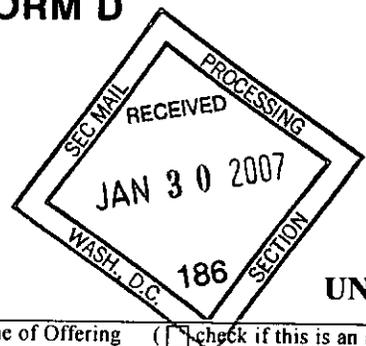


1390106

FORM D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0076
Expires:
Estimated average burden
hours per response.....16.00



FORM D
NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY
Prefix Serial
DATE RECEIVED

Name of Offering (check if this is an amendment and name has changed, and indicate change.)

Filing Under (Check box(es) that apply): Rule 504 Rule 505 Rule 506 Section 4(6) ULOE
Type of Filing: New Filing Amendment

A. BASIC IDENTIFICATION DATA

I. Enter the information requested about the issuer



Name of Issuer (check if this is an amendment and name has changed, and indicate change.)

Admiral Flagship Fund, LTD.

Address of Executive Offices (Number and Street, City, State, Zip Code) Telephone Number (Including Area Code)
Harneys Corporate Services, Craigmuir Chambers, PO Box 71 Road Town, Tortola, BVI (284) 494-2233
Address of Principal Business Operations (Number and Street, City, State, Zip Code) Telephone Number (Including Area Code)
(if different from Executive Offices)

Brief Description of Business
British Virgin Islands Business Company listed by shares engaged in seeking capital appreciation through investments.

Type of Business Organization
 corporation limited partnership, already formed other (please specify):
 business trust limited partnership, to be formed

PROCESSED

Actual or Estimated Date of Incorporation or Organization: Month Year
Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: Actual Estimated
CN for Canada; FN for other foreign jurisdiction)

FEB 15 2007

GENERAL INSTRUCTIONS

THOMSON
FINANCIAL

Federal:
Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where To File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:
This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

Bohr

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

William M. Ellsworth

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harneys Corporate Services, Craigmuir Chambers, PO Box 71 Road Town, Tortola, BVI

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Kevin V. Crouchley

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harneys Corporate Services, Craigmuir Chambers, PO Box 71 Road Town, Tortola, BVI

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Graham Cook

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harneys Corporate Services, Craigmuir Chambers, PO Box 71 Road Town, Tortola, BVI

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Ralph Woodford

Business or Residence Address (Number and Street, City, State, Zip Code)

c/o Harneys Corporate Services, Craigmuir Chambers, PO Box 71 Road Town, Tortola, BVI

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

B. INFORMATION ABOUT OFFERING

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? Yes No
- Answer also in Appendix, Column 2, if filing under ULOE.
2. What is the minimum investment that will be accepted from any individual? \$ 1,000,000.00
3. Does the offering permit joint ownership of a single unit? Yes No
4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual) _____

Business or Residence Address (Number and Street, City, State, Zip Code) _____

Name of Associated Broker or Dealer _____

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

| | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|
| AL | AK | AZ | AR | CA | CO | CT | DE | DC | FL | GA | HI | ID |
| IL | IN | IA | KS | KY | LA | ME | MD | MA | MI | MN | MS | MO |
| MT | NE | NV | NH | NJ | NM | NY | NC | ND | OH | OK | OR | PA |
| RI | SC | SD | TN | TX | UT | VT | VA | WA | WV | WI | WY | PR |

Full Name (Last name first, if individual) _____

Business or Residence Address (Number and Street, City, State, Zip Code) _____

Name of Associated Broker or Dealer _____

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

| | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|
| AL | AK | AZ | AR | CA | CO | CT | DE | DC | FL | GA | HI | ID |
| IL | IN | IA | KS | KY | LA | ME | MD | MA | MI | MN | MS | MO |
| MT | NE | NV | NH | NJ | NM | NY | NC | ND | OH | OK | OR | PA |
| RI | SC | SD | TN | TX | UT | VT | VA | WA | WV | WI | WY | PR |

