of investing directly in such ETF’s underlying investments.

Merger Arbitrage Transactions. Clients may engage in merger arbitrage transactions in which they purchase 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 in fact is not consummated or is delayed, the market price of the security purchased by the Client may decline sharply and result in losses to the Client if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. In addition, to the extent that the Client’s positions are significantly leveraged, delays in the consummation of a proposed transaction will increase the Client’s interest expense. In certain transactions, the Client may not be “hedged” against market fluctuations. This can result in losses, even if the proposed transaction is consummated. Conversely, if the Client has sold short securities that are the subject of a proposed tender offer, exchange offer, merger or similar transaction, and the transaction is in fact consummated, the Client may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. A short sale involves a risk of a theoretically unlimited increase in the market price of the security. Furthermore, if a Client has sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, the Client is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to both its long and its short positions.

Non-Controlling Investments. Certain Clients hold non-controlling interests in certain companies and in such cases may have no right to appoint a director and a limited ability to protect its interests in such companies and to influence such companies’ management. In such cases, the Client will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Client is not affiliated and whose interests may conflict with the interests of the Client. In addition, to the extent the Client acquires mezzanine obligations (which are typically junior to the obligations of a borrower to senior creditors, senior secured creditors and trade creditors), the ability of the Client to use its position as a holder of mezzanine debt to influence a borrower’s affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors and senior secured creditors.

Special Opportunities Investments. Clients may make direct and indirect debt and equity investments targeting a particular asset or asset class by investing in or establishing businesses (on a joint venture basis or otherwise) engaged in particular types of activities (such as oil and gas exploration), various types of litigation claims and consumer receivables (such as automobile loans and real estate), commercial receivables, equipment and other leases, residential and commercial mortgage loans as well as other financial instruments that provide for the contractual or conditional payment of an obligation.

Litigation Finance. Certain Clients may invest in litigation claims. Litigating and settling private lawsuits can be a very lengthy and expensive process. Parties to litigation and/or their counsel are in need of immediate funds for a variety of reasons. Certain Clients may enter into arrangements with a plaintiff or a law firm in order to provide capital to fund litigation in exchange for a portion of the award or settlement. Such arrangements may relate to a single case or a portfolio of cases. Generally, the recipient of such financing is not obligated to make any payment unless and until litigation proceeds are actually received by the litigant or their counsel. If the matter fails to be resolved, or is resolved adversely to the plaintiff, there is generally no obligation to pay anything and an investor such as a Client would suffer a complete loss of the capital invested. Even if the outcome of the litigation is favorable, such Client may still suffer at least a partial loss. For example, the litigant's recovery may not be large enough to satisfy a Client's entire investment amount. In addition, a Client may not possess seniority over other investors or lien-holders, and as a result a Client may lose out on its entire investment despite other similarly situated investors making a profit. A Client may also not recover the entirety of its investment if the defendant to the litigation is unable to pay the full amount of the judgement. Alternatively, a Client may enter into arrangements with insurance companies or reinsurance companies in an attempt to capitalize on outcomes relating to the obligations of such insurance and reinsurance companies during the life of a case.

Environmental Hazards. Under environmental laws enacted by U.S. federal and state governments, owners of property may be liable for the cleanup and removal of hazardous substances, even where the present owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. If any property acquired by a Client through purchase or foreclosure were found to have an environmental problem, the Client could incur substantial costs and suffer a complete loss of its investment in such property as well as in its other assets.

Third-Party Litigation. HCM or a Client may become involved in litigation with third parties due to, among other things, the Client's investment activities. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments, or bringing claims against third parties, would generally be borne by the Client and would reduce net assets or could require investors to return distributions, including withdrawal/redemption proceeds, to the Client.

Political and Economic Considerations. Clients may be affected by political and economic developments in or affecting certain non-U.S. markets in which Clients trade, including those of developing countries, including changes in government policy, taxation and social, ethnic and religious instability. The economies of such countries may differ favorably or unfavorably from the economies in a more industrialized country in such respects as gross domestic product, rates of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Further, the economies in certain of such countries are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls and other protectionist measures imposed or negotiated by the countries with which they trade. Expropriation, confiscatory taxation, nationalization or other developments could also adversely affect the assets of the Clients.

Turnover. A Client's trading decisions may be made on the basis of short-term market considerations. Therefore, a Client's turnover rate could be significant, requiring substantial brokerage commissions and

fees.

Concentration and Diversification Risk. Even if a Client intends to hold a diversified portfolio, the Client may invest in a limited number of investments. A consequence of a limited number of investments is that the aggregate returns realized by the Client may be substantially affected by the unfavorable performance of a small number of such investments. In addition, to the extent a Client's investments are concentrated in a particular industry, type of instrument or otherwise, the Client will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting that particular industry or instrument.

Investments Longer than Term. Certain Clients may make investments that may not be advantageously disposed of prior to the date that the Client will be dissolved, either by expiration of the Client's term or otherwise. Although HCM expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Client may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Client its general partner (or the relevant liquidator) will be required to reduce to cash, cash equivalents and such assets of the Client as the general partner or such liquidator shall deem advisable to sell, subject to obtaining fair value for such assets and any tax, legal, contractual, market or other considerations (including legal restrictions on the ability of an investor to hold any assets to be distributed in kind), there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to its investors will occur.

Cross-Collateralization. Certain Clients may engage in financing transactions where several investments are cross-collateralized, thereby subjecting multiple investments to the risk of loss. As a result, the Clients could lose its interests in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments.

Investments in SPACs.

General. SPACs are in essence blank check companies without an operating history or ongoing business other than seeking acquisitions. Accordingly, a SPAC's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by newly formed businesses, including uncertain markets and economic conditions and greater susceptibility to adverse impacts of fluctuating market conditions. Because SPACs have broad discretion to select potential business combinations (subject to industry, geographic or other limitations, if any), it is not possible for HCM to fully ascertain the merits or risks of investing in a particular SPAC. There can be no assurance that any SPAC in which a Client invests will be successful in addressing such risks, or that the SPAC's plans either will materialize or prove successful.

While investments in SPACs offer the opportunity for significant capital gains, they also involve a high degree of risk that could result in substantial losses. Investments in the SPAC market involve a number of risks, including but not limited to risks surrounding the consummation of and ultimate value created by business combinations entered into by SPACs, imperfect information and lack of information regarding target businesses of proposed business combinations, risks based on reliance on key management personnel of a SPAC issuer, IPO-related risks, redemption-related risks and risks related to SPAC warrants. There can be no assurance that HCM will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. As a result, a Client's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

Each SPAC in which a Client invests will be a newly formed company with no operating results that may not commence formal operations until obtaining funding through an IPO. Because of the lack of an

operating history, HCM will have no basis upon which to evaluate such SPAC's ability to achieve its business objective. Further, HCM will likely have very limited or no input with respect to the organizational and structural characteristics of each SPAC, including, but not limited to, the jurisdiction of organization, form of legal entity, legal structure and tax treatment of each SPAC. Officers and directors of a SPAC typically are not required to, and will not, commit their full time to the SPAC's affairs, which may result in a conflict of interest in allocating their time between the SPAC's operations and its search for an initial business combination and their other businesses.

As a SPAC must complete its initial business combination within a defined time frame, potential target businesses may have leverage over a SPAC in negotiating an initial business combination, which may result in a SPAC entering into an initial business combination on terms that it may otherwise have rejected upon a more comprehensive investigation over a longer period of time. In addition, a SPAC's search for an attractive business target may be adversely affected by factors such as interest rate increases, economic or industry sector downturns (for example, declining valuations of technology companies), general market conditions, competition or other reasons. A SPAC may not be able to find a suitable target business and complete a business combination within the prescribed time period. If a SPAC fails to complete an initial business combination, it will not generate operating revenues, making any warrants held by a Client to be worthless.

While SPACs will apply to have their units listed on a national securities exchange, a SPAC cannot guarantee that its securities will be approved for listing or, if approved, that its securities will continue to remain listed on such exchange. Failure to be or remain listed on an exchange could result in a SPAC's securities being quoted on an over-the-counter market, leading to such material adverse consequences as: (i) a limited availability of market quotations for its securities, (ii) reduced liquidity for its securities, (iii) a determination that the common stock is a "penny stock" requiring brokers to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for its securities, (iv) a limited amount of news and analyst coverage and (v) a decreased ability to issue additional securities or obtain additional financing in the future.

A SPAC may not have a specified maximum redemption threshold. A SPAC's ability to complete the most desirable business combination (or any business combination) or to optimize its capital structure may be limited if a larger number of shares are submitted for redemption than expected.

Clients participate in SPAC PIPE investments, whereby they make an irrevocable commitment to purchase shares at a set price in connection with the consummation of the business combination. PIPE investments are subject to a number of risks, including that the Client may bear market risk and pricing risk of the transaction between the time of executing a subscription agreement to participate in the PIPE and the time the Client is able to dispose of its shares following the closing of the underlying business combination being pursued by the SPAC. In addition, during the period of time between the Client's commitment to the PIPE and the consummation of such underlying business combination, the Client may have to reserve capital in anticipation of funding its irrevocable commitment and such capital will not be available for participation in other investment opportunities. Further, even if the SPAC receives substantial redemption requests from its public stockholders that do not agree with the proposed business transaction, the Client will still be required to fund its PIPE commitment if the SPAC proceeds with the business combination. The shares issued at the closing of a SPAC PIPE will be subject to restrictions on resale imposed by U.S. federal securities laws absent an effective registration statement.

Potential Claims Against SPAC Trust Funds. An important aspect of SPAC-investing relates to the placement of a significant portion of the IPO proceeds of a SPAC in a trust fund. Placing funds in trust may not protect those funds from third party claims against the SPAC. There is no guarantee that creditors or other entities involved with a SPAC will not seek recourse against a SPAC's trust fund for any reason and that the proceeds in a trust fund (including the proceeds provided by a Client) will not be reduced by such

claims.

Risk of a SPAC Being Deemed an Investment Company and other Regulatory Risks. In order not to be regulated as an investment company under the 1940 Act, a SPAC must ensure that it is engaged primarily in a business other than investing, reinvesting or trading in securities and that its activities do not include investing, reinvesting, owning, holding or trading “investment securities” constituting more than 40% of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. If a SPAC is deemed to be an investment company under the 1940 Act, it may be subject to various restrictions, including restrictions on the nature of its investments and restrictions on the issuance of securities, each of which may make it difficult for a SPAC to complete an initial business combination and for the SPAC’s shareholders to maximize their value, and the SPAC may be subject to burdensome legal and reporting requirements, including registration as an investment company, adoption of a specific form of corporate structure, and reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

In addition, the growth of the SPAC industry, as well as the increasing size of SPAC transactions, has prompted additional government and public attention to the industry and its practices. Regulation of SPACs is likely to increase in the near term and is expected to result in material changes to the current regulatory regime, which could have an adverse effect on a Client and its SPAC-related investments.

SPAC Sponsor Shares. Clients invest in SPAC sponsor shares (otherwise known as “promote” shares, founder’s shares, Class B shares or SPAC general partner interest equity), which generally consist of founder’s shares and/or private placement warrants issued by a SPAC in connection with its formation and IPO, either directly or indirectly through equity interests in a related sponsor vehicle which holds such founder’s equity instruments. Founder’s shares are similar to the shares of stock issued by a SPAC in its IPO but have no right to receive any proceeds from a SPAC’s trust account pursuant to redemption or liquidation of the SPAC. Similarly, private placement warrants have terms that mirror those of the warrants issued by a SPAC in connection with its IPO but expire worthless if the SPAC fails to consummate a qualifying business combination within the required time period. As a result, an investment in founder’s equity of a SPAC poses a risk of total loss of investment in the event the SPAC is unsuccessful in completing a business combination.

