

12/4/07

Corbin

Glenn Dubin and Henry Swieca own Dubin & Swieca Capital Management, Inc. ("DSCM, Inc.") which owns Corbin Capital Partners Group, LLC ("CCPG"). CCPG owns a majority interest in Corbin Capital Partners, L.P. ("CCP"), a registered investment adviser.

Messrs. Dubin and Swieca own Dubin & Swieca Asset Management, Inc. ("DSAM, Inc.") which owns Corbin Capital Partners Asset Management, LLC ("CCPAM") which owns a majority interest in Corbin Capital Partners Management, LLC ("CCPM" and together with CCPG, CCP and CCPAM, "Corbin").

Messrs. Dubin and Swieca are not charged fees on their investments in Corbin Funds, as defined below. In addition, two principals of HCM own minority equity interests in Corbin and are not charged fees on their investments in Corbin Funds, as defined below.

HCM does not communicate Client positions or Client transactions to Corbin. Investment funds managed by Corbin ("Corbin Funds") are not Clients of HCM. Certain Corbin Funds invest in HCM Funds; however, HCM Funds do not invest in Corbin Funds. Mr. Dubin serves Corbin in the titular capacity of Chief Investment Officer.

CCP and HCM are parties to a services agreement that provides for arm's length fee arrangements in consideration of services provided by or between HCM and CCP including, but not limited to, computer infrastructure, human resources, employee benefits services, and the use of facilities.

Zwirn

HCM has taken steps to terminate and unwind all connections and positions with D.B. Zwirn & Co., L.P. ("DBZCO"). Effective September 25, 2007, DSAM relinquished and terminated its limited interests in all DBZCO-related entities.

DBZCO manages, as a separate account, the distressed and special opportunities investments of HCM/Z Special Opportunities, LLC ("HCM/Z"), a wholly owned subsidiary of HILLC. HILLC is a wholly owned subsidiary of HMLP. DBZCO manages other investment accounts with the same strategy it uses for HCM/Z and may manage other such accounts in the future. Accounts managed by DBZCO, including HCM/Z, may compete for positions in certain securities and instruments. DBZCO, however, has agreed that on the placement of orders for client accounts it will in good faith attempt to achieve an equitable treatment of all accounts, including HCM/Z, on an overall basis.

DBZCO discovered certain accounting improprieties by former DBZCO employees. DBZCO instituted an independent review of all of its accounting operations, the results of which were brought to the attention of investors with DBZCO, including HCM/Z, and the Securities and Exchange Commission ("SEC"). The SEC has begun its own formal investigation into these events. DBZCO has indicated that none of the events discovered have materially impacted the value of HCM/Z and that loans made by the separate account to investment funds managed by DBZCO and other misallocated expenses have been repaid. Upon completion of the independent review and availability of accounting details resulting from such independent review, HCM will conduct its own review to confirm these facts. Prior to discovery of these events, HCM had determined to liquidate the investments in HCM/Z. As a result of these events, HCM terminated DBZCO as adviser to HCM/Z and requested prompt liquidation of HCM/Z positions. HCM is working with DBZCO to liquidate all positions within HCM/Z, but because of the illiquid and private nature of certain

investments, the date of complete liquidation will depend upon the particular terms of each investment. The time required to complete the liquidation could be significant (e.g., one year or more). DBZCO has tendered certain registered securities comprising approximately 45% of the remaining HCM/Z assets and has paid down a portion of the outstanding HCM/Z receivable balance. DBZCO is obligated to provide monthly payment of liquidated amounts to HILLC until complete liquidation has been achieved.

Skystone

Skystone Capital Management LP ("Skystone") is an investment adviser managed by Kerry Nelson. HCM does not control or manage Skystone. Skystone is the investment manager for HSE Partners LP, HSE Partners Ltd and HSE Master Fund Limited Partnership ("HSEMF" and collectively, the "HSE Funds"), investment vehicles that are not managed by HCM. HCA, an affiliate of HCM, is a special limited partner of HSEMF and receives a portion of the incentive allocation from the HSEMF. HCM, as the Administrative Manager to the HSE Funds, provides certain administrative support services to the HSE Funds. HCM pays Skystone a fixed fee to offset some of Skystone's operating expenses. HCM receives a portion of the management fees from HSEMF. Certain employees of HCM invest in HSE Funds and are not charged fees on their investments.