Full Name (Last name first, if individual) _____

Business or Residence Address (Number and Street, City, State, Zip Code) _____

Name of Associated Broker or Dealer _____

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

| | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|
| AL | AK | AZ | AR | CA | CO | CT | DE | DC | FL | GA | HI | ID |
| IL | IN | IA | KS | KY | LA | ME | MD | MA | MI | MN | MS | MO |
| MT | NE | NV | NH | NJ | NM | NY | NC | ND | OH | OK | OR | PA |
| RI | SC | SD | TN | TX | UT | VT | VA | WA | WV | WI | WY | PR |

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if the answer is "none" or "zero." If the transaction is an exchange offering, check this box and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

| Type of Security | Aggregate Offering Price | Amount Already Sold |
|---|---|-------------------------|
| Debt | \$ 0.00 | \$ 0.00 |
| Equity | \$ 1,000,000,000.00 | \$ 50,980,000.00 |
| | <input checked="" type="checkbox"/> Common <input type="checkbox"/> Preferred | |
| Convertible Securities (including warrants) | \$ 0.00 | \$ 0.00 |
| Partnership Interests | \$ _____ | \$ _____ |
| Other (Specify _____) | \$ _____ | \$ _____ |
| Total | \$ 1,000,000,000.00 | \$ 50,980,000.00 |

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

| | Number Investors | Aggregate Dollar Amount of Purchases |
|--|------------------|--------------------------------------|
| Accredited Investors | 14 | \$ 50,980,000.00 |
| Non-accredited Investors | 0 | \$ 0.00 |
| Total (for filings under Rule 504 only) | 0 | \$ 0.00 |

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C — Question 1.

| Type of Offering | Type of Security | Dollar Amount Sold |
|--------------------|------------------|--------------------|
| Rule 505 | n/a | \$ 0.00 |
| Regulation A | n/a | \$ 0.00 |
| Rule 504 | n/a | \$ 0.00 |
| Total | | \$ 0.00 |

4 a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the insurer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

| | | |
|--|-------------------------------------|---------------------|
| Transfer Agent's Fees | <input type="checkbox"/> | \$ _____ |
| Printing and Engraving Costs | <input checked="" type="checkbox"/> | \$ 2,000.00 |
| Legal Fees | <input checked="" type="checkbox"/> | \$ 25,000.00 |
| Accounting Fees | <input checked="" type="checkbox"/> | \$ 5,000.00 |
| Engineering Fees | <input type="checkbox"/> | \$ 0.00 |
| Sales Commissions (specify finders' fees separately) | <input type="checkbox"/> | \$ 0.00 |
| Other Expenses (identify) <u>Filing Fees</u> | <input checked="" type="checkbox"/> | \$ 5,000.00 |
| Total | <input type="checkbox"/> | \$ 37,000.00 |

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C — Question 1 and total expenses furnished in response to Part C — Question 4.a. This difference is the “adjusted gross proceeds to the issuer.”

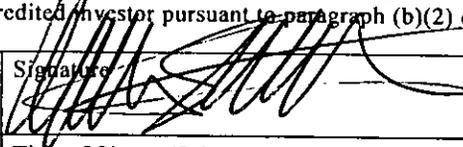
\$ 999,963,000.00

5. Indicate below the amount of the adjusted gross proceed to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C — Question 4.b above.

| | Payments to Officers, Directors, & Affiliates | Payments to Others |
|--|--|---|
| Salaries and fees | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Purchase of real estate | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Purchase, rental or leasing and installation of machinery and equipment | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Construction or leasing of plant buildings and facilities | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger) | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Repayment of indebtedness | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Working capital | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Other (specify): <u>Investments</u> | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ 50,980,000.00 |
| | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| | <input type="checkbox"/> \$ _____ | <input type="checkbox"/> \$ _____ |
| Column Totals | <input type="checkbox"/> \$ 0.00 | <input type="checkbox"/> \$ 50,980,000.00 |
| Total Payments Listed (column totals added) | <input type="checkbox"/> \$ 50,980,000.00 | |

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

| | | |
|--|---|------------------|
| Issuer (Print or Type) Admiral Flagship Fund, LTD. | Signature  | Date 11/26/07 |
| Name of Signer (Print or Type) William M. Ellsworth | Title of Signer (Print or Type) Director of the Issuer | |