The success of a SPAC depends upon the ability of the relevant management team that sponsors the SPAC. The investment personnel of HCM will not participate in the management and affairs of a Client’s underlying SPAC investments even when the Client holds founder’s shares. In addition, a Client may be required to agree to certain terms, including with respect to the acquisition, holding and/or voting of its liquid position in a SPAC, in order to receive exposure to a SPAC’s founder’s equity. Any founder’s shares distributed to a Client will also typically be subject to a lock-up period subsequent to completion of a business combination, which will restrict a Client’s ability to dispose of such shares for a period after a SPAC completes its business combination (e.g., one year). Founder’s shares, private placement warrants and any shares issued upon exercise of such private placement warrants will also be restricted securities, which further limit their liquidity absent registration under the 1933 Act.

Risks Related to the Clients

Effects of Suspensions of Redemptions or Redemptions In-Kind. Under certain circumstances, certain Clients may suspend or limit redemptions (in whole or in part) as such Clients deem necessary in their sole discretion or make payments of redemption proceeds in-kind rather than cash. After such in-kind distributions, the assets distributed may depreciate. In addition, there may be no secondary market for the assets distributed in-kind.

Effects of Substantial Redemptions. Substantial requests for redemptions by investors could induce or

force a Client to liquidate positions sooner than would otherwise be desirable, which could adversely affect the performance of the Client. Such redemptions may be effected by investors that are affiliates of HCM or whose capital is managed or advised by such affiliates. Affiliates of JPM act as discretionary or non-discretionary advisers to certain investors with respect to their investments in certain Clients, and there can be no assurance that any such investors will stay invested in any such Clients. Regardless of the period of time in which redemptions occur, the resulting reduction in the Client's net assets (and thus in its equity base) could make it more difficult for the Client to diversify its holdings and achieve its investment objective. In addition, the Client may become increasingly illiquid upon the redemption of a large investor or substantial requests for redemptions by other investors. Moreover, certain Clients' holdings overlap with other Clients' holdings, and substantial withdrawal requests by investors in one Client could force or induce such Client to liquidate positions sooner than would otherwise be desirable, which could adversely affect the performance of another Client to the extent it also holds such positions.

No Right to Control the Clients' Operations. Each Client will be managed exclusively by its general partner, directors or trustee (as applicable) and HCM and its affiliates. Investors will not make decisions with respect to the management, disposition or other realization of any investment, the day-to-day operations of the Clients, or any other decisions regarding the Clients' business and affairs. Specifically, investors will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding investments by the Clients. Investors should expect to rely solely on the ability of HCM and its affiliates with respect to the Clients' operations.

Business Development Dependent on Key Individuals. The success of HCM's Clients is significantly dependent upon the expertise of certain key individuals. The loss of the services of such key individuals could have a substantial impact on the Clients' performance and could have other consequences. For example, for certain Clients, this would trigger the orderly liquidation of such Clients unless investors therein voted to continue the Clients' operations and, for certain Clients, this would result in termination of the Client's investment period.

Disclosure of Information Regarding Investors. HCM, a Client and/or one of their respective service providers, agents or affiliates may from time to time be required or may, in their sole discretion, determine that it is advisable to disclose certain information about a Client and/or one or more of its investors to, among others, government and regulatory authorities of certain jurisdictions which have or assert jurisdiction over the disclosing party or in which a Client directly or indirectly invests, court authorities, self-regulatory organizations, or any other person, including, but not limited to, any party acting as placement agent for the Client, or any counterparty of, or service provider to, HCM or a Client.

Cyber-Security Risk. Certain Clients depend on HCM to develop and implement appropriate systems for their activities. Certain Clients may rely on computer programs to evaluate certain securities and other investments, to monitor investments, to trade, clear and settle securities transactions and to generate asset, risk management and other reports that are utilized in the oversight of the Client's activities. Like other business enterprises, the use of the Internet and other electronic media and technology exposes HCM, the Clients, and their respective service providers, and their respective operations, to potential risks from cyber-security attacks or incidents (collectively, "**cyber-events**"). Cyber-events may include, for example, unauthorized access to systems, networks or devices (such as, for example, through "hacking" activity), infection from computer viruses or other malicious software code, and attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. In addition to intentional cyber-events, unintentional cyber-events can occur, such as the inadvertent release of confidential information due to, for example, damage or interruption from computer viruses, network failures, computer and telecommunication failures, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Any cyber-event could adversely impact HCM, the Clients and their respective investors and cause HCM

and the Client to incur financial loss and expense, as well as face exposure to regulatory penalties, reputational damage, and additional costs associated with corrective measures. A cyber-security breach could also result in the loss or theft of investor data. A cyber-event may cause HCM, the Clients, or their respective service providers, to lose proprietary information, suffer data corruption, lose operational capacity (such as, for example, the loss of the ability to process transactions, calculate the Client's net asset value, or allow investors to transact business), and/or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber-events also may result in theft, unauthorized monitoring and failures in the physical infrastructure or operating systems that support HCM, the Clients and/or their respective service providers. In addition, cyber-events affecting issuers in which a Client invests could cause the Client's investments to lose value. The nature of malicious cyber-attacks is becoming increasingly sophisticated and HCM, the Clients and the Clients' administrators cannot control the cyber systems and cyber-security systems of the issuers of the securities held by the Clients or third-party service providers.

Valuation of Assets. The valuation of Client assets is substantially dependent on the manner in which their investment portfolios are valued. Authority to value the assets and liabilities of the Clients and their investment portfolios has for many Clients been delegated to an appointed administrator, in consultation with HCM and in accordance with HCM's written valuation policies. Such administrators and HCM have a conflict of interest in connection with such valuations, particularly with respect to assets for which there is no readily ascertainable market value.

Prime Brokers; Futures Commission Merchants. Few or none of the securities owned by Clients are expected to be registered or titled in the name of the Clients. For certain Clients, the majority of their securities are held by their brokers. Securities and cash held in customers' accounts at prime brokers that are U.S. registered broker-dealers will not be available to the non-customer creditors of the prime broker. Nonetheless, if a prime broker became insolvent and there were not sufficient customer assets to pay all customers in full, then the securities and cash held in customers' accounts at the prime broker would be distributed pro rata among customers. Different results, including loss of U.S. regulatory protections, may also occur in the event that the customer of a U.S. prime broker permitted the prime broker to (i) rehypothecate or lend its assets or (ii) transfer its assets to a prime broker or other entity that is not a U.S. registered broker-dealer. If assets are held by a prime broker that is not a U.S. registered broker-dealer, the U.S. regulatory protections do not apply. In certain jurisdictions, with authority from the customer, such assets may be borrowed, lent or otherwise used by the prime broker for its own purposes. In the event of the insolvency of the prime broker, customers may rank as unsecured creditors and may not be able to recover equivalent assets in full.

The U.S. Commodity Exchange Act requires a futures commission merchant to segregate funds deposited in a customer's commodity futures account. If a futures commission merchant fails to properly segregate customer funds, a Client may be subject to a risk of loss of its funds on deposit in the event of such futures commission merchant's bankruptcy or insolvency. In addition, under certain circumstances, such as the inability of another customer of a futures commission merchant or its own inability to satisfy substantial deficiencies in such other customer's account, a Client may be subject to a risk of loss of its funds on deposit even if such funds are properly segregated. In the case of any such bankruptcy or customer loss, a Client might recover only a pro rata share of all property available for distribution to all of the futures commission merchant's customers. If no property is available for distribution, the Client would not recover any of its assets.

In addition, funds held in connection with non-U.S. futures contracts and U.S. futures contracts priced and settled in a foreign currency may be held in secured amount accounts located outside the United States and its territories. Such depositories are not subject to U.S. regulation. Client assets held in these depositories are subject to the risk that events could occur that would hinder or prevent the availability of these funds for distribution to customers including Clients. Such events might include actions by the

government of the jurisdiction in which the depository is located, including expropriation, taxation, moratoria and political or diplomatic events.

In the event of the insolvency of a prime broker or futures commission merchant, a Client may encounter delays in establishing its rights to assets held by the insolvent prime broker and/or futures commission merchant.

Moreover, pursuant to the contracts entered into between the Clients and their prime brokers and/or futures commission merchants, Clients may be required to post significant margin amounts under certain circumstances. If unable to meet such requirements, the prime broker and/or futures commission merchant would be authorized to close out the positions of a Client. An immediate closing of a Client's positions would expose the Client to the risk that its positions would be liquidated at unfavorable prices.

General Market Risk. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Investments may under perform in comparison to general financial markets, a particular financial market or other asset classes due to a number of factors, including inflation or expectations for inflation), deflation (or expectations for deflation) interest rates, global demand for particular products or resources, market instability, debt crises and downgrades, embargoes, tariffs, sanctions and other trade barriers, regulatory events, other governmental trade or market control programs and related geopolitical events. In addition, the value of a Client's investments may be negatively affected by the occurrence of global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics.

Public Health Emergencies; COVID-19. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19, have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to Clients.

The recent global outbreak of COVID-19 has caused a worldwide public health emergency. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Even when government mandated measures are not in place, many private businesses have limited public activity. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to volatility across financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across many categories of consumers and businesses, instances of dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility.

The ultimate impact of COVID-19 on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict. As the spread of the COVID-19 virus itself is substantially contained and economies are able to fully "re-open", it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of

certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to Clients. The extent of the impact on Clients' and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of Clients to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy Clients intends to pursue, all of which could adversely affect the Clients' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences, including the potential for defaults by borrowers under debt instruments held by Clients. In addition, the operations of Clients, their portfolio companies, the general partners of Clients (if any), HCM and third party service providers may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Market Uncertainty. A number of factors, including the ongoing impacts of the COVID-19 crisis, supply chain disruptions, developments in the oil market as a result of the 2020 conflict between Saudi Arabia and Russia as well as other events, public health measures, widespread job losses, the recent and rapidly evolving conflict between Russia and Ukraine and other factors (including second- and third-order effects related to the foregoing) have contributed to a growing sense of volatility and uncertainty in the markets for all assets, including securities and other financial assets, commodities and real estate, among others. While the strategy of certain Clients is intended to make investments that have been impacted by such factors and to capitalize on perceived mispricing as a result of market disruptions, there can be no guarantee that such strategy will be successful or result in positive returns for investors. In particular, it is likely that a number of such Clients' investments will include assumptions regarding potential social and governmental responses to COVID-19, all of which are inherently uncertain. Furthermore, such investments will in many cases be made assuming that the impacts of COVID-19 will continue to lessen over time (or at least will not worsen). To the extent any assumption made regarding an investment (whether or not such assumption is made prior to the consummation of such investment) proves inaccurate, returns of such investment are likely to be impacted materially.

Market uncertainty is also expected to impact HCM, Clients and their investors, which could introduce risks and potential conflicts of interest that were not known (or were discounted) at the time certain assumptions were made. For instance, price volatility or inability to secure financing could impact the ability of Clients to consummate an investment or the ability of a co-investor to consummate an expected co-investment, either of which could be expected to cause HCM to need to structure or consummate an investment in a manner that was not contemplated at the time the investment was initially considered. Other factors, including those related to financial, legal, regulatory, tax, business or health considerations (and the necessity to quickly evaluate such considerations when their ultimate impact is uncertain), are

expected to result in HCM making certain decisions on behalf of Clients that appear in retrospect to be incorrect, overly risky or subject to potential conflicts of interest.

