



PART 2A OF FORM ADV: FIRM BROCHURE

Starboard Value LP

830 3rd Avenue, 3rd Floor

New York, NY 10022

Phone: (212) 845-7977

Fax: (212) 845-7989

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This brochure (this "Brochure") provides information about the qualifications and business practices of Starboard Value LP. If you have any questions about the contents of this brochure, please contact us at (212) 845-7977. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Starboard Value LP is registered as an investment adviser with the SEC. Registration does not imply a certain level of skill or training.

Additional information about Starboard Value LP also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2

MATERIAL CHANGES

This is Starboard Value LP's annual updating amendment for 2012. There are no material changes however clients and prospective clients should carefully review the disclosure contained herein.

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ITEM 4

ADVISORY BUSINESS

Starboard Value LP, a Delaware limited partnership (the "Adviser") provides discretionary investment management services to private investment partnerships and offshore investment funds that are offered to investors on a private placement basis (each a "Fund" and collectively, the "Funds"). In addition, the Adviser serves as the investment adviser with discretionary trading authority and also provides discretionary investment advisory services to separately managed accounts (the "Managed Accounts"). As used herein, the term "client" generally refers to each Fund and each beneficial owner of a Managed Account.

The Funds include (1) Starboard Value and Opportunity Fund LP, a Delaware limited partnership (the "Domestic Fund"), (2) Starboard Value and Opportunity Fund Ltd, a Cayman Islands exempted company (the "Offshore Fund I"), and (3) Starboard Value and Opportunity Overseas Fund II Ltd, a Cayman Islands exempted company (the "Offshore Fund II", together with Offshore Fund I, the "Offshore Funds", and collectively with the Domestic Fund, the "Feeder Funds"). The Domestic Fund directly invests substantially all of its assets through a "master feeder" structure in Starboard Value and Opportunity Master Fund Ltd, a Cayman Islands exempted company (the "Master Fund"). Offshore Fund I and Offshore Fund II indirectly invest substantially all of their assets, respectively, through Starboard Intermediate Fund, L.P., a Cayman Islands exempted limited partnership (the "Intermediate Fund I"), and Starboard Intermediate Fund II, L.P., a Cayman Islands exempted limited partnership (the "Intermediate Fund II", and together with Intermediate Fund I, the "Intermediate Funds"), into the Master Fund. The Adviser serves as the management company with discretionary trading authority to the Master Fund. Starboard Value A LP, a Delaware limited partnership affiliated with the Adviser (the "Fund General Partner", and together with the Adviser, the "Firm"), serves as the general partner of the Domestic Fund and the Intermediate Funds. Interests in the Funds are not registered under the Securities Act of 1933, and the Funds are not registered under the Investment Company Act of 1940 (the "Company Act"). Accordingly, interests in the Funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions.

The Adviser commenced operations in 2011 with an office in New York. Its general partner is Starboard Value GP LLC, a Delaware limited liability company (the "Adviser General Partner"). The owners of the Adviser and Adviser General Partner are Starboard Principal Co LP, a Delaware limited partnership (the "Principal Co"), and Ramius V&O Holdings LLC, a Delaware limited liability company ("Ramius Holdings"). Ramius Holdings's sole

member is Ramius LLC, which is a wholly-owned subsidiary of Cowen Group, Inc. (NASDAQ: COWN). Principal Co owns a majority equity interest in the Adviser and the Adviser General Partner, and Ramius Holdings owns a significant minority equity interest in the Adviser and the Adviser General Partner. The owners of the Principal Co are Jeffrey Smith, Mark Mitchell and Peter Feld (collectively, the "Principals"). The Principals comprise the Management Committee, the Investment Committee and a majority of the Operating Committee of the Adviser General Partner, Mr. Smith serves as Chief Executive Officer and Chief Investment Officer of the Adviser and Adviser General Partner, and Messrs. Mitchell and Feld serve as Portfolio Managers of the Adviser and Adviser General Partner. Ramius Holdings has certain minority owner protections, but the day-to-day business and investment decisions for the Advisory Business (as defined below) are made by the Principals. The Advisory Business is run independently from and is not integrated or coordinated with the business of Ramius LLC, Cowen Group, Inc. or any of their affiliates.

The Adviser is also affiliated with the Fund General Partner, which serves as a general partner and is responsible for running day-to-day operations of the Domestic Fund and the Intermediate Funds, and Starboard Value R LP, a Delaware limited partnership (the "Starboard SLP," and, collectively with the Adviser, the Fund General Partner, the Adviser General Partner, and their respective partners and members other than Ramius Holdings, the "Advisory Business"). The Starboard SLP will be admitted as a special limited partner of the Domestic Fund and the Intermediate Funds, and will assist the Fund General Partner in evaluating the investment program and investment strategies of the Domestic Fund and the Intermediate Funds. Starboard Principal Co R LP, a Delaware limited partnership, is owned by the Principals and owns a majority equity interest in the Starboard SLP, and Ramius Holdings holds a significant minority equity interest in the Starboard SLP.

This Brochure generally includes information about the Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only. This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities.

The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

The Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, the Adviser's investment decisions and advice with respect to each Managed Account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the client to the Adviser.

The Adviser has full discretionary authority with respect to investment decisions and its advice with respect to the Funds and Managed Accounts is made in accordance with the investment objectives and guidelines as set forth in the Funds' respective offering memoranda or client's investment management agreement, as applicable.

The clients will invest primarily, although not exclusively, in the securities of small capitalization (generally \$50 million to \$1 billion) U.S. public companies that the Adviser believes are deeply undervalued by the marketplace and likely to experience a significant appreciation in value as a result of operational improvements or a change in ownership, corporate direction or management or improved corporate governance. (Also see Item 8 for a further description of the investment strategies of the clients.)