Skystone also manages up to \$250 million of the assets of HILLC through HSO LP, a Cayman Islands limited partnership vehicle. HILLC is the only limited partner in HSO LP. Skystone Advisers LLC, currently majority owned by Ms. Nelson, controls Highbridge Skystone GP SPV LLC ("Skystone GP"), the general partner of HSO LP, and makes all investment decisions for HSO LP. HILLC's allocation to HSO LP may not be reduced below \$250 million except upon six months' notice prior to each third anniversary of the commencement of the initial capital allocation to HSO LP. Skystone Advisers LLC may not be removed from Skystone GP by HCA except for cause.

If at any time HILLC's allocation to HSO LP falls below \$250 million, HCM will lose its right to share in the management and incentive fees of the HSE Funds.

Skystone's office premises are licensed from UBS Securities LLC ("UBS"), a prime broker of the HSE Funds and of several of the HCM Funds. Skystone is reimbursed by HCM for fees paid to license such office premises.

Highview

DSAM, Inc. owns Highview Asset Management, LLC ("HAM"). HAM serves as a commodity pool operator to Highview Global Macro, L.P. ("HGLP"), Highview Global Macro, Ltd. and Highview Global Macro Master, L.P. ("HGMLP" and collectively "HVEW Funds"). Certain employees of HCM invest in HGLP and are not charged fees on their investments.

Messrs. Dubin and Swicca directly own Highview Global Capital Management, LLC ("HGCM," and together with "HAM," "Highview"). HGCM serves as a commodity trading advisor to investment vehicles that are not Clients of HCM including the HVEW Funds and separately managed accounts on behalf of certain principals of HCM and Highview. Generally, such managed accounts invest in parallel with HGMLP and are not charged fees on their investments. HGCM also serves as discretionary commodity trading advisor to Deercrest LLC and QEDi, each of which is a subsidiary of HILLC.

Highview entered into a services agreement that provides for an arm's length fee arrangement in consideration for HCM's provision of certain services including, but not limited to, back office support, the use of HCM's facilities, systems and

Highbridge Master L.P.
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2006 Financials

revised 9/5/07

1. Organization and Business

Highbridge Master L.P. (the "Master Fund") was registered as a Cayman Islands exempted limited partnership on March 24, 2005. The Master Fund commenced operations on May 1, 2005 when Highbridge Capital Corporation ("HCC"), an exempt company incorporated under the laws of the Cayman Islands, contributed substantially all of its net assets to the Master Fund.

The Master Fund was organized to facilitate the joint implementation of the trading strategies of HCC, (the "Offshore Feeder"), Highbridge Capital L.P. ("HCLP") and HMLP Private Investors LLC ("HMLP") (the "Onshore Feeders"), (both the Offshore Feeder and Onshore Feeders collectively referred to as the "Feeders") through a "master-feeder" structure.

The investment objectives of the Master Fund includes the trading of U.S. and non-U.S. securities, derivatives and commodities including equities, futures, swaps, forward currency contracts, exchange traded and over-the-counter options, warrants, convertible, and corporate bonds.

Highbridge GP, Ltd. (the "General Partner"), a Cayman Islands exempted company, is the General Partner of the Master Fund and is responsible for the management of the Master Fund. The General Partner has delegated investment management of the Master Fund to Highbridge Capital Management, LLC (the "Trading Manager"). The Trading Manager is currently majority owned by JPMorgan Asset Management Holdings Inc., a wholly-owned subsidiary of JPMorgan Chase & Co., and minority owned by Dubin & Swieca Asset Management, LLC ("DSAM") and one of its affiliates.

Highbridge Capital Administrators, LLC (the "Special Limited Partner"), a Delaware limited liability company, provides trade support services to the Master Fund.

The Master Fund owns all of the outstanding shares of Highbridge International LLC ("HILLC") and Cobra LLC ("Cobra"). HILLC was incorporated as an exempted limited duration company in June 1993 and re-registered as an exempted limited liability company in December 1997 under the laws of the Cayman Islands. HILLC trades securities and enters into certain derivative transactions for its own account. Cobra was incorporated as an exempted limited duration company in August 1996 and re-registered as an exempted limited liability company in December 1997 under the laws of the Cayman Islands. Cobra was established to purchase and sell less liquid assets, such as direct investments, for its own account. HILLC has established several wholly-owned subsidiaries each of which has a special investment purpose. Included among these subsidiaries are HCM/Z Special Opportunities LLC, ("HCM/Z") which makes investments in distressed assets, special situations and bank debt, and Smithfield Fiduciary LLC, which purchases and sells private investments in public companies.