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

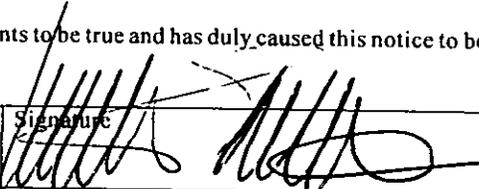
E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes No

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed a notice on Form D (17 CFR 239.500) at such times as required by state law.
3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.
4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

| | | |
|---|---|-----------------|
| Issuer (Print or Type) Admiral Flagship Fund, LTD. | Signature  | Date 1/26/07 |
| Name (Print or Type) William M. Ellsworth | Title (Print or Type) Director of the Issuer | |

Instruction:
Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX

| 1 | 2 | | 3 | 4 | | | | 5 | |
|-------|---|----|---|--|--|------------------------------------|--------|-----|--|
| | Intend to sell to non-accredited investors in State (Part B-Item 1) | | | Type of security and aggregate offering price offered in state (Part C-Item 1) | Type of investor and amount purchased in State (Part C-Item 2) | | | | Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1) |
| State | Yes | No | | Number of Accredited Investors | Amount | Number of Non-Accredited Investors | Amount | Yes | No |
| AL | | | | | | | | | |
| AK | | | | | | | | | |
| AZ | | | | | | | | | |
| AR | | | | | | | | | |
| CA | | x | | 14 | \$50,980,000 | | | | |
| CO | | | | | | | | | |
| CT | | x | | 0 | \$0.00 | | | | |
| DE | | | | | | | | | |
| DC | | | | | | | | | |
| FL | | | | | | | | | |
| GA | | | | | | | | | |
| HI | | | | | | | | | |
| ID | | | | | | | | | |
| IL | | | | | | | | | |
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| IA | | | | | | | | | |
| KS | | | | | | | | | |
| KY | | | | | | | | | |
| LA | | | | | | | | | |
| ME | | | | | | | | | |
| MD | | | | | | | | | |
| MA | | | | | | | | | |
| MI | | | | | | | | | |
| MN | | | | | | | | | |
| MS | | | | | | | | | |

APPENDIX

| 1 State | 2 Intend to sell to non-accredited investors in State (Part B-Item 1) | | 3 Type of security and aggregate offering price offered in state (Part C-Item 1) | 4 Type of investor and amount purchased in State (Part C-Item 2) | | | | 5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1) | |
|------------|--|----|---|---|--------|------------------------------------|--------|---|----|
| | Yes | No | | Number of Accredited Investors | Amount | Number of Non-Accredited Investors | Amount | Yes | No |
| MO | | | | | | | | | |
| MT | | | | | | | | | |
| NE | | | | | | | | | |
| NV | | | | | | | | | |
| NH | | | | | | | | | |
| NJ | | | | | | | | | |
| NM | | | | | | | | | |
| NY | | | | | | | | | |
| NC | | | | | | | | | |
| ND | | | | | | | | | |
| OH | | | | | | | | | |
| OK | | | | | | | | | |
| OR | | | | | | | | | |
| PA | | | | | | | | | |
| RI | | | | | | | | | |
| SC | | | | | | | | | |
| SD | | | | | | | | | |
| TN | | | | | | | | | |
| TX | | | | | | | | | |
| UT | | | | | | | | | |
| VT | | | | | | | | | |
| VA | | | | | | | | | |
| WA | | | | | | | | | |
| WV | | | | | | | | | |
| WI | | | | | | | | | |

APPENDIX

| 1 | 2 | | 3 | 4 | | | | 5 | |
|-------|---|--------------------------|---|--|--|------------------------------------|--------|--------------------------|--|
| | Intend to sell to non-accredited investors in State (Part B-Item 1) | | | Type of security and aggregate offering price offered in state (Part C-Item 1) | Type of investor and amount purchased in State (Part C-Item 2) | | | | Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1) |
| State | Yes | No | | Number of Accredited Investors | Amount | Number of Non-Accredited Investors | Amount | Yes | No |
| WY | <input type="checkbox"/> | <input type="checkbox"/> | | | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| PR | <input type="checkbox"/> | <input type="checkbox"/> | | | | | | <input type="checkbox"/> | <input type="checkbox"/> |