As of December 31, 2012, the Adviser manages approximately \$1.175 billion of assets on a discretionary basis.

ITEM 5

FEES AND COMPENSATION

The fees applicable to each client are set forth in detail in each Fund's offering documents. The fees applicable to each Managed Account are set forth in detail in each Managed Account's investment management agreement. A brief summary of such fees is provided below.

The Funds

Generally, the Funds pay the Adviser a fee for investment management services (the "Management Fee"), calculated monthly in arrears and payable quarterly (prorated for partial periods) in arrears, up to 0.1666% per month (2.0% on an annualized basis) of the ending capital account balances of each investor for each month during such calendar quarter.

The Management Fee will be prorated for any capital contribution or withdrawal by an investor that is effective other than as of the first day of a quarter. In the sole discretion of the Adviser or the Fund General Partner as applicable, the Management Fee may be waived, reduced or calculated differently with respect to any investor.

Generally, at the end of each fiscal year of each Fund, an affiliate of the Adviser is entitled to an incentive allocation (the "Incentive Allocation") in an amount up to 20% of any realized and unrealized net capital appreciation for such fiscal year allocated to the capital account of each investor, after reduction for the Management Fee debited to such investor's capital account for such fiscal year, subject to a loss carryforward mechanism. Certain classes of interests of certain Funds will bear an Incentive Allocation only if the applicable class outperforms a hurdle determined by reference to an unrelated performance index such as the Russell 2000 Index.

In the event that a Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments.

In the sole discretion of the Adviser, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

Managed Accounts

All fees for Managed Accounts are subject to negotiation and established pursuant to each Managed Account's investment management agreement. Generally, the investment management agreements are terminable upon receipt by either party from the other of prior written notice of termination and after the expiration of the specified notice period.

Generally, the Managed Accounts pay the Adviser a Management Fee, calculated monthly in arrears and payable either monthly or quarterly (prorated for partial periods) in arrears, of between 0.083% per month (1.0% on an annualized basis) and 0.1666% per month (2.0% on an annualized basis) of the ending net asset value of the Managed Account for each month during such calendar quarter. The Management Fee will be prorated for partial periods. Certain Managed Accounts may be charged no or differently calculated management fees.

Generally, at the end of each calendar year, with respect to certain Managed Accounts, the Adviser is entitled to a performance-based fee (collectively with the Incentive Allocations, "Performance Compensation") in an amount up to 20% of any net realized and unrealized appreciation in the net asset value of each Managed Account, subject to certain adjustments and subject to a loss carryforward mechanism. Certain Managed Accounts may be charged no or differently calculated performance-based fees.

Fees and compensation paid to the Adviser or its affiliates by the Funds or Managed Accounts are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis and Performance Compensation is generally deducted on an annual basis.

Each of the Adviser's clients bears its own costs and expenses, such as the Management Fee, Performance Compensation, fees payable to the administrator, investment expenses (e.g., expenses that the Adviser or its affiliates reasonably determine to be related to the investment of each client's assets, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank services fees and interest expenses); the cost of computer hardware and software to the extent used for portfolio management, risk management or research relating to the investments and prospective investments of the clients (and to the extent not paid for with "soft dollars"); legal and compliance expenses (including, without limitation, the fees and expenses of attorneys retained by the clients as well as the cost of salary and other compensation payable to one or more attorneys that are employees of the Adviser or one or more of its affiliates, but only to the extent that such cost is attributable to work performed for the benefit of the clients); professional fees (including, without limitation, expenses of consultants, experts and members of any investment group with which the clients are investing) relating to investments; investment-related travel expenses; accounting expenses (including the cost of accounting software packages); auditing and tax preparation expenses; costs of printing and mailing reports and notices; entity-level taxes; insurance expenses; corporate licensing; regulatory expenses (including filing fees); organizational expenses (including, when applicable, organization and conduct of the clients' directors', shareholders' or partners' meetings); expenses incurred in connection with the offering and sale of client interests or shares; directors' fees (if applicable); services fees; and other similar expenses related to the clients; and extraordinary expenses.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Adviser and its affiliates accept performance-based fees or allocations from certain clients. However, as described above, Performance Compensation is not accepted from all clients. The variation of Performance Compensation structures among the Adviser's clients may create an incentive for the Adviser to direct the best investment ideas to, or to allocate or sequence trades in favor of, clients that pay or allocate Performance Compensation.

The Adviser is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above, including the allocation policies described in Item 11.

ITEM 7

TYPES OF CLIENTS

The Adviser generally provides investment advice to Funds and Managed Accounts, as described above. Beneficial owners of Managed Accounts include investment companies,

pooled investment vehicles and other sophisticated investors. The Adviser generally requires a minimum investment of \$50 million for a prospective client to open a Managed Account.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to the clients, and investment strategies pursued and investments made by the Adviser on behalf of the clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

The clients seek investment opportunities (i) that trade at a significant discount to intrinsic value (measured on an absolute, as opposed to relative, basis) ("Value"), (ii) for which the Adviser can develop a defined plan to unlock value ("Plan"), and (iii) for which the Adviser believes there is a clear path to implementation of the Plan ("Path"). The Adviser's investment strategy with respect to the clients focuses primarily on investing in the securities of small capitalization (generally \$50 million to \$1 billion) U.S. public companies that the Adviser believes are deeply undervalued by the marketplace and likely to experience a significant appreciation in value as a result of operational improvements or a change in ownership, corporate direction or management or improved corporate governance. In pursuing this goal, the Adviser will utilize its information network in an effort to develop in-depth knowledge of the company and the relevant industry. The Adviser will typically conduct a thorough analysis of management, capital structure and corporate governance related issues, valuing the company using a traditional, fundamental, value-based approach and generally targeting issuers that are perceived by the Adviser to be valued at significant discount to intrinsic value based on this valuation framework

The clients seek to be the catalyst for the creation of Value through the formation and implementation of a Plan, which is generally focused on improving the target company's cash flow in the near to medium term. The Adviser's preferred Path to implementation of the Plan is typically to work constructively with the issuer's management and board of directors, but, if necessary, the Adviser is generally prepared to move more forcefully, including by securing the appointment of persons to the company's management team or board of directors and may also, either alone or as part of a group, initiate shareholder actions seeking to maximize value. The Adviser continually evaluates each element of the Value, Plan and Path

of each investment in order to test its investment thesis and seeks to reduce or exit positions in which it believes there is no longer a clear Plan or Path to achieve Value.