Force Majeure Events. Certain force majeure events (meaning those events beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, earthquakes, war, terrorism and labor strikes) may adversely affect the ability of HCM, its affiliates, the Clients, the issuers of investments, counterparties and service providers of the foregoing or other persons or entities to perform their respective obligations. The cost of repairing or replacing assets damaged by a force majeure event could be considerable. In addition, repeated or prolonged service interruptions resulting from a force majeure event may cause a permanent loss of business, substantial litigation or significant penalties for regulatory or contractual non compliance, though in some cases, agreements may be terminable if a force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre agreed time period. The occurrence of a force majeure event may, directly or indirectly, have a material adverse effect on Clients and/or any of their investments.

Regulatory Risks

Changing Regulatory Environment. In addition to the enactment of the Dodd-Frank Act, the regulatory environment for private investment funds is evolving, and changes in regulation could occur that may adversely affect certain Clients and their investment results, or some or all of a Client's investors. There is a possibility that, in the future, a Client may be subject to new or revised legislation or regulations, which may be enforced by entirely new governmental agencies. Similarly, the Client may be adversely affected as a result of new or revised legislation, or regulations imposed by the SEC, the CFTC, the U.S. Internal Revenue Service, the U.S. Financial Stability Oversight Council, the European Commission, the European Parliament, the Council of the European Union, or other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. A Client or some or all of its investors also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be more difficult and expensive, and may affect the manner in which Clients conduct business. Furthermore, new regulations may impair the ability of the Client to obtain the leverage it seeks to pursue its investment strategies. New laws or regulations may also subject the Client or some or all of its investors to increased taxes or other costs.

Government Policies and Changes in Laws. Governmental regulatory activity, especially that of the Board of Governors of the U.S. Federal Reserve System, may also have a significant effect on interest rates and on the economy generally, which in turn may affect the performance of the Clients. Moreover, changes in non-U.S. nations' or U.S. federal, state or local tax laws, non-U.S. nations' or U.S. federal or state securities and bankruptcy laws or in accounting standards may make a Client's investments less profitable. Amendments to the U.S. Bankruptcy Code, non-U.S. bankruptcy laws or other relevant laws could also alter an expected outcome or introduce greater uncertainty regarding the likely outcome of an investment situation.

Global Political Uncertainty. As a result of lingering effects of the 2008 global financial crisis and the limited global recovery, the rise of populist political parties and economic nationalist sentiments has led to increased political uncertainty and unpredictability throughout the world. Among the attendant risks are greater regulatory uncertainty, for example regarding the posture of governments with respect to taxation, financial regulation, international trade and law enforcement.

The Dodd-Frank Act and OTC Derivatives. The Dodd-Frank Act authorizes the SEC and the CFTC to mandate that a substantial portion of OTC derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC derivatives submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible margin requirements mandated by the SEC or the CFTC. Certain OTC derivatives are already subject to such clearing rules mandated by the CFTC and federal bank regulatory agencies. The SEC has not indicated when it will impose clearing or trade execution requirements on the OTC derivatives that it regulates. The CFTC, SEC and federal bank regulatory agencies have promulgated margin requirements for the OTC derivatives that they regulate.

OTC derivatives dealers typically demand the unilateral ability to increase a counterparty's collateral requirements for cleared OTC derivatives beyond any regulatory and clearinghouse minimums. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. OTC derivatives dealers also are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before the Dodd-Frank Act. Further, OTC derivatives dealers are now required to register with the CFTC and will ultimately be required to register with the SEC. These have and will continue to increase the OTC derivatives dealers' costs, and these increased costs may be passed through to a Client in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the imposition of new or increased fees, including clearing account maintenance fees.

The Dodd-Frank Act and its implementing regulations impact the market for derivatives products regulated as "swaps" by the CFTC, "security-based swaps" by the SEC, or "mixed swaps" by both Commissions. These developments may increase the cost of derivatives trading (whether through increased margin requirements, less favorable pricing, or other means), the eligibility of HCM and JPM affiliated funds and client accounts to transact in such products, and the market availability of such products. As a result, HCM's management of funds and accounts that use and trade swaps and derivatives may be adversely impacted. Other jurisdictions outside the United States in which HCM operates may also adopt and implement regulations that could have a similar impact on HCM and the broader markets. These non-US regulatory regimes may also impact products not currently regulated under the Dodd-Frank Act.

The ultimate overall impact of the Dodd-Frank Act on Clients is uncertain and it is unclear how the OTC derivatives markets will adapt to recent or future changes to the regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

Effect on the Clients of the Volcker Rule. Certain provisions of the Dodd-Frank Act known as the "**Volcker Rule**" restrict a "banking entity" (such as JPM or any of its affiliates (including HCM)) from acquiring or retaining, as principal, any ownership interest in, or sponsoring, covered funds (such as certain of the Clients), as such terms are defined in the final regulations implementing the Volcker Rule, unless the investment or activity is conducted in accordance with an exclusion or exemption. One such exemption permits a banking entity to organize and offer a covered fund if certain conditions are satisfied, including the requirement that the banking entity and its affiliates do not acquire an ownership interest in the covered fund except for a permitted investment (generally, not more than three percent of the total number or value of the outstanding ownership interests of the covered fund).

Redemptions and/or withdrawals from a Client by individuals or entities that are related to, or affiliated with, JPM, including, without limitation, any investment vehicles advised by JPM and certain employees of JPM, in connection with the Volcker Rule, as well as withdrawals of investments by JPM itself in certain Clients, could require a Client to liquidate positions sooner than would otherwise be desirable, which could adversely affect the performance of the Client and the performance of other Clients that also

hold such positions. In addition, regardless of the period of time in which such redemptions and/or withdrawals occur, the resulting reduction in a Client's net assets, and thus in its equity base, could make it more difficult for the Client to diversify its holdings and achieve its investment objective. Substantial redemptions or withdrawals by investors related to or affiliated with JPM could cause a Client to distribute a considerable percentage of its liquid assets, leaving the Client's remaining portfolio, and the interests of the remaining investors, comparatively less liquid and could significantly increase the remaining investors' pro rata share of the Client's expenses. Similarly, investors related to or affiliated with JPM may be required to transfer their interests in a Client to a third party as a result of, or in connection with, the Volcker Rule and such transfers may have an adverse effect on the Client.

The Volcker Rule's prohibition on "covered transactions," as defined in Section 23A of the U.S. Federal Reserve Act, between HCM or any of its affiliates and a Client, or any other covered fund that is controlled by the Client, restricts the activities of the HCM Funds and the Co-Investment Vehicles. There may be certain investment opportunities, investment strategies or actions that HCM will not undertake on behalf of a Client in view of JPM's relationship to the Client or JPM's client or firm activities. Further, the investment opportunities, investment strategies or actions of a Client may be limited in order to comply with the Volcker Rule's restriction on material conflicts of interest. A fund that is not advised by JPM or its affiliates, including HCM, may not be subject to these considerations.

In June 2020, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Company, and the CFTC, and the SEC adopted a final rule revising the Volcker Rule's provisions relating to covered funds, including modifying existing, and adopting new, exclusions from the definition of "covered fund." The revised rule became effective on October 1, 2020. The ultimate impact of these revisions to the Volcker Rule, including whether HCM may seek to rely on these new exclusions with respect to existing funds or new funds will depend, on among other things, the investment strategy of the funds and development of market practice and standards. HCM may seek to restructure its funds to comply with applicable laws, rules and regulations, including, without limitation, the Volcker Rule. Any restructuring would be designed to enable the funds to carry out their investment objectives and otherwise accommodate the interests of investors in those funds as a whole, while complying with the Volcker Rule.

European Market Infrastructure Regulation. On August 16, 2012, the European Market Infrastructure Regulation (EU No. 648/2012) ("**EMIR**") entered into force. EMIR introduces certain requirements in respect of derivative contracts, which will apply primarily to "financial counterparties" ("**FCs**") such as the EU authorized investment firms, credit institutions, insurance companies, UCITS and alternative investment funds managed by EU authorized alternative investment fund managers, and "non-financial counterparties" ("**NFCs**"), which are entities established in the EU that are not financial counterparties. NFCs whose transactions in OTC derivative contracts exceed EMIR's prescribed clearing threshold ("**NFC+s**") are generally subject to more stringent requirements under EMIR than NFCs whose transactions in OTC derivative contracts do not exceed such clearing threshold (including because such contracts are excluded from the threshold calculation on the basis that they are entered into in order to reduce risks directly relating to the NFC's commercial activity or treasury financing activity) ("**NFC-s**"). Broadly, EMIR's requirements in respect of derivative contracts are (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts (such as the exchange and segregation of collateral); and (iii) reporting and record-keeping requirements in respect of all derivative contracts.

EMIR was amended by Regulation (EU) 2019/834 of the European Parliament and of the Council (the "**EMIR REFIT**") which came into effect on 17 June 2019. The EMIR REFIT expanded the definition of FC to capture EU alternative investment funds ("**AIFs**") (irrespective of the location of the alternative investment fund manager) and, where relevant, their EU alternative investment fund managers, in addition to, as under the original definition, AIFs (irrespective of location) with an authorized or

registered alternative investment fund managers.

EMIR has been retained in UK law through the European Union (Withdrawal) Act 2018 and supplementary legislation in the United Kingdom.

EMIR REFIT also impacts the classification of a non-EU AIF with a non-EU alternative investment fund manager. Originally, such non-EU AIFs were classified as third country entities that would be NFCs if they were established in the EU. However, from 17 June 2019, non-EU AIFs with non-EU alternative investment fund managers will be re-classified as third country entities that would be financial counterparties if they were established in the EU.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR and EMIR REFIT but also by Directive 2014/65/EU of 15 May 2014 on markets and financial instruments and Regulation (EU) No 600/2014 of 15 May 2014 on markets and financial instruments (“**MiFID II**”). In particular, MiFID II requires certain transactions between FCs and NFC+s in sufficiently liquid OTC derivatives to be executed on a trading venue that meets the requirements of the MiFID II regime. It is difficult to predict the full impact of these regulatory developments on Clients. Prospective investors should be aware that the regulatory changes arising from EMIR, EMIR REFIT and MiFID II may in due course significantly raise the costs of entering into derivative contracts and may adversely affect Clients’ ability to engage in transactions in derivatives.

Eurozone Risks. There are significant and persistent concerns regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro to function as a single currency given the diverse economic and political circumstances in individual Eurozone countries. The risks and prevalent concerns about a credit crisis in Europe could have a detrimental impact on global economic recovery as well as on sovereign and non-sovereign debt in the Eurozone countries. There can be no assurance that the market disruptions in Europe will not spread to other countries, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize affected countries and markets in Europe or elsewhere. These and other concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences with respect to Clients and their investors could be determined by laws in effect at such time. These potential developments could negatively impact the ability of Clients to consummate investments in Europe, the value of Clients’ investments in Europe and the general availability and cost of financing permitted investments.

European Union Credit Servicers Directive. The European Commission has published a proposal (which includes an updated compromise proposal published in June 2021) for a directive on credit servicers, credit purchasers and the recovery of collateral. While the proposal is not final and subject to further negotiation as part of the usual European legislative process, it could impose additional requirements on both European and non-European participants in the European performing and non-performing credit market. At this stage, no assurances can be given regarding the final scope or likely impact of the proposals on HCM or its ability to source European investments.