The consolidated financial statements include the accounts of the Master Fund and its wholly-owned subsidiaries. Intercompany accounts have been eliminated in consolidation.

During 2006, the Master Fund contributed certain investments and cash related to its statistical arbitrage trading strategy to a limited partnership ("STAR LP") in return for a 100% financial interest in STAR LP. Subsequent to this transaction, certain employees of the Trading Manager were offered to purchase limited partnership interests in STAR LP for cash. The Master Fund owns the majority of the net assets of STAR LP and is allocated the majority of STAR LP's net

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performance of its duties as trading manager of the Master Fund, including, but not limited to, technology related expenses, market data and research services and certain incremental expenses associated with maintaining foreign offices. The Trading Manager charges the Master Fund for these types of expenses that it deems are incurred in connection with the performance of its duties as trading manager. For the year ended, December 31, 2006, approximately \$25.3 million of these types of expenses are included in Other expenses in the accompanying consolidated statement of operations and incentive allocation. The Master Fund also bears the cost of professional fees and administrative expenses, which encompass the substantial remainder of the amount in Other expenses.

Due to Related Party

The Trading Manager commenced trading Asian strategies for a related party on December 1, 2005. In addition to being responsible for the trading activities of the Master Fund, the Trading Manager is also responsible for trading similar Asian strategies for this related party.

Concurrent with the initial capitalization of the related party (and at other times as deemed necessary as disclosed in the offering documents of the related party), the Trading Manger decided to reduce the Master Fund's Asian strategy allocation by approximately 30% and sell these securities to the related party. These sales were executed at fair value and were verified by an independent securities valuation expert.

All physical securities were exchanged for cash and all derivative contract exposures were assigned from the Master Fund to the related party in exchange for an appropriate amount of cash. Such amounts due to/from the related party as a result of these transactions are reflected in the consolidated statement of assets, liabilities and partners' capital within due to related party. As of December 31, 2006, \$41 million was due to the related party.

Minority Interest

The aggregate balance in the employee limited partners' capital accounts of STAR LP is included in the accompanying consolidated statement of assets, liabilities and partners' capital as minority interest liability. The portion of STAR LP's net trading profits allocated to the employee limited partner capital accounts are reflected in the accompanying consolidated statement of operations and incentive allocation as minority interest expense.

HCM/Z Account

In January 2004, the Trading Manager engaged the services of D.B. Zwirn & Co., L.P. ("DBZ") to act as a sub-investment manager and to have control and discretion over the investment activities of HCM/Z. DSAM owns a minority interest in DBZ. Pursuant to an advisory agreement among DBZ, the Trading Manager and HCM/Z, DBZ is compensated for its services as sub-investment manager to HCM/Z by the Trading Manager out of the Trading Manager's management and incentive fees collected from the Master Fund and the Feeders.

DBZ was authorized to make investments in distressed assets, special situations and bank debt for HCM/Z and for other investment vehicles for which DBZ has been given similar control and discretion. After review by DBZ (and subsequent discussions with the Trading Manager), it has become known that certain financial controls established over the settlement of allocated trades between these other investment vehicles and HCM/Z were insufficient, resulting in significant receivables and payables between the various investment vehicles and HCM/Z during the year and as of December 31, 2006. DBZ has informed the Trading Manager that, as of December 31, 2006,

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an approximate receivable of \$42 million is due to HCM/Z, and is reflected within the Due from brokers in the accompanying consolidated statement of assets, liabilities and partners' capital. DBZ has hired consultants to perform a forensic accounting for these receivables and payables prior to the ultimate resolution of their payment. Prior to being notified of these issues at DBZ, the Trading Manager submitted a full redemption request to liquidate the investments in HCM/Z. In January 2007, HCM submitted a notice of termination of the advisory agreement with DBZ. The Trading Manager is working with DBZ to liquidate all positions within HCM/Z. As of December 31, 2006, the approximate net asset value of HCM/Z was \$575 million. Of that amount, approximately \$265 million was one publicly traded position, which the Trading Manager has been involved in managing with DBZ since the inception of the investment. Since year end, approximately \$113 million of redemptions from HCM/Z, funded by liquidations of certain investments, have been paid to the Master Fund. Based on our review of the information the Trading Manager has received from DBZ to date in respect of HCM/Z, we do not anticipate any material adjustments will be required to any of the net assets of HCM/Z. However, there can be no assurance that a material adjustment will not result.