Investments in the Funds and Managed Accounts are speculative and entail substantial risks. There can be no assurance that the investment objectives of the clients will be achieved, and certain investment practices can, in some circumstances, potentially increase any adverse impact on the clients' investment portfolios. The Adviser's risk management approach seeks to isolate and mitigate, not eliminate, risk and there may be certain risks that the Adviser determines should not or cannot be hedged against. Accordingly, the Adviser's activities could result in substantial losses under certain circumstances. Investing in securities involves risk of loss that investors should be prepared to bear.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds and Managed Accounts advised by the Adviser. These risk factors include only those risks the Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Adviser.

The Clients' Investment Strategy. The success of the clients' investment strategy may require, among other things: (i) that the Firm properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) that the clients acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) that the clients avoid triggering anti-takeover and regulatory obstacles while aggregating their positions; (iv) that management of portfolio companies and other security holders respond positively to the Firm's proposals; and (v) that the market price of a portfolio company's securities increases in response to any actions taken by portfolio companies. There can be no assurance that any of the foregoing will succeed.

Successful execution of an investment strategy will depend on the cooperation of security holders and others with an interest in the portfolio company. Some security holders may have interests which diverge significantly from those of the clients and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Firm believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Firm anticipates, even if the clients' strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, there is no assurance that the clients will be able to realize any increase in the price of such securities.

Proxy Contests and Unfriendly Transactions. The clients may purchase securities of a company that is the subject of a proxy contest in the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so

that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the clients to suffer a loss.

In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

Redemption from Portfolio Funds. The clients may make additional investments in or effect withdrawals or redemptions from other funds the clients may invest in (the "Portfolio Funds") only at certain times pursuant to limitations set forth in the governing documents of the Portfolio Funds, including restrictions on the withdrawals of interests or redemptions of shares for an initial period, restrictions on the amount withdrawn or redeemed and the frequency with which withdrawals or redemptions can be made, and investment minimums which must be maintained. Additionally, the Portfolio Funds typically reserve the right to reduce ("gate") or suspend withdrawals or redemptions and to satisfy withdrawals or redemptions by making distributions in-kind, under certain circumstances.

Events in the world financial markets may materially adversely affect the Portfolio Funds, potentially limiting the clients' ability to fully exercise their withdrawal or redemption rights with regard to Portfolio Funds due to "gates", suspensions and distributions in-kind. Additionally, in some cases, the managers of Portfolio Funds (the "Portfolio Managers") may also suspend the determination of the net asset value of all or a portion of their portfolios. The absence of such valuations will make it more difficult for the Adviser to accurately value the clients' portfolios.

Investment and Trading Risks. All investments in securities and other financial instruments risk the loss of invested capital. The clients' investment program will utilize certain investment techniques such as futures, forward contracts, options, swaps, short sales and leverage which can, in certain circumstances, increase the adverse impact to which the clients may be subject. No guarantee or representation is made that the clients' programs will be successful, and investment results may vary substantially over time.

Inside Information. From time to time the Adviser or its affiliates, or members of a group of investors or investment managers with whom the Adviser is acting, may work with the management team of a company in which the clients have invested or propose to invest in order to design an alternate strategic plan and assist them in its execution, and may secure the appointment of persons selected by the Adviser or other members of the group to the company's management team or board of directors. In the course of such activities, the

Adviser may come into possession of material, non-public information concerning such company, and the possession of such information may limit the ability of the Adviser or its affiliates to cause the clients to buy or sell the securities issued by such company. Therefore, the clients may be required to refrain from buying or selling such securities at times when the Adviser or its affiliates might otherwise wish to cause the clients to buy or sell such securities.

Effect of Investor Withdrawals or Redemptions on the Firm's Ability to Influence Corporate Change. From time to time the Firm may seek to cause the clients to acquire enough of a company's shares or other equity to enable the Firm, either alone or together with the members of any group with which the Firm is acting, to influence the company to take certain actions, with the intent that such actions will maximize shareholder value. If investors request withdrawals or redemptions representing a substantial portion of a client's assets during any period when the Firm (or members of any such group) are seeking to influence any such corporate changes, the Firm may be compelled to sell some or all of the such client's holdings of the shares or other equity issued by such company in order to fund such investor withdrawal or redemption requests. This may adversely impact, or even eliminate, the Firm's (or the group's) ability to influence such changes and, thus, to influence shareholder value, possibly resulting in losses to the clients.

Control Position. The clients, acting either alone or as part of a group, may acquire a "control" position in an issuer's securities. This may subject the clients to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability characteristic of business operations may be ignored.

Risks Associated with Investments in Restructured Companies. The clients may invest in securities of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the clients, they involve a substantial degree of risk. Any one or all of the issuers of the securities in which the clients invest may not show any return for a considerable period of time, if ever. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Firm will correctly evaluate the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the clients invest, the clients may lose their entire investment or may be required to accept cash or securities with a value less than the original investment.