LIBOR Discontinuance or Unavailability Risk. The London Interbank Offering Rate (“**LIBOR**”) is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. The U.K. Financial Conduct Authority (“**FCA**”) has publicly announced that certain tenors and currencies of LIBOR will cease to be published or representative of the underlying market and economic reality they are intended to measure on certain future dates; current information about these dates and certain related risks is available at https://www.jpmorgan.com/disclosures/interbank_offered_rates. There is no assurance that the dates

announced by the FCA will not change or that the administrator of LIBOR and/or regulators will not take further action that could impact the availability, composition or characteristics of LIBOR or the currencies and/or tenors for which LIBOR is published, and we recommend that you consult your advisers to stay informed of any such developments. Public and private sector industry initiatives are currently underway to implement new or alternative reference rates to be used in place of LIBOR. In addition, certain regulated entities ceased entering into most new LIBOR contracts in connection with regulatory guidance or prohibitions. There is no assurance that any such alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that it will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which may affect the value, volatility, liquidity or return on certain of a Client's loans, notes, derivatives and other instruments or investments comprising some or all of a Client's portfolio and result in costs incurred in connection with changing reference rates used for positions, closing out positions and entering into new trades. Certain of a Client's investments may transition from LIBOR prior to the dates announced by the FCA. The transition from LIBOR to alternative reference rates may result in operational issues for a Client or some of its investments. No assurances can be given as to the impact of the LIBOR transition (and the timing of any such impact) on a Client or its investments. These risks may also apply with respect to changes in connection with other interbank offering rates (e.g., Euribor) and a wide range of other index levels, rates and values that are treated as "benchmarks" and are the subject of recent regulatory reform.

Investment in Clients involves significant risks and is suitable only for investors who can bear the economic risk of loss of their entire investment and who generally have limited need for liquidity in their investment. There can be no assurance that Clients will achieve their investment objectives. Investment in Clients carries with it inherent and material risks that investors may be subject to other than those described above. Additional risks pertaining to specific Clients are disclosed in greater detail in the relevant Client's offering materials and/or disclosure documents. We encourage prospective investors to carefully review the full description of risk factors presented in their offering and/or disclosure documents prior to making a decision to invest in the Client. However, neither the foregoing list of risk factors, nor the risk factors presented in the offering and/or disclosure documents, purport to be a complete enumeration or explanation of the risks involved with investing in a Client. Any losses incurred by investors in a Client will be borne solely by such investors and not by HCM or its affiliates or subsidiaries; therefore, any losses borne by HCM and its affiliates and subsidiaries in such Client will be limited to losses attributable to their ownership interests in such Client (if any) in their capacity as investors in the Client.

Item 9 - Disciplinary Information

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

Item 10 - Other Financial Industry Activities and Affiliations

Registration Status

HCM is not a registered broker-dealer; however certain HCM management persons are registered with the Financial Industry Regulatory Authority, Inc. (“**FINRA**”) as representatives of J.P. Morgan Institutional Investments Inc. (“**JPMII**”), an affiliated broker-dealer, if necessary or appropriate to perform their responsibilities.

HCM is registered with the CFTC as a commodity trading advisor (“**CTA**”) and a commodity pool operator (“**CPO**”). HCM is also a member of the National Futures Association (“**NFA**”).

In addition, certain HCM management persons are registered with the CFTC, and members of NFA, as “associated persons” of HCM, if necessary or appropriate to perform their responsibilities.

Service Agreements with Financial Industry Affiliates

HCM may use, suggest or recommend its own services or those of its affiliates. The particular services involved will depend on the types of services offered by the affiliate. The arrangements may involve the payment of compensation by HCM and/or a Client to such affiliate, subject to the requirements of applicable law. Compensation may take the form of commissions, markups, markdowns, services fees or other commission equivalents. Clients will not be entitled to any such compensation retained by HCM’s affiliates. Particular relationships may include, but are not limited to, those discussed below.

Certain affiliates of JPM, including, but not limited to, JPMI, J.P. Morgan Securities LLC, JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management (Europe) S.à.r.l. and JPMorgan Asset Management (Switzerland) LLC (collectively with their affiliates, “**JPMS**”) serve as placement agents for HCM Funds. Typically, such JPM affiliates do not receive placement fees directly from HCM Funds but in certain cases receives fees directly or indirectly from HCM and from certain investors subscribing for shares/interests in certain HCM Funds. JPM, by virtue of its indirect interest in HCM, indirectly benefits from the services of the placement agents that place shares/interests in HCM Funds by increasing the assets upon which HCM receives fees directly or indirectly from HCM Funds. In addition, the potential for placement agents affiliated with JPM, and for JPM itself, to receive (directly or indirectly) compensation in connection with certain investors’ subscriptions for shares/interests in HCM Funds creates a conflict of interest in recommending that the potential investors purchase such shares/interests. The remuneration relating to sales of shares/interests in HCM Funds from time to time will be greater than that of other products that such placement agents might offer on behalf of JPM or other sponsors and, in such cases, the placement agents will have an incentive to recommend and offer the shares/interests in HCM Funds to their clients.

HCM has entered into a services delegation agreement with JPMorgan Asset Management (UK) Limited (“**JPMAMUK**”) to provide certain support services to the Listed Company, including, but not limited to, the provision of investor relations and placement services, public relations and Board support. JPMAMUK receives fees directly from HCM related to the provision of such services.

Affiliated Broker-Dealers

Certain Clients engage in principal transactions with JPM and its affiliates as counterparty, including, but not limited to, J.P. Morgan Securities LLC, J.P. Morgan Securities plc, and JPMorgan Chase Bank, N.A., and may do so in the future. Certain Clients may also engage in agency cross transactions with or through JPM and its affiliates with respect to which JPM or its affiliates receive commissions, fees or markups. These transactions create a conflict of interest between HCM's interest in assuring that Clients receive best execution on all transactions and in limiting or reducing the fees paid by the Clients, and HCM's interest in generating additional profits and fees for JPM and its affiliates. Please refer to Item 11 – Principal Transactions, Cross and Agency Cross Transactions for further detail on conflicts related to such transactions.

Affiliated Electronic Communication Networks

HCM utilizes JPMS as an executing broker in transactions for Clients. In such instances, HCM acts in a fiduciary capacity and JPMS receives normal consideration for the services it renders. HCM may effect trades on behalf of Client accounts through exchanges, electronic communication networks or other alternative trading systems ("ECNs"), including ECNs sponsored by JPM or in which HCM or its affiliates have a direct or indirect ownership interest or on which HCM or its affiliates have a board seat. JPM typically receives compensation based upon its ownership percentage in relation to the transaction fees being charged by the ECNs. In certain instances, HCM and/or its affiliates may be deemed to control one or more such ECNs based on the level of such ownership interest and board representation.

If HCM directly or indirectly effects Client trades through ECNs in which HCM or its affiliates have an ownership interest, HCM or its affiliates, as applicable, receive a direct or indirect economic benefit based on their ownership interest. For example, HCM may effect Client trades through JPM-X, an ECN sponsored and wholly-owned by JPM. The ECNs on which HCM trades for Client accounts and in which HCM or its affiliates own interests may change from time to time. You may contact HCM for an up-to-date list of ECNs in which HCM or its affiliates own interests and on which HCM trades for Client accounts.

Certain ECNs offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that HCM receives from one or more ECNs may exceed the amount that is charged. Certain ECNs through which HCM may directly or indirectly effect Client trades execute transactions on a "blind" basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a Client account that is executed through such an ECN could be automatically matched with a counterparty that is (i) another investment advisory or brokerage Client of HCM or one of its affiliates or (ii) HCM or one of its affiliates acting for its own proprietary accounts.

Other Affiliations

Certain Clients will be treated as affiliated entities of HCM and its affiliates for purposes of Sections 23A and B of the Federal Reserve Act, as amended. Those sections require that banking subsidiaries of JPM comply with certain standards and restrictions in dealing with affiliates such as HCM. As a result, certain Clients may be prohibited from engaging in certain transactions directly with JPM.

Certain Clients may be deemed indirectly "controlled" for purposes of the U.S. Bank Holding Company Act of 1956, as amended (the "BHCA"). As a result, so long as such Clients are deemed "controlled," those Clients will be limited in investment activities, including the amount of their equity investment in a particular issuer, the length of time that they may hold a particular investment, and if applicable, the

ability to have input into the business plans of an issuer. In addition, during any time Clients are deemed “controlled,” for purposes of calculating maximum permitted ownership under various statutes, positions held by such Clients will be aggregated with positions held by JPM and certain accounts managed by affiliates of JPM.

JPM and its affiliates have established a special purpose vehicle (the “**JPM SPV**”) through which certain JPM clients hold interests in the HCM Liquidating Fund. HCM does not serve as the investment manager of the JPM SPV.

J.P. Morgan Private Investments Inc. (“**JPMPI**”), a wholly owned subsidiary of JPM, is the administrator of the JPM SPV. JPMPI has no role in the business, operations, investments or investment decisions of the HCM Liquidating Fund and JPMPI does not serve as administrator to the HCM Liquidating Fund.

For a discussion on any material conflicts of interest between HCM and the Clients as a result of these affiliated relationships, see Item 11 at Participation or Interest in Client Transactions and Other Conflicts of Interest.

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

Code of Ethics

HCM has adopted a Code of Ethics (the “**Code of Ethics**”) pursuant to Rule 204A-1 under the Advisers Act. The Code of Ethics is designed to ensure that employees comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions. The Code of Ethics imposes certain restrictions on securities transactions in the personal accounts of covered persons to help avoid or mitigate conflicts of interest, as described more fully below. A copy of the Code of Ethics is available to any Client or prospective client upon request by contacting Investor Relations at (212) 287-2500.

The Code of Ethics contains policies and procedures relating to:

- Account holding reports, personal trading, including reporting and pre-clearance requirements for all employees;
- Confidentiality obligations;
- Employee conflicts of interest, which includes guidance relating to restrictions on trading on MNPI, gifts and entertainment, political and charitable contributions and outside interests; and
- Escalation guidelines for reporting Code of Ethics violations.

In general, the personal trading rules under the Code of Ethics require that accounts of principals, officers, directors, employees and other persons associated with HCM or designated by the Compliance Department (“**Supervised Persons**”) are properly disclosed and generally maintained with an approved broker. All trades in reportable securities for such accounts are required to be pre-cleared and are monitored by compliance personnel. The Code of Ethics also prohibits certain types of trading activity, such as short-term and certain speculative trades. Employees must obtain approval prior to engaging in all covered security transactions, including those issued in private placements. Supervised Persons may from time to time purchase interests in one or more Clients subject to JPM policies and procedures, including relevant regulatory requirements such as the Volcker Rule. Additionally, the Code of Ethics generally prohibits Supervised Persons from executing personal trades in a security or similar instrument to a Client transaction during certain blackout periods. These disclosure obligations and restrictions are designed to mitigate conflicts of interest that may arise if Supervised Persons transact in the same securities as Clients.

Additionally, all employees are subject to the JPM Code of Conduct (the “**Code of Conduct**”). The Code of Conduct sets forth restrictions regarding confidential and proprietary information, information barriers, outside interests and personal trading. All employees are required to familiarize themselves with, comply, and attest annually to their compliance with provisions of the Code of Conduct’s terms as a condition of continued employment.