6. Due to/from Brokers

The Master Fund finances a portion of its investments through its clearing brokers, which provide funds to purchase securities. These amounts (included in due to/from brokers in the accompanying consolidated statement of assets, liabilities and partners' capital) are collateralized with the securities purchased and the Master Fund is charged interest each day at rates that are indexed to overnight Federal Funds or LIBOR. The Master Fund must maintain margin balances as required by the clearing brokers.

Substantially all of the Master Fund's due from broker balances relates to cash balances on deposit, proceeds from short sales and receivables for unsettled transactions. The Master Fund's securities positions are held by clearing brokers which are broker/dealers and members of major securities exchanges. The Master Fund is subject to credit risk should a clearing broker be unable to meet its obligations to the Master Fund. This risk is mitigated by the fact that the Master Fund's U.S. accounts are carried by its clearing brokers as "customer accounts" and are therefore afforded certain protections under U.S. Securities and Exchange Commission rules with regard thereto and under the Securities Investor Protection Corporation's insurance program and supplemental insurance programs maintained by such brokers.

As of December 31, 2006, approximately \$2,055 million, \$900.4 million and \$780.1 million were due from three financial institutions.

7. Contracts and Agreements

The Master Fund has entered into securities clearance arrangements with brokers which clear all principal transactions and provide certain other services in their capacity as the Master Fund's clearing brokers. In consideration for clearance services provided, the Master Fund pays fees on a trade by trade basis which vary based upon the country of clearance. These fees are included in net realized and unrealized gain from investments and derivatives in the accompanying consolidated statement of operations and incentive allocation.

The Master Fund clears its transactions primarily through nine major financial institutions.

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The Special Limited Partner may waive some or all of its Incentive Allocation with respect to any limited partner, primarily affiliates of the Trading Manager.

Operating Expenses

The Trading Manager pays certain expenses that relate to services used in connection with the performance of its duties as trading manager of the Master Fund, including, but not limited to, technology related expenses, market data and research services and certain incremental expenses associated with maintaining foreign offices. The Trading Manager charges the Master Fund for these types of expenses that it deems are incurred in connection with the performance of its duties as trading manager. For the year ended, December 31, 2007, approximately \$29 million of these types of expenses are included in other expenses in the accompanying consolidated statement of operations and incentive allocation. The Master Fund also bears the cost of professional fees and administrative expenses, which encompass the substantial remainder of the amount in other expenses.

JPM and the Trading Manager

The Master Fund's excess cash balances may be invested in money market funds, including funds advised by JPM or its affiliates. For those money market funds advised by JPM or its affiliates into which the Master Fund invests, the Master Fund does so through a share class that has no management fees, however, does charge administration fees. The Trading Manager believes that the levels of administration fees paid to JPM are at current or reduced rates.

HCM-Managed Investment Products and Minority Interest

On occasion and for various reasons, the Trading Manager believes it appropriate to have the Master Fund gain exposure to certain trading strategies via investments in other HCM-managed investment products. As of December 31, 2007, HILLC had investments with approximate fair value in STAR LP ("STAR LP") of \$1,052 million, Highbridge Contrarian Value LP of \$41.5 million, HSO LP of \$184 million and Highbridge Convertible Arbitrage Master Fund, L.P. of \$54 million. Fees are either waived by those funds for these investments or if any fees are earned by HCM from those funds, there is a dollar for dollar reduction of fees at the Master Fund and its Feeder Funds. All of these funds, except for Highbridge Convertible Arbitrage Master Fund, L.P., are majority owned by HILLC and are therefore consolidated in the financial statements of the Master Fund. As such, the consolidated entities results of operations are included in the appropriate categories on the accompanying consolidated statement of operations and incentive allocation, and the offsetting portion of the consolidated entities results from operations to non-HILLC limited partner capital accounts are categorized as minority interest. The aggregate capital account balances of non-HILLC investors of the consolidated entities are reflected as minority interest on the statement of assets, liabilities and partners' capital.