Credit Risk; Investing in Lower Credit Quality Securities and Distressed Securities. The clients may invest in "below investment grade" securities and obligations of issuers in weak

financial condition, including those experiencing poor operating results, having substantial capital needs or negative net worth, and/or facing special competitive or product obsolescence problems, and including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities may be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. Lower rated and unrated securities in which the clients may invest have large uncertainties or major risk exposures to adverse conditions, and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal.

Among the risks inherent in investments in troubled entities are the facts that it frequently may be difficult to obtain information as to the true condition of such issuers and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. Such investments also may be adversely affected by 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. In addition, there is no minimum credit standard that is a prerequisite to the clients' investment in any instrument, and a significant portion of the obligations and preferred stock in which the clients invest may be less than investment grade. As a result, the clients may lose all or substantially all of their investment in any particular instance.

The market values of certain of these securities (such as subordinated securities) also tend to be more sensitive to changes in economic conditions than higher rated securities. Such securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. Any economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. These ratings may be used by the Adviser as initial criteria for the selection of portfolio securities. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events.

Securities in which the clients may invest may rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of whose debt securities may be secured by substantially all of the issuer's assets. Moreover, the clients may invest in securities that are not protected by financial covenants or limitations on additional indebtedness.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the clients of the security in respect to which such distribution was made.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the clients invest, the clients may lose their entire investment, may be required to accept cash or securities with a value less than the clients' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the clients' investments may not compensate the clients adequately for the risks assumed.

In certain transactions, the clients may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Valuation. Securities that the Firm believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Firm anticipates. In particular, purchasing securities at prices that the Firm believes to be distressed or below fair value is no guarantee that the price of such securities will not decline even further.

Interest Rate Risk. The clients are subject to the risk of a change in interest rates. A decline in interest rates could reduce the amount of current income the clients are able to achieve from interest on convertible debt and the proceeds of short sales. An increase in interest rates could reduce the value of convertible securities owned by the clients. To the extent that the cash flow from a fixed income security is known in advance, the present value (i.e., discounted value) of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the dollar value of the payment may be linked to then prevailing interest rates. Moreover, the value of many fixed income securities depends on the shape of the yield curve, not just on a single interest rate. Thus, for example, a callable cash flow, the

coupons of which depend on a short rate such as three-month LIBOR, may shorten (i.e., be called away) if the long rate decreases. In this way, such securities are exposed to the difference between long rates and short rates. The clients may also invest in floating rate securities. The value of these investments is closely tied to the absolute levels of such rates, or the market's perception of anticipated changes in those rates. This introduces additional risk factors related to the movements in specific interest rates that may be difficult or impossible to hedge, and that also interact in a complex fashion with prepayment risks.

Small and Medium Capitalization Companies. The clients may invest a portion of their assets in the securities of companies with small to medium-sized market capitalizations, including growth stage companies. While the Firm believes they often provide significant potential for appreciation, such securities, particularly of companies having small-capitalization, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of securities of small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Illiquidity of Investments; Unregulated Transactions. The clients may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the clients may not be able to sell them when they desire to do so or to realize what the Firm perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over the counter markets. The clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. In addition, in certain circumstances governmental or regulatory approvals may be required for the clients to dispose of an investment. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly traded securities, nor is the trading of such non-publicly traded securities regulated by any government agency. Accordingly, the protections accorded by such regulation will not be available in making such investments. When the Firm deems it appropriate, such investments may constitute a material portion of the clients' assets.

Derivatives Generally. Derivative instruments, or "derivatives", include options, swaps, futures, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives typically allow an investor to hedge or speculate on the price movements of a particular security, financial benchmark currency, index or commodity at a fraction of the cost of investing in the underlying asset. There is no assurance that derivatives that the clients wish to acquire will be available at any particular time, on satisfactory terms or at all.

The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged", and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement not only can result in the loss of the entire investment, but may also expose the clients to the possibility of a loss exceeding the original amount invested.

In addition, derivative contracts may expose the clients to the credit risk of the parties with which the clients deal. Non-performance of such contracts by counterparties, for financial or other reasons, could expose the clients to losses, whether or not the transaction itself was profitable. Derivatives may also expose the clients to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts.

Futures Contracts. The clients may trade in futures contracts (and options on futures). Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the clients from promptly liquidating unfavorable positions and subject the clients to substantial losses. In addition, the clients may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the Commodity Futures Trading Commission ("CFTC")) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions

that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

Margin on Futures. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. In the forward, currency and certain other derivative markets, margin deposits may be even lower or may not be required at all. Such low margin deposits are indicative of the fact that any commodity futures contract trading typically is accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 5% of the price of a futures contract is deposited as margin, a 5% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a commodity contract may result in losses in excess of the amount invested.

Failure of Futures Commission Merchants. Under the Commodity Exchange Act, as amended, futures commission merchants are required to maintain customers' assets in a segregated account. To the extent that the clients engage in futures and options contract trading and the futures commission merchants with whom the clients maintain accounts fail to so segregate the clients' assets, the clients will be subject to a risk of loss in the event of the bankruptcy of any of their futures commission merchants. In certain circumstances, the clients might be able to recover, even with respect to property specifically traceable to the clients, only a pro rata share of all property available for distribution to a bankrupt futures commission merchant's customers.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option that is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying

security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option that is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Stock Index Options. The clients may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing their investment objective or for the purpose of hedging their portfolios. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the clients' portfolios correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the clients realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the clients of options on stock indices will be subject to the Firm's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Margin on Options. The Firm may, on behalf of the clients, purchase and sell ("write") options on equities on commodities and securities exchanges and in the over-the-counter ("OTC") market. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for OTC options and other OTC instruments, such as currency forwards, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

Options may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, the clients may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Swap Agreements. The clients may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the clients' exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The clients are not limited to any particular form of swap agreement if consistent with the clients' investment objective and policies.