Participation or Interest in Client Transactions and Other Conflicts of Interest

JPM Acting in Multiple Commercial Capacities

JPM is a diversified financial services firm that provides a broad range of services and products to its clients (which may include SPAC issuers) and is a major participant in the global currency, equity, commodity, fixed-income and other markets in which HCM’s Clients invest or may invest. JPM is typically entitled to compensation in connection with these activities and Clients will not be entitled to any such compensation. In providing

services and products to HCM's Clients and Affiliated Group Accounts (as defined below), JPM faces conflicts of interest with respect to activities recommended to or performed for a Client on one hand and for Affiliated Group Accounts (including SPAC issuers) on the other hand. For example, JPM has, and continues to seek to develop, banking and other financial and advisory relationships with numerous U.S. and non-U.S. persons and governments. JPM also advises and represents potential buyers and sellers of businesses worldwide. Certain Clients have invested in, or may wish to invest in, such entities represented by JPM or with which JPM has a banking, advisory or other financial relationship. In addition, certain clients of JPM, including HCM's Clients, may invest in entities in which JPM holds an interest. In providing services to its clients and as a participant in global markets, JPM from time to time recommends or engages in activities that compete with or otherwise adversely affect a Client or its investments. It should be recognized that such relationships can preclude a Client from engaging in certain transactions and/or constrain a Client's investment flexibility. For example, JPM is often engaged by companies as a financial advisor, or to provide financing or other services, in connection with commercial transactions that are potential investment opportunities for Clients. There are circumstances in which Clients are precluded from participating in such transactions as a result of JPM's engagement by such companies. JPM reserves the right to act for these companies in such circumstances, notwithstanding the potential adverse effect on Clients. In addition, JPM derives ancillary benefits from HCM providing investment advisory and other services to Clients, and providing such services to Clients or fees paid to third party service providers engaged by HCM on behalf of Clients may enhance JPM's relationships with various parties, facilitate additional business development and enable JPM to obtain additional business and generate additional revenue. For example, Clients have licensed certain back-office software and data warehouse solutions from Arcesium LLC ("Arcesium"). JPM holds a noncontrolling, minority equity interest in Arcesium and an employee of JPM serves on the board of Arcesium. In connection with JPM's minority equity ownership interest in Arcesium, JPM is expected to receive certain economic benefits as a result of fees paid to Arcesium from the Clients' licensing engagements.

The following are descriptions of certain additional conflicts of interest and potential conflicts of interest that may be associated with the financial or other interests that JPM may have in transactions effected by, with, or on behalf of the Clients. In addition to the specific mitigants described further below, HCM has adopted policies and procedures reasonably designed to appropriately prevent, limit or mitigate conflicts of interest. In addition, many of the activities that create these conflicts of interest are limited and/or prohibited by law, unless an exception is available.

JPM Service Providers and Its Relationships with Issuers of Debt or Equity Instruments in Client Portfolios

JPM from time to time provides financing, consulting, investment banking, management, custodial, transfer agency, shareholder servicing, treasury oversight, administration, distribution, underwriting (including participating in underwriting syndicates), placement, brokerage (including prime brokerage) and other services to its clients (including companies in which HCM invests or recommends for investment on behalf of Clients), and receives customary compensation from such entity which is the issuer of equity or debt securities or the borrower with respect to a loan investment purchased or held by certain Clients. These relationships generate revenue to JPM and could influence HCM in deciding whether to select or recommend such companies for investments by a Client, in deciding how to manage such investments and in deciding when to realize such investments. In addition, JPM derives ancillary benefits from providing these services. For example, investing a Client's assets in a third party product enhances JPM's relationship with such investment product and its affiliates and could facilitate additional business development or enable JPM or HCM to obtain additional business and generate additional revenue. In providing these services, JPM could also act in a manner that is detrimental to a Client, such as when JPM is providing financing services and it determines to close a line of credit to, to not extend credit to, or to foreclose on the assets of, an investment vehicle or a company in which a Client invests, or when JPM advises a client and such advice is adverse to the Client. Any fees or other compensation

received by JPM in connection with such activities will not be shared with Clients or their investors. Such compensation could include financial advisory fees, monitoring fees, advisor fees or fees in connection with restructurings or mergers and acquisitions, as well as underwriting or placement fees, financing or commitment fees, trustee fees and brokerage fees. Moreover, when JPM provides or arranges financing to a company in which a Client has invested, the holder of the senior securities (including JPM and its clients) may have, and in the event of the company's financial distress or insolvency will have, interests substantially divergent from those of the Client. There can be no assurance that JPM will be able to accommodate the interests of Clients or their investors.

Client Participation in Offerings where JPM acts as Underwriter or Placement Agent

If permitted by a Client's investment objectives, and subject to compliance with applicable law, regulations and exemptions, HCM will purchase securities for Clients or participate in offerings including, but not limited to, IPOs, secondary offerings and new issuances of debt, in which JPM acts as a manager, co-manager, underwriter, placement agent, arranger or in another capacity in which JPM or an affiliate receives fees or other compensation. In addition, an investment could be made where there is an indirect benefit to JPM (e.g., if the proceeds of the investment were used by the issuer to repay a loan that had been provided to the issuer by JPM). Purchases may also be made in offerings where JPM (or one or more funds advised by its affiliates) is a selling shareholder. JPM typically receives a benefit in the form of management, underwriting or other fees. Affiliates of HCM also act in other capacities in such offerings and such affiliates will receive fees, compensation, or other benefit for such services. The commercial relationships and activities of HCM's affiliates may at times indirectly preclude HCM from engaging in certain transactions on behalf of its Clients and constrain Clients' investment flexibility. In such case the universe of securities and counterparties available to HCM's Clients will be smaller than that available to clients of advisers that are not affiliated with major broker-dealers. Participation in such offerings is reviewed by the Compliance Department to identify potential conflicts in accordance with internal procedures.

Conflicts Related to Advisors and Service Providers

Certain advisors and service providers to the Clients (including accountants, administrators, lenders, bankers, brokers, futures commission merchants, derivatives counterparties, attorneys, specialists and consultants) or their affiliates provide goods or services to, or have business, personal, financial or other relations with JPM and/or HCM and their affiliates, principals and employees (and their respective family members or relatives) and advisory clients. Such advisors and service providers may be clients of JPM and HCM, sources of investment opportunities, co-investors or commercial counterparties or entities in which JPM has an investment. Additionally, certain employees of JPM or HCM could have family members or relatives employed by such advisors and service providers. These relationships could have the appearance of affecting or potentially influencing HCM in deciding whether to select or recommend such service providers to perform services for the Clients or investments held by the Clients (the cost of which will generally be borne directly or indirectly by the Clients). In addition, JPM has entered into arrangements with service providers that include fee discounts for services rendered to JPM. For example, certain law firms retained by JPM discount their legal fees based upon the type and volume of services provided to JPM. The cost of legal services paid by HCM's Clients is separately negotiated and is not included in the negotiation or calculation of the JPM rate and, as a result, the fees that are charged to Clients typically reflect higher billing rates. In the event that legal services are provided jointly to JPM and a Client with respect to a particular matter, the Client and JPM will each bear their pro rata share of the cost of such services which may reflect the JPM discount or a higher rate, depending on the facts and circumstances of the particular engagement.

HCM Funds' Investments in Affiliated Group Accounts

JPM and/or HCM and their affiliates, principals, directors or employees (the “**Affiliated Group**”) are actively engaged in advisory, trade support and management services for multiple investment vehicles, funds and accounts (each, an “**Affiliated Group Account**”). Certain HCM Funds may invest in Affiliated Group Accounts, including those managed by HCM or its affiliates. Except as otherwise set forth in the relevant offering and governing documents, where an HCM Fund invests directly or indirectly in an investment vehicle that pays a management fee and/or performance compensation to HCM or a person affiliated with HCM, the amount of any such fees and/or allocation borne by the HCM Fund will reduce the amount of the management fee and/or performance compensation to be paid to HCM by such HCM Fund (although the HCM Fund will generally bear its pro rata share of the expenses of such investment vehicles). Alternatively, HCM may waive the management fees and performance compensation at the Affiliated Group Account level with respect to the HCM Fund’s investment. An HCM Fund investing in an Affiliated Group Account will be subject to the same redemption terms as other shareholders of the Affiliated Group Account in which it is invested.

Clients' Investments in Affiliated Money-Market Funds

To the extent permitted by applicable law, including the Volcker Rule, certain Clients make short-term investments of excess cash in money-market funds and other instruments sponsored and/or managed by JPM. In connection with any of these investments, such Clients pay all fees pertaining to investments in such money-market funds, and, in such event, no portion of any fees otherwise payable by the Clients are offset against fees payable in accordance with any of these investments (i.e., there will be “double fees” involved in making any of these investments). In these circumstances, as well as in other circumstances in which JPM receives any fees or other compensation in any form relating to the provision of services, no accounting or repayment to such Clients will be required. Currently, certain Clients invest in such money-market funds.

Principal Transactions, Cross and Agency Cross Transactions

When permitted by applicable law, HCM, acting on behalf of certain of its Clients enters into transactions in securities and other instruments with or through JPM, and causes accounts to engage in principal transactions, cross transactions, and agency cross transactions. A “principal transaction” occurs if HCM, acting on behalf its Clients, knowingly buys a security from, or sells a security to, JPM’s or its Affiliate’s own account.

A “cross transaction” occurs when HCM arranges a transaction between different Clients where they buy and sell securities or other instruments from, or to each other. For example, in some instances a security to be sold by one Client may independently be considered appropriate for purchase by another Client account. In such cases, HCM may, but is not required, to cause the security to be “crossed” or transferred directly between the relevant accounts at an independently determined market price and without incurring brokerage commissions, although customary custodian fees and transfer fees may be incurred, no part of which will be received by HCM.

An “agency cross transaction” occurs if JPM acts as broker for, and receives a commission from a Client of HCM on one side of the transaction and a brokerage account on the other side of the transaction in connection with the purchase or sale of securities by HCM’s Client. HCM faces potentially conflicting division of loyalties and responsibilities to the parties in such transactions, including with respect to a decision to enter into such transactions as well as with respect to valuation, pricing and other terms.

HCM would not be able to cause a Client to enter into principal transactions with JPM absent consent on a transaction-by-transaction basis before completion of each such transaction. In addition, HCM would not be able to cause a Client to enter into agency cross transactions through JPM absent consent on a blanket prospective basis and disclosures on a transaction-by-transaction basis. The ability of such Clients to enter into the transactions described above may be further limited due to the Dodd-Frank Act, including the Volcker Rule. In order for Clients to enter into these principal and/or agency cross transactions with or through JPM in an efficient manner that is also consistent with applicable law, including Section 206(3) of the Advisers Act, the board of directors, general partner or trustee of the Client may select a third party unaffiliated with HCM to review and/or approve or disapprove any such transactions consistent with applicable law. In connection with principal transactions, this means that the unaffiliated third party reviews the terms of each transaction before its completion. In connection with agency cross transactions, this means that the unaffiliated third party or the board of directors, general partner or trustee (as applicable) would be provided with disclosure of certain details regarding the agency cross transactions with Affiliated Group Accounts. A more complete description of this process is included in the Client's offering and/or disclosure documents. The fee charged by the unaffiliated third party for these services is generally an expense of the Client. Such unaffiliated third party performs other services for certain Clients, including valuation services. HCM has procedures in place to ensure compliance with regulatory requirements regarding principal, cross, and agency cross transactions.

Investment Opportunities Sourced by JPM

From time to time, JPM's investment banking professionals may introduce to HCM a client who has an investment that it wishes to sell to, or who wishes to acquire an investment owned by, a Client. If the Client pursues the resulting transaction, JPM will have a conflict in its representation of the client over the price and terms of the Client's investment or disposal. In addition, JPM could provide investment banking services to competitors of the Client with respect to the prospective or existing investments of the Client or with respect to certain investments that the Client is considering, or is in the process of acquiring. Such activities will present JPM with a conflict of interest vis-à-vis the Client's investment and may also result in a conflict with respect to the allocation of resources to those entities.