HCM/Z Special Opportunities LLC ("HCM/Z")

In January 2004, the Trading Manager engaged the services of D.B. Zwirn & Co., L.P. ("DBZ") to act as a sub-investment manager and to have control and discretion over the investment activities of HCM/Z, a wholly owned subsidiary of HILLC. Pursuant to an advisory agreement (the "Advisory Agreement") among DBZ, the Trading Manager and HCM/Z, DBZ was compensated for its services as sub-investment manager to HCM/Z by the Trading Manager out of the Trading Manager's management and incentive fees collected from the Master Fund and/or the Feeders.

DBZ was authorized to make investments in distressed assets, special situations and bank debt for HCM/Z and for other investment vehicles for which DBZ had been given similar control and

discretion. During 2006, after review by DBZ (and subsequent discussions with the Trading Manager), it had become known that certain financial controls established over the settlement of allocated trades between these other investment vehicles and HCM/Z were insufficient, resulting in receivables and payables between the various investment vehicles and HCM/Z. DBZ has informed the Trading Manager that, as of December 31, 2007, an approximate receivable of \$18 million is due to HCM/Z as a result of these improperly settled trades, and this amount is reflected within due from brokers in the accompanying consolidated statement of assets, liabilities and partners' capital, and was received subsequent to year end. HCM has taken steps to terminate and unwind all relationships and investment positions with DBZ. Effective September 25, 2007, DSAM relinquished and terminated its limited equity interests in all DBZ-related entities and terminated the Advisory Agreement. The Advisory Agreement was superseded by a Managed Account Agreement dated September 25, 2007. Pursuant to the Managed Account Agreement, DBZ shall use its reasonable best efforts to liquidate the account as promptly as possible. Again, DBZ will be compensated for these current services to HCM/Z by the Trading Manager out of the Trading Manager's management and incentive fees collected from the Master Fund and/or the Feeders. As of December 31, 2007, the approximate net asset value of HCM/Z was \$105 million, consisting of the approximately \$18 million receivable (as described above), \$70 million of net investments and \$17 million of due from brokers.

Withdrawals Payable

At December 31, 2007, the Master Fund had \$869,211,900 due to the Offshore Feeder, the Onshore Feeder and HMLP Private Investors, LLC (\$798,000,000, \$70,000,000 and \$1,211,900, respectively) which relates to withdrawals by the Feeders as of December 31, 2007.

Trading Transactions with Affiliates

In the ordinary course of business, the Master Fund engages in trading with JPM, an affiliate of the Trading Manager. For those investment products in which JPM is compensated with explicit commissions (mostly equities), those commissions amounted to approximately \$2,437,849. The Master Fund also trades with JPM on a principal basis in investment products for which there are no explicit commissions, which include, but are not limited to over-the-counter derivatives and other dealer traded investment products (e.g., convertible bonds). The Trading Manager has policies and procedures to ensure such principal trading with JPM occurs at prevailing market prices.

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Arbitrage Master Fund, L.P. ("HCAF") and Highbridge Contrarian Value L.P. were liquidated in 2008. The HCAF liquidation was executed through a redemption-in-kind. The Master Fund is not charged any fees on its investments in the above mentioned funds. STAR, L.P. is majority owned by HILLC and is therefore consolidated in the financial statements of the Master Fund. As such, STAR, L.P.'s results of operations are included in the appropriate categories on the accompanying consolidated statement of operations and incentive allocation, and the offsetting portion of the consolidated entities results from operations to non-HILLC limited partner capital accounts are categorized as minority interest. The aggregate capital account balances of non-HILLC investors of STAR, L.P. are reflected as minority interest on the Master Fund's consolidated statement of assets, liabilities and partners' capital.

HCM/Z Special Opportunities LLC ("HCM/Z")

In January 2004, the Trading Manager engaged the services of D.B. Zwirn & Co., L.P. ("DBZ") to act as a sub-investment manager and to have control and discretion over the investment activities of HCM/Z, a wholly owned subsidiary of HILLC. Pursuant to an advisory agreement (the "Advisory Agreement") among DBZ, the Trading Manager and HCM/Z, DBZ was compensated for its services as sub-investment manager to HCM/Z by the Trading Manager out of the Trading Manager's management and incentive fees collected from the Master Fund and/or the Feeders.

In September 2007, HCM and DBZ agreed to terminate and unwind all relationships and investment positions. According to these agreements, DBZ shall use its reasonable best efforts to liquidate the account as promptly as possible. As of December 31, 2008, the approximate net asset value of HCM/Z was \$37 million, consisting primarily of illiquid securities which have been classified as Level 3 according to SFAS 157.