Swap agreements tend to shift the clients' investment exposure from one type of investment to another. For example, if the clients agree to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the clients' exposure to U.S. interest rates and increase their exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the clients' portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the clients. If a swap agreement calls for payments by the clients, the clients must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the clients.

Forward Trading. The clients may invest in forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges, and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange traded futures contracts, interbank traded instruments rely on the fulfillment by the dealer or counterparty of its contract. As a result, trading in interbank non-U.S. exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the clients have forward contracts. Although the Firm seeks to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose the clients to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in

the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the clients due to unusually high or low trading volume, political intervention or other factors. The imposition of credit controls by government authorities might also limit such forward trading to less than that which the Firm would otherwise recommend, to the possible detriment of the clients. Neither the CFTC nor banking authorities regulate forward currency trading through banks. In respect of such trading, the clients would be subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the clients.

Repurchase and Reverse Repurchase Agreements. The clients may enter into repurchase and reverse repurchase agreements. When the clients enter into a repurchase agreement, they "sell" securities to a broker-dealer or financial institution, and agree to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the clients "buy" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the clients, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the clients involves certain risks. For example, if the seller of securities to the clients under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the clients will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the clients' ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the clients may not be able to substantiate their interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the clients may suffer a loss to the extent that they are forced to liquidate their positions in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Contracts for Differences. The clients may enter into contracts for differences. In these transactions, the clients and another party assume price positions in reference to an underlying security or other financial instrument. The "difference" is determined by comparing each party's original position with the market price of such securities or financial

instruments at a pre-determined closing date. Each party will then either receive or pay the difference, depending on the success of its investment.

Financial markets for the securities or instruments that form the subject of a contract for differences can fluctuate significantly. Parties to a contract for differences assume the risk that the markets for the underlying securities will move in a direction unfavorable to their original positions. In addition, these contracts often involve considerable economic leverage. As a result, such contracts can lead to disproportionately large losses as well as gains and relatively small market movements can have large impacts on the value of the investment.

Other Derivative Instruments. The clients may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the clients and legally permissible. Special risks may apply to instruments that are invested in by the clients in the future that cannot be determined at this time or until such instruments are developed or invested in by the clients. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Furthermore, the regulatory and tax environment for derivative instruments in which the clients may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the clients.

Currency Risk. The clients may invest a portion of their assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The clients, however, value their securities and other assets in U.S. dollars. The clients seek to hedge their non-U.S. currency exposure, but it may not always be practicable to do so. To the extent unhedged, the value of the clients' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates 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 the U.S. dollar compared to the other currencies in which the clients make their investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the clients' securities in their local markets and may result in a loss to the clients. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the clients' non-U.S. dollar investments.

Furthermore, the clients may incur costs in connection with conversions between various currencies. Non-U.S. 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 the clients at one rate, while offering a lesser rate of exchange should the clients desire immediately to resell that currency to the dealer. The

clients conduct their 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, futures or commodity options contracts to purchase or sell non U.S. currencies. Most of the clients' currency exchange transactions occur at the time securities are purchased and are executed through the local broker or custodian acting for the clients.

Currency Hedging. The clients may seek to protect the value of some portion or all of their portfolio holdings against currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective. The clients may enter into forward contracts on currencies, as well as purchase put or call options on currencies, in U.S. or non U.S. markets. In order to hedge against adverse market shifts, the clients may purchase put and call options on stocks, and write covered call options on stocks. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time the clients wish to use them or will be able to be liquidated when the clients wish to do so. In addition, the clients may choose not to enter into hedging transactions with respect to some or all of their positions.

Counterparty Credit Risk. Some of the markets in which the clients' investments will be traded are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such "over-the-counter" transactions. This exposes the clients to the risk that a counterparty will not settle a transaction in accordance with their terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the clients have concentrated their transactions with a single or small group of counterparties.

Furthermore, there is a risk that any of the clients' counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the clients' counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the U.S. Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the clients' securities and other assets from the clients' prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the clients may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency.

However, the practical effect of these laws and their application to the clients' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the clients and their assets.

The clients are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. Moreover, the Firm does not have any formal credit function that evaluates the creditworthiness of the counterparties. The ability to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the clients.

Leverage. The clients may borrow substantial amounts of money in the course of their investment operations, using as collateral the securities that they own from time to time. Thus, the clients may be in a leveraged position, directly or indirectly, and the amount of borrowings that they may have outstanding at any one time, directly or indirectly, may be large in relation to their capital. Consequently, the interest rates at which such amounts are borrowed may affect the clients' operating results. As in the case of other leveraged investments, significant losses may result. The Funds will not generally incur aggregate borrowing in excess of 30% of its net assets, measured at the time of such borrowing.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the clients. For example, should the securities that are pledged to brokers to secure any margin accounts decline in value, or should brokers from which amounts have been borrowed increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), the brokers may make a "margin call" pursuant to which the brokerage account holder would be required either to deposit additional funds with the broker or to suffer mandatory liquidation of all or a portion of the pledged securities to compensate for the decline in value. In the event of a precipitous drop in the value of the assets maintained in any brokerage account, the holder of such account might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses.