APPENDIX A

Admiral Flagship Fund, Ltd. (the "**Fund**") is an open ended investment company established as a company limited by shares formed under the laws of the British Virgin Islands and recognized as a professional fund by the Financial Services Commission of the British Virgin Islands under the provisions of the Mutual Funds Act 1996 of the British Virgin Islands. The Fund intends to invest in securities and hold portfolio positions through a "master-feeder" structure. Admiral Flagship Master Fund, LTD. is the "master fund" (the "**Master Fund**"). The Investment Advisor of the Fund is Admiral Capital Management, LLC (the "**Advisor**") and will be responsible for the management of the Fund's portfolio. The managing member of the Investment Advisor is William M. Ellsworth.

The following is a summary of the principal fees and expenses which will be borne by the Fund.

Incentive Fee

The Fund will pay to the Advisor an incentive fee, determined and payable for each year, in an amount, determined separately as to each series of Participating Shares outstanding during the year, equal to 20% of the amount by which the Net Asset Value attributed to each series of Participating Shares at the end of such year (or at the date of redemption, if other than an end of a year), exceeded the highest Net Asset Value per Participating Share ("**Prior High NAV**") at the following dates: (i) the beginning of such year; (ii) the beginning of any preceding year during which such shares were outstanding; or (iii) the subscription date for such Participating Shares. The use of a Prior High NAV is intended to effectively require the recovery of any prior losses as to a holder's Participating Shares before an incentive fee may be earned on such Participating Shares for a particular year.

Notwithstanding the foregoing, if the Fund were to designate any security or other investment as a "Side Pocket Investment," the incentive fee with respect to such Side Pocket Investment would be calculated separately based upon realized profits and losses of each Side Pocket Investment and paid upon the realization or deemed realization of the Side Pocket Investment.

Under an investment advisory agreement, the Advisor will be paid its incentive fee within 30 days after the end of each fiscal year for which such fee was earned, or, if applicable, within 30 days after each redemption of Participating Shares or the termination of the Investment Advisory Agreement, if other than the last day of a fiscal year.

The board of directors of the Fund, with the consent of the Advisor, has the right, in its discretion, to charge differing incentive fees to different classes and series of Common Shares or to reduce, rebate or eliminate all or any part of the incentive fees chargeable to any class or series of Common Shares; provided, however, that in no event shall the incentive fee charged to any Participating Shares exceed a rate of twenty percent (20%) of the increase in Net Asset Value thereof without the express consent of all the holders of outstanding Participating Shares of such series.

The Advisor may elect, prior to the beginning of any fiscal year, to defer payment of all or part of its incentive fees for such fiscal year or any subsequent year to the last day of any fiscal year or years following the year the incentive fees are earned. If the Advisor elects to defer payment of all or part of the incentive fees, any such deferred amounts payable to the Advisor shall be treated, and the amounts eventually payable at the end of such deferred periods shall be determined, as if such deferred amounts had been invested in Shares (or, if elected alternatively,

in U.S. Treasury obligations) on the first day of the fiscal year following the year the deferred incentive fees were earned and redeemed as of the last day of the deferred period. The deferred amounts and any earnings thereon shall be treated as an unsecured liability of the Fund. The deferred incentive fees and amounts of net profits, if any, allocated to such deferred incentive fees shall be paid promptly after the end of the deferred period. If any cash dividends are paid with respect to the Shares during any of such deferred periods, there shall be paid to the Advisor, at the time of payment of such dividends, an amount equal to the dividends that would have been paid to the Advisor if the deferred amounts had been invested in Shares.