Withdrawals Payable

At December 31, 2008, the Master Fund had \$907,457,996 due to the Feeders, which relates to withdrawals by the Feeders as of December 31, 2008, which were yet to be funded by the Master Fund. This amount is approximately 30% of the Feeders total withdrawal amount with the balance paid in kind through distribution of shares of HB Multi-Strategy Holdings.

5. Participation Agreement

Effective December 31, 2008, the Feeders, redeemers and certain shareholders of HCC participate in the Dislocated Assets indirectly through HB Multi-Strategy Holdings. The Dislocated Assets are included in the assets and liabilities of the Master Fund. The majority of the Dislocated Assets are comprised of the global convertible bond portfolio of the Master Fund and related cash to support the portfolio. The Trading Manager will not assign any new assets to the pool of Dislocated Assets after December 31, 2008 from the Liquid Assets and no new investments will be purchased in the pool of Dislocated Assets other than to adjust hedging and margin requirements. At December 31, 2008, the Master Fund had Dislocated Assets of \$5,706,876,243. At December 31, 2008, the amount of the participation agreement payable on the consolidated statement of assets, liabilities and partners' capital is equal to the Dislocated Assets. The Dislocated Assets are comprised of the following components:

2007 email

Jeffrey

Please review the attached. This refers to Highbridge Capital Corp. As of 7/31/07 the fund was up 8.62% for 2007.

As of 7/31/07 FTC had a capital balance of \$18,164,000 and Haze had a capital balance of \$32,417,000.

Also, the attached document was print disabled.

I spoke to Lauren Stevens of Highbridge and was told that this was print disabled to avoid this email from going to the press.



Harry

From [REDACTED]

Sent: Thursday, August 09, 2007 7:45 AM

Subject: Investor Update

Importance: High

Dear Investor:

Attached please find an investor update.

Sincerely,

Highbridge Capital Management, LLC

This e-mail message is intended only for the named recipient(s) above. It may contain confidential information. If you are not the intended recipient you are hereby notified that any dissemination, distribution or copying of this e-mail and any attachment(s) is strictly prohibited. If you have received this e-mail in error, please immediately notify the sender by replying to this e-mail and delete the message and any attachment(s) from your system. Thank you.



11/30 45 days notice

Lauren Stevens
287-4275

HCC YH 2001 *Cannell*

A recent example of our broader thinking with respect to "events" occurred on November 9, 2001, when Dynegy announced its plan to merge with Enron, a company already under siege. In our view, Dynegy became a compelling short after the market enthusiastically bid up its stock following the announcement of its merger agreement with Enron and the subsequent unfolding of events leading to the deal's termination.

Buyers drove Dynegy's stock to the mid-40s reacting solely to the supposedly accretive nature of the deal without vetting the numerous risks inherent in the transaction. Dynegy was a thinly capitalized company seeking to buy a competitor several times its size which was mired in accounting issues, including off balance sheet liabilities and a questionable marked-to-market portfolio. In addition, Dynegy was one notch from a junk rating, had less than \$100 million of cash on its balance sheet and already had significant exposure to Enron.

Our view was that the merger strategy was entirely defensive in nature and highlighted the fundamental flaws in the market's enthusiastic embrace of the energy trading model. The subsequent unraveling of the deal only confirmed this and made the stock a compelling short sale in our view. We shorted Dynegy's stock as the Enron deal was unwinding (at an average price of \$38) because we believed the market was seriously overestimating the profitability of the energy trading model. Further, Dynegy's bond ratings were at risk and Dynegy was significantly weakened by the breakdown of the deal. Moreover, the termination of the agreement would certainly be contested by Enron and would result in a significant litigation overhang for the stock. Within days of the deal's termination, Dynegy's stock fell, Enron filed for bankruptcy and Enron sued Dynegy for \$10 billion in damages for wrongful termination of their merger. These events, combined with a meltdown in the merchant energy business, caused Dynegy stock to reach a low of \$20.90 on December 18. (We covered our short at an average price of \$24.)

In the heady merger arbitrage environment of the late 1990s, we would have scoffed at such an announcement, derided Dynegy for its short-sightedness and moved on to the "good deals" with 20%+ annual spreads. In today's environment, creative thinking and rigorous analysis is being rewarded. It should be noted that we have not moved outside of our core competency -- event-driven investing -- and still maintain a market-neutral profile within the portfolio.