Non-U.S. Investments Generally. The clients may invest in securities of non-U.S. entities and non-U.S. governments. Investing in the securities of companies (and, from time to time, governments) of non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including possible adverse political and economic developments, possible seizure or nationalization of non-U.S.

deposits and possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. In addition, there may be less publicly available information about issuers in non-U.S. countries, which are generally not subject to uniform accounting, auditing and financial reporting standards and other disclosure requirements comparable to those applicable to U.S. issuers. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by the clients from sources within some countries may be reduced by confiscation taxation, withholding or other taxes imposed by such countries. Any such taxes paid by the clients will reduce their net income or return from such investments. While the Firm will take these factors into consideration in making investment decisions for the clients, no assurance can be given that the Firm will be able to fully avoid these risks.

Additional costs could be incurred in connection with the clients' international investment activities. Non-U.S. brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when the Firm changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions.

Investments in non-U.S. securities also involve risks relating to currency exchange matters.

Hedging Transactions. The clients may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the clients' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) protect the unrealized gains in the value of the clients' investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in the clients' portfolio, (v) hedge the interest rate or currency exchange rate on any of the clients' liabilities or assets, (vi) protect against any increase in the price of any securities the clients anticipate purchasing at a later date or (vii) for any other reason that the Firm deems appropriate.

The Firm is not required to attempt to hedge portfolio positions of the clients and, for various reasons, may determine not to do so. Furthermore, the Firm may not anticipate a particular risk so as to hedge against it. While the 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 they had not engaged in any such hedging transaction. For a variety of reasons, the Firm may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the clients from achieving the intended hedge or expose the clients to risk of loss. The success of the clients' hedging strategies is subject to the Firm's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the clients' hedging strategy is also subject to the Firm's abilities to continually recalculate, readjust and execute hedges in an efficient and timely manner.

Convertible Securities Hedging Risks. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. 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.

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 clients is called for redemption, the clients 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. Any of these actions could have an adverse effect on the clients' ability to achieve their investment objective.

Short Sales. A short sale involves the sale of a security that the seller does not own in anticipation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the seller must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. When a short sale is made, the seller must leave the proceeds thereof with the broker and deposit with the broker an amount of cash or U.S. government securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a non-U.S. exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. In addition, a short sale involves the risk that borrowed securities will have to be returned to the lender at a time when such securities cannot be borrowed from other sources, potentially requiring a short sale transaction to be closed at an inopportune time or under disadvantageous circumstances. The clients have no policy limiting the amount of capital they may deposit to collateralize their obligation to replace borrowed securities sold short.

Financial Failure of Intermediaries. There is always the possibility that the institutions, including brokerage firms and banks, with which the clients do business, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may impair their operational capabilities or result in losses to the clients.

Suspensions of Trading. Each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible for the clients' investments to be liquidated and thereby expose them to losses. In addition, there is no guarantee that non exchange markets will remain liquid enough for the clients' positions to be closed out.

Investments in Portfolio Funds. Although the clients primarily pursue their investment strategies directly, they may occasionally pursue them indirectly by investing in Portfolio Funds, some of which may be non-affiliated Portfolio Funds. In general, neither the clients nor the Firm will have the ability to direct or influence the management of these funds or the investment of their assets. To the extent that a client invests in any Portfolio Funds, it is expected that any such Portfolio Funds will invest wholly independently of one another and that they may at times hold offsetting positions. To the extent that any such Portfolio Funds

do, in fact, hold such positions, each client, considered as a whole, cannot achieve meaningful gain or loss despite incurring expenses. If a client receives distributions in-kind from any Portfolio Fund in which it invests, it will incur additional costs and risks to dispose of such assets. In addition, the general partners, investment managers and others affiliated with the Portfolio Funds may have conflicts of interest. By investing in the Portfolio Funds indirectly through the clients, each investor's shares or interests in a client are generally subject to the Management Fee and Performance Compensation, and other expenses of the clients and also indirectly bear a pro rata portion of the asset-based fees and performance-based compensation charged to the clients as investors in a non-Affiliated Portfolio Fund and a pro rata share of the expenses of the Portfolio Fund. Further, any performance-based compensation payable or allocable to relevant Portfolio Manager of such Portfolio Fund could induce such Portfolio Manager to select riskier investments on behalf of such Portfolio Fund than would otherwise be the case. In addition, each Portfolio Manager would be compensated based on the performance of its portfolio. Accordingly, a Portfolio Manager might receive incentive compensation in respect of its portfolio for a period even though a client's overall portfolio has depreciated during such period.

Concentration and Diversification. While the clients intend to invest primarily in the securities of U.S. public companies, the clients will not generally be subject to any restrictions on the maximum amount of their assets that may be invested in any one issuer, industry or country. If the clients' investments are concentrated in a particular issuer, industry or country, the clients will then become more susceptible to fluctuations in value resulting from adverse economic conditions affecting that particular issuer, industry or country.

Possible Adverse Effects of Substantial Withdrawals/Redemptions. In the event that there are substantial withdrawals or redemptions of capital from the clients within a limited period of time, the Firm may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Under such circumstances, in order to provide funds to pay withdrawals or redemptions, the Firm may be required to liquidate positions at an inappropriate time or on unfavorable terms, resulting in a lower client net asset value for the remaining investors and less capital for the withdrawing or redeeming investors. On an ongoing basis, irrespective of the period over which substantial withdrawals or redemptions occur, it may be more difficult for the clients to generate additional profits operating on a smaller asset base and, as a result of liquidating assets to fund withdrawals or redemptions, the clients may be left with a much less liquid portfolio. The Firm may elect to cause the withdrawal or redemption of all capital and liquidate the clients at any time on not less than 5 days' notice. Similar risks would also apply in the case of any investment by the clients in a Portfolio Fund.

Terrorist Action. There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in the global market. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity.