Management Fee

Under an investment advisory agreement the Advisor will be responsible for and will pay, or cause to be paid, its own overhead and operating expenses, including salaries, rent, utilities, equipment and clerical expenses. The Advisor will receive a management fee from the Fund, at the annual rate of 1.5%, payable on a quarterly basis in advance on the first business day of each quarter, in an amount equal to 0.375% of the Net Asset Value of the Fund as of such date which are attributable to the "Participating Shares" (after giving effect to subscriptions and redemptions); *provided, however*, that the portion of the management fee relating specifically to a Side Pocket Investment shall be charged to the holders of Participating Shares participating in such Side Pocket Investment in proportion to their respective interests therein and in the event that the shares issued in respect of the Side Pocket Investment were to be held after the shareholder had redeemed all its Participating Shares, the Fund would be entitled to hold back an amount out of the redemption proceeds of the Participating Shares, out of which the management fees for the Side Pocket Investments would be deducted; *provided, further*, that in no event shall any holder of Participating Shares be charged a management fee greater than 0.375% per quarter as a result of such designation. The management fee for any period of less than a full quarter shall be adjusted ratably. Payment of the management fee may be deferred by the Advisor in the same general manner as described above with respect to the incentive fee.

Administrator's Fees

The Master Fund will pay to an administrator, for administrative services rendered to the Master Fund and its respective feeder funds (including the Fund), an administrative fee generally at an annual rate varying with the level of the Master Fund's net assets. A ratable portion of such fees will be borne indirectly by the Fund as an equity owner in the Master Fund. In the event the Master Fund changes administrators, administration fees may be expected to change accordingly.

Operating Expenses

The Fund and the Master Fund will each be responsible for payment of its own legal and accounting fees, expenses incurred in connection with the purchase, sale or carrying of securities or other investments (including brokerage commissions, interest expenses and custody and transfer fees). The Fund will also bear indirectly its ratable share of the expenses of the Master Fund.

The Fund will bear all of its operating costs not borne by the Advisor under an investment advisory agreement, including the Fund's legal and accounting fees and fees paid by the Master Fund to any administrator or of any other third parties retained by the Fund. In addition, as an equity owner in the Master Fund, the Fund will bear indirectly its ratable portion of the costs and expenses of the Master Fund, including expenses incurred in the buying, selling and holding of securities and other investments (including, without limitation, all custody, accounting, transfer

and legal fees, commissions, markups and markdowns and interest expense), the fees of the Administrator and the Master Fund's own legal and accounting expenses.

In addition to the above operating expenses, under an investment advisory agreement the Fund (or the Master Fund, as the case may be) will be responsible for paying, or reimbursing the Advisor for, certain research-related costs relating to: (i) costs of research-related data feeds, computer hardware, software and databases, including the costs of software development, research and risk management programs and systems, computer terminals and other equipment used primarily for research, investment monitoring execution, pricing portfolio and risk management, and maintenance and upgrade expense; and (ii) research and investment reports, studies and analyses prepared by third parties, relating to specific companies, industries, markets, strategies or general economic or political matters. Operating expenses of the Fund or the Master Fund, including certain of the foregoing research-related expenses, may be borne or reimbursed, in whole or in part, by broker-dealers executing transactions for the Fund or the Master Fund. The Advisor will assume all of its overhead and operating expenses.

Organizational Expenses

All business expenses incurred in the organization of the Fund, together with those of the Partnership and the Master Fund, as well as certain capital equipment costs, aggregating in total approximately \$125,000, will be borne or reimbursed by the Master Fund. Such expenses will be capitalized and will be amortized ratably over the first 60 months of the term of the Master Fund. As an equity owner in the Master Fund, the Fund will bear indirectly its ratable portion of such expenses. The Fund regards such five-year amortization method as more equitable to the shareholders than that required under U.S. generally accepted accounting principles, which currently provide that organizational expenses should be charged fully in the period incurred. If such expenses are deemed material for accounting purposes, however, such amortization method may result in a qualification in the auditors' report on the Fund's financial statements.

Commission Dollars to Obtain Investment Research, Brokerage and Other Lawful Services

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers who use commission dollars of their advisory accounts to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the Principal in performing investment decision-making responsibilities, provided that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of the services so provided. The Advisor is authorized to utilize allocations of commission dollars to pay for products or services that qualify as "research and brokerage services," within the meaning of Section 28(e), pursuant to arrangements that meet the other requirements of that Section. The Memorandum and Articles of Association and the Advisory Agreement of the Master Fund contain provisions expressly authorizing the use of brokerage allocations and commissions for the purposes described above.

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