SPAC Investments

JPM is particularly active in the SPAC market and therefore is expected to play a number of roles with respect to the SPAC issuers in which a Client invests or considers investing and their competitors. JPM may be engaged by the SPAC issuers in which a Client invests or their affiliates and such activities with JPM will generally be controlled by such SPAC issuers and their affiliates (and not by the Client or HCM). In particular, JPM may be engaged by a SPAC to assist in identifying a potential target company for a business combination and assisting in the consummation of such acquisitions (including assisting in the negotiation process and also in obtaining the required shareholder approvals), and JPM may receive a fee in connection with such engagement. JPM will not take into account the Client's interests when identifying potential target companies for acquisition by the SPAC or in negotiating the terms of any such acquisition and obtaining the related shareholder approvals, and the receipt of a fee by JPM creates an inherent conflict of interest as JPM's primary interest in such an engagement will be identifying any potential target company and consummating the acquisition of such target, and such primary interest may not overlap with identifying the fairest and most optimal price for a business combination or the terms on which the business is acquired, which could result in liability to the SPAC and, consequently reduce the value of the Client's investment. Thus, there is no guarantee that any such business combination in which JPM identifies a target company that is consummated by the SPAC will optimize the value of the SPAC shareholders' (including the Client's) interests. JPM may also provide placement services to SPACs in order to assist with raising additional capital that may be necessary to fund a desired acquisition by a SPAC. While such additional capital may allow the SPAC to enter into a business combination, JPM will have a conflict of interest vis-à-vis the Client's investment in the SPAC as any additional capital raised will

dilute the interest of the Client's investment in the SPAC and could potentially be dilutive to overall investment returns of the Client. Moreover, any fees received by JPM in connection with any of the foregoing services will neither reduce nor offset the fees paid by the Client to HCM nor be shared with the Client or its investors.

In addition, conflicts of interest may arise due to the investment activities conducted by JPM on behalf of one of its other accounts or clients. JPM may provide assistance and advisory services to or otherwise represent target companies of a SPAC in certain "de-SPACing" transactions. In such a situation, JPM will carry out its role as advisor or representative to such target company without taking into account the Client's or its investors' interests, and there is no guarantee that such a business combination will be in the best interest of the SPAC shareholders (including the Client) or, indirectly, the Client's investors. JPM may also represent or provide services to other parties with respect to businesses which may be suitable for investment by a specific SPAC in which the Client is invested. In such a case, JPM has an inherent conflict of interest in acting in the best interest of such other client and acting in a manner that will maximize the profits of the Client. JPM will not be required to consider the interests of the Client or the Client's investors in connection with any such engagement by a client of JPM that is competing with a SPAC in which the Client has invested. JPM will be under no obligation to decline such engagements with its other accounts and clients in order to make an investment opportunity available to the Client or any SPAC in which the Client is invested, and there can be no assurance that any potentially suitable investment opportunities which come to the attention of JPM will be made available to the Client or any such SPAC. JPM's internal information barriers would not allow HCM to access any information obtained or held by JPM in connection with JPM's provision of any of the foregoing services to SPAC issuers, target companies or their competitors, even when such information would be relevant to HCM's investment decisions or the Client's decision to vote for or against a business combination. In addition, JPM's internal policies or identified actual or potential conflicts arising from JPM's relationships with various participants in the SPAC market could preclude the Client from investing in certain SPACs or voting on a de-SPAC transaction and thus constrain the Client's investment flexibility.

Certain JPM and/or HCM Policies and Regulatory Restrictions Affecting Clients

As part of a global financial services firm, HCM may be precluded from effecting transactions for certain Clients and may restrict its investment decisions and activities on behalf of its Clients as a result of applicable law, regulatory requirements and/or other conflicts of interest, information held by JPM and/or HCM, JPM's and/or HCM's internal policies, JPM's roles in connection with Affiliated Group Accounts and in the capital markets and/or potential reputational risk. As a result, Clients may be precluded from acquiring, or disposing of, certain securities or instruments at any time. This includes the securities issued by JPM. However, with respect to voting proxies on behalf of Clients, HCM, as a fiduciary, will vote proxies independently and in the best interests of its Clients, as described in Item 17.

In addition, potential conflicts of interest also exist when JPM maintains certain overall investment limitations on positions in securities or other financial instruments due to, among other things, investment restrictions imposed upon JPM by law, regulation, contract or internal policies. These limitations have precluded and, in the future could preclude, certain Clients from purchasing particular securities or financial instruments, even if the securities or financial instruments would otherwise meet such Clients' investment objectives. For example, there are limits on the aggregate amount of investments by affiliated investors in certain types of securities within a particular industry group that may not be exceeded without additional regulatory or corporate consent.

If such aggregate ownership thresholds are reached, the ability of a Client to purchase or dispose of investments, or exercise rights or undertake business transactions, will be restricted. Potential conflicts of interest may also arise as a result of HCM's current practice to endeavor to manage its Clients' portfolios so that the various requirements and liabilities imposed pursuant to Section 16 of the Exchange Act ("**Section 16**") are not triggered. Section 16 applies, inter alia, to "beneficial owners" of 10% or more of any security subject to reporting under the Exchange Act. In addition to certain reporting requirements, Section 16 also imposes on such "beneficial owner" disgorgement requirement of "short-swing" profits deriving from purchase and sale or sale and purchase of the security, executed within a six-month period. HCM is deemed to be a "beneficial owner" of securities held by its Clients. Consequently, and given the potential ownership level of the various Clients, HCM may limit the amount of, or alter the timing, of purchases or sales of securities, in order not to trigger the foregoing requirements. That means that certain contemplated transactions that otherwise would have been consummated by HCM on behalf of Clients may not take place, may be limited in their size or may be delayed.

HCM is not permitted to use material non-public information ("**MNPI**") in effecting purchases and sales in public securities transactions. In the ordinary course of operations, HCM's portfolio managers and other investment professionals may receive MNPI. For instance, HCM's portfolio managers and other investment professional may be offered the opportunity to participate on an issuer's creditors committee or board of directors, which participation may provide access to MNPI. The acquisition of MNPI may give rise to a potential conflict of interest since HCM may be prohibited from effecting trades on behalf of Clients in the securities of such issuer and thereby potentially limiting the universe of securities that HCM may purchase or potentially limiting HCM's ability to sell such securities until the information has been publicly disclosed or is no longer deemed material. In addition, to the extent a Client invests in the SPAC market, the acquisition of MNPI could cause an additional conflict of interest in that HCM could be prohibited from voting on behalf of a Client on a potential business combination between a SPAC and a target company. Similarly, where HCM declines access to MNPI regarding an issuer, HCM may base its investment decisions with respect to assets of such issuer solely on public information, thereby limiting the amount of information available to HCM in connection with such investment decisions. In addition, HCM will at times be subject to contractual "stand-still" obligations and/or confidentiality obligations that restrict HCM's ability to trade in certain investments on behalf of Clients.

HCM has adopted information barrier policies and procedures related to communications between employees, which generally prohibit the sharing of investment related information between HCM and JPM. As such, HCM maintains one or more restricted lists which are composed of companies whose securities are subject to certain trading prohibitions due to HCM's, JPM's or their affiliates' business activities.

Furthermore, HCM is subject to policies and procedures reasonably designed to ensure compliance generally with economic and trade sanctions-related obligations applicable directly to its activities. Such economic and trade sanctions prohibit, among other things, transactions with and the provision of services to, directly or indirectly, certain countries, territories, entities and individuals. These economic and trade sanctions, and the application of such compliance policies and procedures in respect thereof, may restrict or limit a Client's investment activities. In addition, HCM from time to time subscribes to or may elect to become subject to investment policies on a firm-wide basis, including policies relating to environmental, social and corporate governance. HCM may also limit transactions and activities for reputational or other reasons, including when JPM is providing (or may provide) advice or services to an entity involved in such activity or transaction, when JPM or a client is or may be engaged in the same or a related activity or transaction to that being considered on behalf of the Client, when JPM or another account has an interest in an entity involved in such activity or transaction, or when such activity or transaction on behalf of or in respect of the Client could affect JPM, HCM, their clients or their activities. JPM may become subject to additional restrictions on its business activities that could have an impact on the activities of Client accounts. In addition, HCM may restrict its investment decisions and activities on behalf of particular

Clients, but not with respect to other Clients.

Investing in Securities in which HCM or a Related Person Has a Material Financial Interest

Recommendation or Investments in Securities that HCM or its Employees may also Purchase or Sell

HCM may recommend or invest in securities on behalf of its Clients that the Affiliated Group may also purchase or sell. As a result, positions taken by the Affiliated Group may be the same as or different from, or made contemporaneously or at different times than, positions taken for Clients. As these situations involve actual or potential conflicts of interest, HCM has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with Clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding pre-clearance of employee trading and reporting requirements that are designed to address potential conflicts of interest with respect to the activities and relationships of employees that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front running. In addition, HCM has implemented monitoring systems designed to ensure compliance with these policies and procedures.

JPM's Proprietary Investments

JPM from time to time, subject to applicable law, makes a market in, and conducts proprietary trading activities for its own account or for the account of its clients in, securities of, or other investments in, companies in which Clients invest. JPM is not under any obligation to share any investment opportunity, idea or strategy with a Client or to take into account the Client's interest. The proprietary activities, investments or portfolio strategies of JPM, and those of its customer accounts, could conflict with the transactions and strategies employed by HCM and affect the prices and availability of the securities and instruments in which the Client invests. JPM may create, write, sell, issue or act as a placement agent or distributor of derivative instruments where the counterparty is a Client or the performance of which is based directly or indirectly on the performance of a Client. Such activities will be conducted independently of the Client and carried out without reference to positions held by the Client and could affect the value of the investments held by the Client.

Investments by Employees and Other Affiliates in HCM Funds and Co-Investment Vehicles

HCM and/or JPM and certain deferred compensation programs HCM and/or JPM operates on behalf of its employees will be invested in certain Clients. In addition, institutional and private banking clients of JPM (including clients to whom JPM acts as discretionary advisor) may invest in certain of the Clients. Certain persons related to or affiliated with HCM and/or JPM, including certain employees, are permitted to invest directly or indirectly in HCM Funds and the Co-Investment Vehicles and they may benefit from the investment performance of those HCM Funds and the Co-Investment Vehicles. Such employee investments must be pre-cleared, and the Compliance Department is responsible for reviewing these pre-clearance requests and monitoring the activities of employees holding such positions for conformity with JPM policies. Such investments by employees may, or may not, be material relative to their respective net worth and/or the value of their investment portfolio. In addition, institutional and private banking clients of JPM may invest in the HCM Funds and the Co-Investment Vehicles. In respect of such investments in the HCM Funds and the Co-Investment Vehicles, HCM may have certain interests in the way in which the HCM Funds and the Co-Investment Vehicles are operated which conflict with the interests of other investors and this may create an incentive for HCM to take, or not to take, certain actions that it would not otherwise take. While it should be the case that such investments should align the interests of such employees with other investors in the HCM Funds and the Co-Investment Vehicles, such investments may also affect the employees' risk tolerance and consequently the decisions they make on behalf of the HCM

Funds and the Co-Investment Vehicles, as applicable. Further, certain employees who are investors in the HCM Funds and the Co-Investment Vehicles will have access to performance and other information with respect to the HCM Funds and the Co-Investment Vehicles that is not generally provided to other investors in the HCM Funds and the Co-Investment Vehicles, as applicable. Applicable law, including, but not limited to, the Volcker Rule limits the ability of certain persons related to or affiliated with HCM and/or JPM, including their employees and the HCM Funds and the Co-Investment Vehicles to make and maintain such investments. The HCM Funds and the Co-Investment Vehicles may compulsorily redeem investments of HCM, JPM or certain persons related to or affiliated with HCM and/or JPM, including their employees, and the HCM Funds, if HCM deems it appropriate or advisable to comply with applicable laws or regulations, including the Volcker Rule, or other reasons. For a more complete discussion of the Volcker Rule's restrictions, please refer to Item 8, Regulatory Risks.