ITEM 9

DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

ITEM 10

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

The Adviser and its management persons are not registered as, and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

The clients may invest in Portfolio Funds, the Portfolio Managers of which may be affiliates of the Adviser (any such affiliated Portfolio Managers, the "Affiliated Portfolio Managers", and any Portfolio Funds managed by Affiliated Portfolio Managers, the "Affiliated Portfolio Funds"). In the event that a portion of the assets of the clients are invested in any Affiliated Portfolio Fund that is managed by the Adviser or by Portfolio Managers that are wholly owned by the Adviser or its affiliates, Ramius V&O Advisors or their parent companies, (i) the Management Fee for a calendar quarter will be reduced (but not below zero) by the aggregate amount of any management, administrative or similar fee that has been paid, or that has accrued and is payable, to the relevant Affiliated Portfolio Manager with respect to such calendar quarter and (ii) the Performance Compensation for a given period will be reduced (but not below zero) by the aggregate amount of any performance-based compensation that has been paid or allocated, or that has accrued and is payable or allocable, to the relevant Affiliated Portfolio Manager with respect to such period (with the excess, if any, of such performance-based compensation over the Performance Compensation for such period being applied to reduce (but not below zero), the Performance Compensation for future periods). Alternatively, the clients may make investments in such Affiliated Portfolio

Funds that are not subject to any management, administrative or similar fees or to any performance-based compensation.

Ramius LLC, a Delaware limited liability company and the sole member of Ramius Holdings, or its affiliates will provide certain administrative services to the Adviser and its clients, including, without limitation, with respect to the clients, certain operations, fund legal and fund accounting services.

Ramius Holdings is an affiliate of Cowen and Company, LLC, a Delaware limited liability company under common control with Ramius Holdings. Cowen and Company, LLC is a registered broker-dealer and will provide investor referral services to the Funds.

ITEM 11

CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this document.

From time to time, the Adviser or its affiliates may determine that it is in the best interest of the clients to transfer to, or acquire from, another client of the Adviser or from the Adviser or its affiliates securities owned by such client or the Adviser. For example, the portfolios of the clients may be rebalanced by the Adviser or its affiliates if a client receives additional capital and another client of the Adviser, having a similar investment program and being managed generally on a *pari passu* basis, does not. The Adviser or its affiliates, under such circumstances, may determine that it is appropriate for a client to acquire securities from such other client or the Adviser or its affiliates. Such acquisition may constitute a principal

transaction under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Adviser or its affiliates may select one or more persons or entities that are not affiliates of the Adviser to serve on an independent committee, the purpose of which will be to consider and, on behalf of the investors of the clients, approve or disapprove, to the extent required by law or deemed advisable by the Adviser, principal and certain other related-party transactions and certain other transactions and matters involving potential conflicts of interest.

The clients may, to the extent permitted by applicable law, engage in transactions with the Adviser or its affiliates.

The Code places restrictions on personal trades by the Adviser's employees or other related persons (each an, "Employee"), including that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis, and requires that Employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, the Employees may not engage in personal trading of securities that are being purchased or sold by the Adviser for its clients. However, Employees may purchase and sell treasury securities, shares of money market funds and shares of open-end mutual funds not advised by the Adviser or its affiliates and certain other instruments and some clients may invest in the same or similar instruments.

The Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on Employee personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. If the Adviser determines that it would be in the best interests of its clients to participate in an investment opportunity, the Adviser will seek to execute orders for all of the participating clients, on an equitable basis, taking into account, without limitation, such factors as the perceived volatility of such opportunities, the relative amounts of capital available for new investments, the liquidity of the position relative to the needs of the particular account, the transaction costs involved, other investment guidelines and limitations established by the client, the judgment and discretion of the Adviser and applicable tax and regulatory considerations. Such considerations may result in allocations among the clients and one or more other clients of the Adviser or its affiliates on other than a *pari passu* basis.

Notwithstanding the foregoing, the Adviser and its affiliates are not obligated to allocate to the clients all potential transactions for which they might be eligible pursuant to their respective investment guidelines and procedures. Depending on the circumstances, the Adviser or its affiliates may allocate certain transactions on a disproportionate basis among its clients and/or may allocate all of certain other transactions to other clients, including funds in which one or more of the members of the management team of the Adviser or its affiliates may have an interest.

The Adviser and its affiliates also provide investment management services to other clients, including other collective investment vehicles. The Adviser and its affiliates may give advice, and recommend securities, to other managed accounts or investment funds (collectively, "Other Accounts") that may differ from advice given to, or securities recommended or bought for, the Funds and/or Managed Accounts, even though their investment programs may be the same or similar.

ITEM 12

BROKERAGE PRACTICES

The Adviser will be responsible for, among other things, the placement of any securities transactions entered into by the Funds and Managed Accounts, and for the negotiation of any commissions paid on such transactions. Such securities normally will be purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio securities through brokers involve a commission to the broker, and purchases from dealers serving as market makers include the spread between the bid and the asked price. The Adviser will seek to obtain the best execution for its clients, taking into account such factors as price (including the applicable dealer spread or commission, if any), size of order, the ability to effect prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected, the firm's risk in positioning a block of securities, the financial strength, integrity and stability of the broker and the quality, comprehensiveness and frequency of any available research services considered to be of value.

The Adviser may execute a portion of the securities trades entered into by the clients by or through one or more customer brokerage accounts maintained by the clients with certain clearing brokers (the "Clearing Brokers") pursuant to the terms of one or more clearing agreements with the Adviser under which the Adviser allocates to the Clearing Brokers a portion of the brokerage commissions they charge the clients. Floor brokers selected by the Adviser that will execute transactions in listed securities will receive a portion of the brokerage commissions that the floor brokers charge the clients at rates negotiated by the Adviser and each floor broker.

Brokerage transactions will be executed by other brokers and dealers selected by the Adviser on the basis of best execution, taking into consideration the factors described above.