Distressed / Special Opportunities

As discussed in last quarter's letter, Dan Zwirn joined us as portfolio manager for our new Distressed / Special Opportunities group and will initially concentrate on secondary market distressed debt, special situation private loans and restructuring-related public equities. We have assembled a team of high quality analysts and support staff to comb through the markets in search of attractive investment opportunities. With the stream of corporate defaults and bankruptcies seeming only to increase each day, we have been finding a number of attractive opportunities that meet our strict guidelines for portfolio risk and have begun judiciously investing an initial \$200 million of capital, representing approximately 5% of Highbridge's assets.

6/2/08

UNIFORM APP For Investment Adviser Regs
Eq 7/3/08

together with CCPG, CCP and CCPAM, "Corbin").

HCM does not communicate Client positions or Client transactions to Corbin. Investment funds managed by Corbin are not Clients of HCM; Clients of HCM do not invest in investment funds managed by Corbin. One principal of HCM owns minority equity interests in Corbin and is not charged fees on his investments in the Corbin funds. HCM provides information technology, computer infrastructure, human resources, and employee benefits services to Corbin which Corbin pays for based on an estimate of the cost to HCM of providing such services. Mr. Dubin serves Corbin in the titular capacity of Chief Investment Officer.

D.B. Zwirn

DSAM owns a minority equity interest in Highbridge/Zwirn Partners, LLC ("H/Z"), which interest will decline to zero as of January 1, 2009, a minority equity interest in D.B. Zwirn & Co., L.P. ("Zwirn"), which interest will decline to zero as of January 1, 2009, and a minority equity interest in DBZ GP, LLC ("DBZGP"), which interest will decline to zero as of January 1, 2009.

Zwirn manages as a separate account the distressed and special opportunities investments of HCM/Z Special Opportunities, LLC ("HCM/Z"), a wholly owned subsidiary of Highbridge International LLC which is a wholly-owned subsidiary of Highbridge Master.

Zwirn manages other investment accounts with the same strategy it uses for HCM/Z and may manage other such accounts in the future. Accounts managed by Zwirn, including HCM/Z's account, may compete for positions in certain securities and instruments. Zwirn, however, has agreed that on the placement of orders for client accounts it will attempt in good faith to achieve an equitable treatment of all accounts, including HCM/Z's account, on an overall basis.

Investments funds and accounts managed by Zwirn may co-invest with Investment Funds.

Messrs. Dubin & Swieca do not receive through their interests in H/Z, Zwirn and DBZGP (collectively, the "Zwirn Entities") any fees accruing from Zwirn's management of HCM/Z. Nonetheless, there is a potential conflict of interest between the financial incentive to HCM to have Zwirn manage HCM/Z, and the potential interest of HCM/Z in selecting a different distressed and special opportunities investment adviser to manage HCM/Z's assets in which Messrs. Dubin & Swieca do not have a financial interest.

Skystone

Skystone Capital Management LP ("Skystone") is an investment adviser controlled by Kerry Nelson. Skystone is not affiliated with HCM. It is anticipated that Skystone will be the investment manager for HSE Partners LP, HSE Partners Ltd and HSE Master Fund Limited Partnership (collectively, the "HSE Funds"), investment vehicles that are not managed by HCM. Highbridge Capital Administrators, LLC, an affiliate of HCM, will be a special limited partner of HSE Master Fund Limited Partnership and will receive a portion of the incentive allocation from the HSE Master Fund Limited Partnership. It is anticipated that HCM, as the Administrative Manager to the HSE Funds, will provide certain back office, technology and legal support services to Skystone and the HSE Funds. HCM pays Skystone a fixed fee to offset some of Skystone's operating expenses. HCM expects to receive a portion of the management fees from the HSE Master Fund Limited Partnership.