Conflicts Related to the Advising of Multiple Accounts

HCM manages multiple Client accounts. HCM's investment professionals are not required to devote all or any specific portion of their working time to the affairs of any specific Clients. Actual or potential conflicts of interest arise in allocating management time, services or functions among such Clients, including Clients that may have the same or similar type of investment strategies. For example, investment opportunities that may potentially be appropriate for certain Clients may also be appropriate for other Clients, and as a result Client accounts may have to compete for positions.

There is no limit as to the number of investment vehicles, funds or accounts which may be managed or advised by HCM or its affiliates. HCM may employ the same or different trading or investment strategies for the Clients it manages or otherwise advises. For example, certain Clients hold positions that overlap with positions held by certain other Clients but such overlapping positions are at times managed differently for Clients with different investment objectives. Accordingly, while Clients' investments, at times, overlap, they are not and will not be parallel due to the reasons noted above, as well as for various other reasons. As a result, the performance results of certain Clients as compared against other Clients managed by HCM are expected to differ, and, in some cases, such differences may be significant. In connection with implementing such strategies, HCM will from time to time have conflicts of interest between acting in the best interests of all Clients, including with respect to allocation decisions.

HCM and its investment professionals will from time to time have other conflicts of interest between acting in the best interests of all Clients. For example, when HCM manages a Client that pays or could potentially pay higher compensation and follows the same or similar strategy as another Client or invests in substantially similar assets as such other Client, HCM has an incentive to favor the account paying the potentially higher compensation (e.g., in allocating investment opportunities). HCM has adopted investment allocation policies designed to mitigate such conflicts.

Conflicts of Interest Created by Contemporaneous Trading

Positions taken by a certain Client will at times dilute or otherwise negatively affect the values, prices or investment strategies associated with positions held by a different Client. When a portfolio decision or strategy is implemented for a Client ahead of, or contemporaneously with, similar portfolio decisions or strategies for another Client (whether or not the portfolio decisions emanate from the same research analysis or other information), market impact, liquidity constraints, or other factors could result in one Client being disadvantaged or receiving less favorable investment results than the other Client, and the costs of implementing such portfolio decisions or strategies could be increased.

In addition, it may be perceived as a conflict of interest when activity in one account closely correlates with the activity in a similar account, such as when a purchase by one account increases the value of the

same securities previously purchased by another account, or when a sale in one account lowers the sale price received in a sale by a second account. Furthermore, if HCM manages accounts that engage in short sales of securities in which other accounts invest, HCM could be seen as harming the performance of one account for the benefit of the account engaging in short sales if the short sales cause the market value of the securities to fall.

Investments in Different Parts of an Issuer's Capital Structure

Conflicts could arise when one or more Affiliated Group Accounts directly or indirectly invest in different instruments or classes of securities of the same issuer than those in which a Client has already invested or is expected to invest. In certain circumstances, one or more Affiliated Group Accounts could waive, pursue or enforce rights with respect to, or could vote on the approval of a workout, reorganization or other adjustment of, a particular issuer, or its securities or obligations, in which other Affiliated Group Accounts have also invested and these activities could have an adverse effect on such other Affiliated Group Accounts. For example, if a Client holds debt instruments of an issuer and an Affiliated Group Account holds equity securities of the same issuer, and the issuer experiences financial or operational challenges, the Client may seek a liquidation of the issuer, whereas the Affiliated Group Account that holds the equity securities may prefer a reorganization of the issuer. Conflicting preferences may also occur if a Client holds a long or short position in an issuer while an Affiliated Group Account holds a short or long position in the same issuer, respectively, if an Affiliated Group Account exits a position at a different time and/or manner as compared to a Client's exit from such position, or if the Client holds a position that is junior or senior to that of an Affiliated Group Account in the same issuer.

In addition, an issuer in which a Client invests may use the proceeds of the Client's investment to refinance or reorganize its capital structure, including as part of a refinancing, reorganization or other workout arrangement sponsored by HCM on behalf of an Affiliated Group Account, which could result in repayment of debt held by an Affiliated Group Account. If the issuer performs poorly following such refinancing or reorganization, the Client's results will suffer whereas the Affiliated Group Account's performance will not be affected because the Affiliated Group Account no longer has an investment in the issuer. In addition, a Client, along with other Affiliated Group Accounts, may pursue or enforce rights with respect to a particular issuer, or HCM and/or JPM may pursue or enforce rights with respect to a particular issuer on behalf of the Client and other Affiliated Group Accounts. The Client could be negatively impacted by the activities by or on behalf of such other Affiliated Group Accounts, and transactions for the Client could be impaired or effected at prices or terms that are less favorable than would otherwise have been the case had a particular course of action with respect to the issuer of the securities not been pursued with respect to such other Affiliated Group Accounts. These conflicts are magnified with respect to issuers that become insolvent. Furthermore, it is possible that in connection with an insolvency, bankruptcy, reorganization, or similar proceeding, a Client will be limited (by applicable law, courts or otherwise) in the positions or actions it will be permitted to take due to other interests held or actions or positions taken by JPM, HCM and Affiliated Group Accounts. Finally, in certain instances, personnel of the Affiliated Group may obtain information about the issuer that is material to the management of other Affiliated Group Accounts and that will at times limit the ability of personnel of HCM to buy or sell securities of the issuer on behalf of a Client.

Conflicts Related to Allocation

Potential conflicts of interest also arise involving the allocation of investment opportunities because HCM has an incentive to allocate investment opportunities to certain Clients. For example, HCM may receive more compensation from one Client than it does from a similar Client or may receive compensation based in part on the performance of one Client, but not a similar Client. This could incentivize HCM to allocate opportunities of limited availability to the Client that generates more compensation for HCM. HCM has developed policies and procedures that provide that it will allocate investment opportunities and make

purchase and sale decisions between its Clients that are similarly situated in a manner that HCM considers, in its sole discretion and consistent with its fiduciary obligation to its Clients, to be fair and reasonable over time. See Item 12, Aggregation and Allocation for a more detailed description of HCM's allocation practices. Further, certain terms of or agreements with respect to certain Clients may magnify the conflicts of interest related to allocation decisions.

Conflicts Related to Co-Investment Opportunities

HCM also faces a conflict of interest when determining whether the amount of an investment opportunity available to the HCM Funds exceeds the amount the HCM Funds can invest and, therefore, may be offered as co-investment opportunities to Affiliated Group Accounts, including any strategic investors that have a significant financial and business relationship with HCM. HCM may have an incentive to offer such co-investment opportunities to such parties to maintain its existing relationship with such parties or to influence such parties' decision to participate in other financial or business relationships. HCM will have the discretion to grant co-investment rights with respect to the HCM Fund's investments to the Affiliated Group, strategic investors and other persons and to determine the terms of any co-investment. HCM may enter into agreements with co-investors that require HCM, on behalf of the Affiliated Group Accounts invested in a co-investment opportunity, to consent to the proposed sale of such investment by such Affiliated Group Accounts (including, if applicable, the Clients), provided that the sale is in the best interests of such Affiliated Group Accounts. The terms on which co-investors invest could be substantially different, and potentially more favorable, than the terms on which such HCM Fund (and investors therein) invests. For example, the Co-Investment Vehicles may differ from the applicable HCM Funds in terms of the amount and the structure of management fees and/or performance compensation, eligible fund expenses, eligible investors, tax structure, amount of leverage employed, withdrawal and/or redemption rights, information rights, regulatory requirements, investment allocations and other terms. As noted in Item 5, HCM has in the past, and may again in the future, absorb certain expenses borne in connection with consummation of such co-investments, which typically includes costs associated with the establishment and operation of a co-investment vehicle or negotiations of joint venture agreements on behalf of such co-investors. However, HCM will not absorb similar expenses or costs incurred by HCM Funds in connection with the portion of these co-investments being made by the HCM Funds and such expenses and costs will be treated as expenses of the HCM Funds. On occasion, the HCM Funds may fund, or commit to fund, an investment on behalf of certain co-investors in order to consummate a transaction, to ensure the HCM Fund is afforded an investment opportunity or otherwise. The HCM Funds may not receive compensation for such activities and if the potential co-investors breach their covenant to purchase such investment, the HCM Fund may have an allocation to an investment that is larger than originally anticipated. The HCM Fund may also bear the entire portion of any breakup fees, costs or expenses or, if the excess portion of such investment has not been sold, the HCM Fund may bear the entire portion of any other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio company and could realize lower than expected returns from such investment.

Business Combination by SPAC with Affiliated Companies

A SPAC may decide to acquire one or more businesses affiliated with its sponsor, officers or directors. Directors of a SPAC may also serve as officers and board members for other entities. Such entities may compete with such SPAC for business combination opportunities. Even if such SPAC agrees to obtain an opinion from an independent investment banking firm or from an independent accounting firm that such an initial business combination with one or more businesses affiliated with the SPAC's officers, directors or existing stockholders is fair to the SPAC and its stockholders (including the Clients) from a financial point of view, potential conflicts of interest may still exist and, as a result, the terms of the initial business combination may not be as advantageous as they would be absent such conflicts of interest.

Restrictions Relating to Directorships

Members of the investment team and officers and employees of HCM from time to time serve as directors of certain issuers and, in that capacity, will be required to make decisions that they consider to be in the best interests of the issuer. In certain circumstances, such as in situations involving bankruptcy or near insolvency of the issuer, actions that are in the best interests of the issuer may not be in the best interests of Clients, and vice versa. Accordingly, in these situations, there will be conflicts of interest between an individual's duties as a member of the investment team or officer or employee of HCM and such individual's duties as a director of the issuer. In addition, under HCM's current policies, any stock or other compensation such individual may be entitled to, in his or her capacity as a director of an issuer, will be remitted to HCM, and not the individual. HCM has adopted policies and procedures to mitigate potential conflicts arising from its receipt of such compensation. These policies require that management fees paid by Clients advised by HCM be offset by an amount equal to the net benefit (as determined by HCM in accordance with its policies) received by HCM in conjunction with HCM employees serving as directors of issuers in which such Clients invest. Additionally, HCM or its affiliates may enter into transactions with an issuer, which will create a conflict of interest. While it is generally expected that any such transaction would be on arm's length terms, it is possible that the issuer pays higher fees or receives fewer benefits in the transaction than it would if the counterparty to the transaction were a third party.

Additionally, from time to time, personnel of HCM or its affiliates may serve on the board of directors or hold another senior position with a corporation or other institution which may desire to sell an investment to, acquire an investment from or otherwise engage in a transaction with, a Client. The presence of such persons in such circumstances may require the relevant person to excuse himself or herself from participating in the transaction, or cause the corporation or other institution or fund to determine that it is unable to pursue the transaction because of a potential conflict of interest, any of which circumstances may limit the investment opportunities of a Client, constrain the ability of such Client to engage in the transaction or require it to divest certain investments or assets.

Potential Conflicts Relating to Valuation

The valuation of Client assets is substantially dependent on the manner in which their trading portfolios are valued. Authority to value the assets and liabilities of the Clients and their trading portfolios has for many Clients been delegated to an appointed administrator, in consultation with HCM and in accordance with HCM's written valuation policies. Such administrator and HCM have a conflict of interest in connection with such valuations because each is receiving a fee based primarily on the valuation assigned to such assets. For example, overvaluing certain positions held by Clients will inflate the value of the client assets as well as the performance record of such client accounts which would likely increase the fees and/or other compensation payable to the administrator and HCM. The valuation of investments may also affect the ability of HCM to raise additional funds. As a result, there may be circumstances where the administrator and/or HCM is incentivized to determine valuations that are higher than the actual fair value of investments. HCM has retained another independent third party to periodically value such assets as determined by HCM, including certain assets for which there is no readily ascertainable market value.