The Adviser does not intend to trade on behalf of the clients through Cowen and Company, LLC.

The clients' use of "soft dollars" falls within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under Section 28(e), research obtained with soft dollars generated by the clients may be used by the Adviser to service accounts other than the clients, including clients that may not have paid for the soft dollar benefit. The Adviser does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate.

Any research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services, as well as discussion with research personnel. The Adviser may pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if the Adviser determines such prices or commissions are reasonable in relation to the overall services provided. Any research services provided by broker-dealers used by the clients may be utilized by the Adviser or its affiliates in connection with their respective investment services for other accounts and, likewise, any research services provided by broker-dealers used for transactions of other accounts may be utilized by the Adviser in performing its services for the clients.

The Funds' securities transactions can be expected to generate a substantial amount of brokerage commissions and other compensation, all of which the clients, not the Adviser, will be obligated to pay. The Adviser will have complete discretion in deciding what brokers and dealers the clients will use and in negotiating the rates of compensation the clients will pay. In addition to using brokers as "agents" and paying commissions, the clients may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

When the Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Adviser receives a benefit because it does not have to produce or pay for such products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all of the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services. The investment information received from the clients' brokers may be used by the Adviser in servicing all of its accounts, and not all such information need be used by the Adviser in connection with the clients. Nonetheless, the Adviser believes that such investment information provides the clients with benefits by supplementing the research otherwise available to the clients.

Neither the Adviser nor any related person receives client referrals from any broker-dealer or third party. The Adviser does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer.

The Adviser may place combined orders for more than one of its clients simultaneously with any broker and if any order is not filled at the same price, the Adviser may average the prices paid. There may be instances, such as when orders are placed with more than one broker, that make it impossible for the Adviser to average the prices paid. In these instances, the Adviser will allocate the filled orders in an equitable manner. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser may allocate the securities traded among the different accounts on any basis that it considers equitable. In these circumstances, each account would pay, in connection with the acquisition of securities by more than one account, the average price per unit acquired, which may be higher than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone. There may be corresponding potential disadvantages when more than one client account simultaneously seeks to dispose of commonly held securities and other investment positions.

The clients will be responsible for any losses resulting from trading errors and similar human errors, absent bad faith, fraud, willful misconduct or gross negligence. Given the volume of transactions executed on behalf of the clients, it should be assumed that trading errors (and similar errors) will occur and that the clients will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Adviser, its affiliates, or any of their respective members, managers, partners, directors, officers or employees.

ITEM 13

REVIEW OF ACCOUNTS

The Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the members of the Adviser's Management Committee, portfolio managers and research associates. Each client's portfolio is reviewed to ensure: (1) suitable investments are maintained in each client's portfolio; (2) securities are within appropriate risk levels for the client; (3) an appropriate asset allocation is maintained; and (4) any additional requirements communicated by the client to the Adviser in writing are met. A review of a client account may be triggered by any unusual activity or special circumstances.

Investors in the Funds and Managed Accounts generally receive a monthly letter from the Adviser documenting the performance of their Fund or Managed Account, along with a commentary by the Adviser, although the Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Adviser. In addition, the Adviser issues investors tax reports (if applicable) and audited financial statements concerning their respective Funds or Managed Accounts within 120 days of the end of such client's fiscal year.

ITEM 14

CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. However, the Adviser or its affiliates have entered into placement agreements with certain placement agents (the "Placement Agents"), pursuant to which the Placement Agents have agreed to introduce potential investors to the Funds. The Placement Agents may receive compensation for such services from the Adviser or its affiliates.

ITEM 15

CUSTODY

The Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Actual custody of Funds and other client assets, however, is at a broker-dealer, bank or trust company, not at

the Adviser. Account statements related to the clients are sent by qualified custodians to the Adviser or Ramius LLC, which provides certain administrative services to the Adviser and its clients.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each client because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each client be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each client distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

ITEM 16

INVESTMENT DISCRETION

The Adviser or the Fund General Partner has discretionary trading authority with respect to each Fund. In addition, the Adviser serves as the investment adviser with discretionary trading authority and also provides discretionary advisory services for the Managed Accounts.

The Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, the Adviser's investment decisions and advice with respect to each Managed Account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the client to the Adviser.

The Adviser or an affiliate of the Adviser entered into an investment management agreement, or similar agreement, with each Fund or beneficial owner of each Managed Account, pursuant to which the Adviser or an affiliate of the Adviser was granted discretionary trading authority.

ITEM 17

VOTING CLIENT SECURITIES

In compliance with Advisers Act Rule 206(4)-6, the Adviser has adopted proxy voting policies and procedures. All decisions about how to vote a proxy will be made in accordance with the Adviser's proxy voting policies and procedures, which are designed to take into

account the best interests of the client, as determined by the Adviser in its discretion. The Adviser may take into account all relevant factors when making such determination.

The Adviser uses Institutional Shareholder Services, Inc., an independent proxy voting service ("ISS"), to provide proxy analysis, voting recommendation and voting services. The Adviser will review each recommendation on a case by case basis and will determine how to vote in accordance with its proxy policies and procedures.

In limited circumstances, the Adviser may refrain from voting proxies where the Adviser determines that not voting is in the best interests of the client. Generally, clients may not direct the Adviser's vote in a particular solicitation. Conflicts of interest may arise between the interests of the clients on the one hand and the Adviser or its affiliates on the other hand. If the Adviser determines that it may have, or is perceived to have, a conflict of interest when voting proxies, the Adviser will vote in accordance with its proxy voting policies and procedures. Clients may obtain a copy of the Adviser's proxy voting policies and its proxy voting record upon request.

ITEM 18

FINANCIAL INFORMATION

The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition 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.