Ms. Nelson also manages up to \$250 million of the assets of Highbridge International LLC through HSO LP, a Cayman Islands limited partnership vehicle. Highbridge International LLC is the only limited partner in HSO LP. Ms. Nelson controls



HPM 3/1/04

- **Special Opportunities Investments:** Focuses on four sub-strategies:

Secondary Market Credit Investments: Debt investments in the secondary market may include senior public and private corporate debt, secured bank debt incurred either prior to or during a company's bankruptcy filing, bonds and trade claims of companies undergoing liquidation or out-of-court exchange offers and bonds of companies involved in litigation. H/ZCM also may engage in capital structure arbitrage, which may involve debt and convertible securities of distressed or bankrupt companies;

Acquisitions of Debt Investments: The debt investments that may be acquired include interests in bridge loans, mezzanine financings, debtor-in-possession loans ("DIPs") and "B-tranche" loans (junior secured loans) for asset-rich companies and real estate properties;

Special Assets: Establishment of joint venture platforms to access special asset sub-classes that require highly specialized analytical knowledge or where sourcing is a particular challenge; secures (in most cases) exclusive relationships with highly experienced professionals specializing in unique assets; and

Special Situation Equities: These investments include equity securities of public companies involved in "special situations." These special situations include (a) liquidation or reorganization under state or U.S. Federal bankruptcy law or similar laws in other developed countries, (b) extraordinary transactions, such as announced tender offers, mergers and spin-offs, liquidations and reorganizations involving distressed or bankrupt organizations, and (c) involvement in complex litigation involving distressed or bankrupt organizations.

- **Structured Private Investments:** The purchase of privately negotiated investments in publicly-traded companies worldwide, typically in the form of a convertible bond or convertible preferred stock. The structured investments activities are a natural extension of HCC's leading position in the global convertible securities marketplace.

- **Statistical Arbitrage:** Quantitative trading strategies executed on an automated basis. Security forecasts are fit statistically using both technical and fundamental data to take advantage of numerous small anomalies in the world's most liquid equity markets.

- **Long/Short Equity Investments:** Employs a "thesis-driven" approach, which examines companies and industries from the bottom-up. This analysis is driven by both qualitative and quantitative research that ultimately leads to an investment conclusion. The thesis-driven approach seeks to gain comfort with potential investments through a bottom-up, thorough understanding of the fundamentals of a business and/or investment situation. Trading opportunities come from utilizing this in-depth research to determine when the Street has misinterpreted the opportunities of a particular company. A clear understanding of the company's business model is the basis of the research behind these ideas as well as what internal and external factors drive the business model.

- **European Special Situations Investments:** Engages in multiple event-driven value strategies, including fundamental value, relative value, restructuring, event-driven shorts, and tactical trading. These strategies vary in duration and are expected to be uncorrelated to each other thereby providing attractive risk-adjusted returns. The Fund

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securities may be illiquid. HCC may invest in private and public debt owed by companies on either an assignment or participation basis. When HCC 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. HCC enters into contracts with dealers as principal to purchase certain securities. Such transactions are not subject to exchange rules. HCC purchases securities issued by the companies and governments of countries other than the U.S., including developing countries. HCC purchases privately placed and unregistered securities. HCC may invest in the securities 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 redemption of interests only at specified intervals during a year. Consequently, HCC would be unable to liquidate those interests other than at the specified dates.

Equity. HCC may invest in equity and equity type instruments and therefore may acquire management rights associated therewith. Accordingly, the ultimate value realized on such investments will largely depend on the company's ability to execute the restructuring or liquidation plan, if any.

Long Equity Exposure. Components of HCC's Event Driven Equity Arbitrage and Relative Value Investments strategy, Long/Short Equity Investments strategy and the Special Situation Companies sub-strategy of the Distressed Securities and Special Opportunities Investments strategy, and other strategies, involve long, unhedged or only partially hedged investments in, and exposure to, equities. Such investments may decline in value along with general equity market declines.

Direct Debt Investments. HCC will not make direct loans or otherwise engage in active management of any U.S. company. However, a subsidiary of HCC has and will continue to purchase certain loans, or portions thereof, made by Highbridge/Zwirn Special Opportunities Fund, L.P. (the "H/Z U.S. Fund"), a U.S. investment fund engaged in investing in distressed securities and special opportunities and managed by Highbridge/Zwirn Capital Management, LLC ("H/ZCM"), an affiliate of HCM which is a physically separate investment management company managed by Daniel B. Zwirn, some time after the date of the origination of the loans by the H/Z U.S. Fund. Loans or portions of loans are assigned from the H/Z U.S. Fund at their fair market value at the time of such assignment, as determined by HCM. Each assignment will be accepted or rejected by an independent investment manager. As a result of this and other factors, the performance of HCC's direct debt investments will not be identical to those of the H/Z U.S. Fund.

Investing in Non-U.S. Securities. HCC's 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 than, and to 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