In addition, certain units within JPM may assign a different value to identical assets than HCM because these units may have certain information regarding valuation techniques and models or other information relevant to the valuation of a specific asset or category of assets, which they do not share with HCM and the administrator. Where the authority to value a Client's assets and liabilities has been delegated to an administrator, the administrator will value such Client's assets in accordance with HCM's valuation policies, and at times could value an identical asset differently than other units within JPM (e.g., when an asset does not have a readily ascertainable market price). This is particularly the case in respect of difficult-to-value assets. Further, an identical asset may be valued differently in different accounts (e.g. because different accounts are subject to different valuation guidelines pursuant to their respective

governing agreements, different third party vendors are hired to perform valuation functions for the accounts, or the accounts are managed or advised by different portfolio management teams within JPM).

In addition, securities for which market quotations are not readily available, or are deemed to be unreliable, are fair valued in accordance with HCM's valuation policy Fair value situations could include, but are not limited to:

- A significant event that affects the value of a security;
- Illiquid securities;
- Securities that have defaulted or are de-listed from an exchange and are no longer trading; or

Any other circumstance in which it is determined that current market quotations do not accurately reflect the value of the security.

Item 12 - Brokerage Practices

Selection Criteria. Generally

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

Soft Dollars

In choosing brokers and dealers, HCM will consider a range of criteria. For the most part, HCM will consider a combination of brokerage cost and execution quality in order to obtain best execution in line with its regulatory requirements. However, this will not necessarily result in a selection of the broker or dealer with the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. HCM may consider the value of research services or products that a broker-dealer provides to a Client. Because many of those research services could benefit HCM and another Client, a conflict of interest may exist in allocating a Client’s brokerage business. HCM intends to comply with Section 28(e) of the Exchange Act, except with respect to securities transactions for which Section 28(e) is unavailable. Under Section 28(e), HCM’s use of a Client’s commission dollars to acquire research products and services is not a breach of its fiduciary duty to the Client—even if the brokerage commissions paid are higher than the lowest available—as long as (among certain other requirements) HCM determines that the commissions are reasonable compensation for both the brokerage services and the research acquired. The “safe harbor” under Section 28(e) applies to the use of a Client’s “soft dollars” even when the research acquired is used in making investment decisions for other Clients. Conversely, the research information provided to HCM by brokers through which another Client effects securities transactions may be used by HCM or its affiliates in providing services to such other Clients. The safe harbor is not available where transactions are effected on a principal basis with a markup or markdown paid to the broker-dealer, and is not available for services or products that do not constitute research. Additionally, the safe harbor is not applicable to futures transactions. HCM does not currently participate in any soft dollar arrangements.

Prime Brokers and Futures Commission Merchants

Prime brokers and futures commission merchants provide a variety of services to Clients, which may include, but are not limited to, clearance and settlement of transactions, placement agent services, custody of the Clients’ investment instruments and cash, extending margin credit to Clients, arranging for stock loans to implement short sales, lending of the Clients’ portfolio securities to third parties and capital introduction services whereby HCM may be afforded the opportunity by the prime brokers and/or futures commission merchants to make a presentation regarding its services to certain qualified investors. While the prime brokers, futures commission merchants and/or their affiliates generally provide capital introduction services and certain other services at no additional cost, HCM, and not the Client, may be the principal or sole beneficiary of those services, thus presenting a potential conflict of interest between the

Client and HCM, which is responsible for selecting the prime brokers and/or futures commission merchants and negotiating such Client's brokerage, margin and other fees. HCM may have brokerage relationships with other Clients of HCM which may benefit such other Clients, thus presenting a potential conflict of interest between such other Clients and HCM.

Directed Brokerage

HCM does not currently have any Clients that engage in directed brokerage.

Aggregation and Allocation

Aggregation (or "bunching") describes the practice of combining the orders of more than one Client for the purchase or sale of the same security. HCM may employ this practice because generally larger transactions may enable it to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. In the event that an aggregated order is not completely filled (or is filled throughout the trading day at different prices), the partially filled order (or the various prices) will be average priced and allocated on a fair and consistent basis.

Subject to applicable law, including the U.S. Employee Retirement Income Security Act of 1974, as amended, HCM has developed policies and procedures that provide that it will allocate investment opportunities and make purchase and sale decisions between similarly situated Clients in a manner that it considers, in its sole discretion and consistent with its fiduciary obligation to its Clients, to be fair and reasonable over time. When HCM makes such investment allocation determinations, it may consider a number of factors, which may change over time, including, among other factors, investment restrictions and objectives (including those set forth in the applicable partnership agreement or similar documents, where applicable), inflows and outflows of capital, strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. HCM's allocation of investment opportunities among Clients and in the manner discussed herein are generally not expected to result in proportional allocations among such funds, and such allocations likely will be more or less advantageous to one or more of such funds relative to others. While HCM will allocate investment opportunities in a manner that it believes is fair and equitable to its Clients under the circumstances over time and considering relevant factors, there can be no assurance that Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which HCM expects to be subject did not exist.

Trade Errors

Although HCM exercises due care in making and implementing investment decisions, its employees may from time to time make errors with respect to trades made on behalf of a Client. Examples of trade errors include: (i) the placement of orders (either purchases or sales) in excess of the amount of instruments HCM intended to trade; (ii) the sale of an instrument when it should have been purchased; (iii) the purchase of an instrument when it should have been sold; (iv) the purchase or sale of the wrong instrument; (v) the purchase or sale of an instrument contrary to explicit regulatory restrictions or any portfolio investment guidelines or explicit restrictions; and (vi) incorrect allocations of instruments. Errors that do not result in transactions for a Client (such as transactions that result in loss of an investment opportunity) will not be viewed as trade errors. HCM will not be liable to a Client for any trading losses, liabilities, damages, expenses or costs resulting from trade errors by HCM except those losses, liabilities, damages, expenses or costs (i) resulting from HCM's intentional misconduct, bad faith or gross negligence or (ii) that may not be waived or limited under applicable law. Because HCM does not remediate an error with respect to trades on behalf of a Client below the threshold described above, certain trade errors could negatively impact a Client's performance and returns from time to time. Also, HCM will be conflicted when determining whether a trade error is a result of intentional misconduct or

gross negligence.

Item 13 - Review of Accounts

HCM conducts various reviews of the activities of its Clients. The aggregate portfolio risk exposures are regularly monitored and reviewed for HCM Clients by HCM's Chief Risk Officer ("**CRO**"). The risk effort analyzes and reviews, for the Clients as applicable, quantitative risk metrics such as long, short, gross and net market exposures; risk sensitivities (such as sensitivity to equity prices, credit spreads and/or interest rates); loss under adverse stress scenarios; volatility; market beta; and liquidity. In addition, Risk Management examines sources of outsized profits and losses to identify areas to improve risk estimates and forecasts. In conjunction with Risk Management, the Chief Compliance Officer and/or his designee(s) conduct routine reviews of trading activity in Client accounts. Transactions are reviewed to ensure compliance with internal policies and procedures, applicable regulatory limitations and certain investment guidelines.

The administrators to the HCM Funds are responsible for conducting daily reconciliations of cash and positions. HCM also performs shadow reconciliations of the administrator's activities as part of its ongoing oversight responsibility to the HCM Funds.

Investors in the HCM Open-End Fund will generally be sent weekly performance estimates and monthly investor statements. Investors in the HCM Closed-End Funds will generally be sent written monthly or quarterly investor statements depending on the particular Fund. Such statements set forth customary information and certain additional information as agreed between certain investors and HCM. In addition, each investor in the HCM Funds will receive periodic reports, including, but not limited to, a quarterly investor letter and written annual reports containing audited financial statements and other indicia of performance. The Listed Company is a closed-end fund for which daily liquidity and NAV information is publicly available. The Listed Company will generally provide monthly performance statements. HCM may provide Clients or investors in Clients with additional information on an as requested basis.

Investors in the Co-Investment Vehicles will generally be sent written monthly investor statements setting forth customary information. In addition, each investor in the Co-Investment Vehicles will receive written annual reports containing audited financial statements.

Item 14 - Client Referrals and Other Compensation

HCM directly or indirectly compensates persons for client referrals in accordance with applicable laws, including Rule 206(4)-3 under the Advisers Act, when applicable. Placement agents, including solicitors, who refer investors to HCM Funds and the Listed Company are paid separately by HCM. Such placement agents include, but are not limited to, JPM affiliates. Certain placement agents, including affiliates of JPM, receive fees directly from investors subscribing for interests in such HCM Funds, as the case may be, in addition to any compensation received from HCM.

Conflicts of interest may exist with respect to the use of such placement agents. The potential for placement agents affiliated with JPM, such as JPMS, and for JPM itself, to receive (directly or indirectly) compensation in connection with certain investors' subscriptions for shares/interests in HCM Funds creates a conflict of interest in recommending that the potential investors purchase such interests. The remuneration relating to sales of shares/interests in HCM Funds from time to time will be greater than that of other products that such placement agents might offer on behalf of JPM or other sponsors and, in such cases, the placement agents will have an incentive to recommend and offer the shares/interests in HCM Funds to their clients. In addition, JPM, as owner of HCM, indirectly benefits from the services of affiliated placement agents, such as JPMS, which place interests in HCM Funds by increasing the assets upon which HCM receives fees from the Clients. Moreover, certain placement agents may be affiliated with brokers and/or futures commission merchants of certain HCM Funds, in which case the brokers and/or futures commission merchants would indirectly benefit from the services of their affiliated placement agents that place shares/interests in the HCM Funds, thereby increasing the assets upon which such brokers and/or futures commission merchants receive fees from such HCM Funds.

Item 15 - Custody

HCM is deemed to have custody, as defined in Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”), of funds or securities of the HCM Funds and the Co-Investment Vehicles. HCM relies on the “audit exemption” under the Custody Rule, which exempts an adviser to a pooled investment vehicle from the requirement to deliver account statements to its clients if the adviser requires the vehicle to be audited annually by an independent public accountant that is registered with the Public Company Accounting Oversight Board and distributes the audited financial statements annually to the investors in the vehicle.

Item 16 - Investment Discretion

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

Item 17 - Voting Client Securities

HCM has the authority to vote the proxies of the securities held on behalf of certain Clients. As a fiduciary, HCM must act in the best interest of the Client with respect to proxy voting activities. To ensure that proxies are voted in the best interest of its Clients and to prevent material conflicts of interest, HCM has adopted a Proxy Voting Policy (the “**Proxy Voting Policy**”) as part of its compliance program pursuant to Rule 206(4)-6 of the Advisers Act.

HCM has contracted with Institutional Shareholder Services (“**ISS**”) to vote proxies received by HCM for Clients. Generally, ISS proxy voting guidelines provide for votes on a case-by-case basis and pursuant to certain guidelines. The Proxy Voting Policy also requires that HCM identify to ISS, and address, conflicts of interest between HCM and its Clients. At times, a portfolio manager may determine to vote a proxy contrary to the proposed vote of ISS. In such instances, the portfolio manager is required to confirm that no material conflict of interest exists personally or with HCM.

Investors in Clients may obtain a copy of the Proxy Voting Policy and information about how HCM voted a Client’s proxies by contacting Investor Relations at (212) 287-2500.

Item 18 - Financial Information

Pursuant to SEC instructions, HCM is not required to include its balance sheet as part of this Brochure. HCM is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.