

Part 2A of Form ADV: Firm Brochure

Item 1: Cover Page

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This brochure provides information about the qualifications and business practices of Noonday Asset Management LLP trading as Farallon Capital Europe ("Farallon Europe"). If you have any questions about the contents of this brochure, please contact us at +44 (0)207 395 7200. 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.

Farallon Europe is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Farallon Europe also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Farallon Europe is required to identify and discuss any material changes made to its Brochure since its last annual update, which was filed on June 27, 2013. This is Farallon Europe's annual updating amendment. Farallon Europe may provide additional ongoing disclosure information about material changes as warranted.

Since its last update, Farallon Europe has not made any material changes to its Brochure, but has updated certain sections of its Brochure. Please review this Brochure carefully and in its entirety.

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Item 4: Advisory Business

A. General Description of Advisory Firm

Farallon Europe, a limited liability partnership organized under the laws of England and Wales, is an investment adviser that was founded in 2004 by Farallon Capital International Limited, a limited company organized under the laws of England and Wales; Andrew Spokes, a principal of Farallon Capital Management, L.L.C., a Delaware limited liability company (“FCM” or “Farallon”); and Nicolas Giaque. Farallon Europe’s principal owners are currently Lars Bane and Mr. Giaque, who are also, along with James Swerkes, its Managing Members. Please see FCM’s Form ADV for more information about FCM.

Farallon Europe, together with certain other parties listed elsewhere in this Form ADV Part 2A, has entered into an agreement (the “Sub-Adviser Agreement”) with FCM and Farallon Partners, L.L.C., a Delaware limited liability company (“FPLLC” and, together with FCM, “Farallon”) pursuant to which Farallon Europe and such other parties have been delegated discretionary authority to make and manage investments on behalf of the Farallon Funds (as defined below).

Farallon Europe’s authority pursuant to the Sub-Adviser Agreement extends over a significant portion of the Farallon Funds’ assets under management. Farallon Europe has responsibility for the day-to-day investment decisions and operations relating to its subadvisory portfolio. Neither FCM nor FPLLC control Farallon Europe. In carrying out its investment activities on behalf of the Farallon Funds, however, Farallon Europe is subject to the authority and supervision of Farallon and implements the investment guidelines and restrictions set by Farallon from time to time.

B. Advisory Services

Pursuant to the Sub-Adviser Agreement, Farallon Europe provides investment advice to private investment funds, the securities of which are offered to investors on a private placement basis, and to managed accounts. In particular, these funds and accounts are Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital Offshore Investors, Inc., FCOI II Holdings, L.P., Farallon Capital Offshore Investors II, L.P., Farallon Credit SideCar Partners I, L.P., Farallon Credit SideCar Partners II, L.P., Farallon Credit SideCar International, L.P., Farallon Credit SideCar Intermediate, L.P., Farallon Credit SideCar Master I, L.P., Farallon Asia Special Situations II, L.P., Farallon Asia Special Situations Master II, L.P., Farallon Capital (AM) Investors, L.P., Farallon Capital AA Investors, L.P., Farallon Special Situation Partners VI, L.P., Farallon European Private Credit Master, L.P., Farallon European Private Credit, L.P. (collectively, the “Investment Partnerships”), Noonday Capital Partners, L.L.C. (“NCP”), Noonday Special Situation Partners, L.P. (“NSSP”), and managed accounts and certain other private investment funds, including, without limitation, Noonday Offshore, Inc. (“NOI”). Farallon Investment Holdings, L.P. (“FIH”) generally accepts investments only from FPLLC and certain employees of Farallon and the Farallon Subadvisers (as defined below) and operates as a fund-of-funds investment predominantly in other Farallon

Funds (as defined below). Together, the Investment Partnerships, NCP, NSSP, NOI, FIH and any other accounts and funds managed by Farallon from time to time, are referred to herein as the “Farallon Funds”. Detailed information regarding the Farallon Funds is set forth in FCM’s Form ADV. Farallon Europe may serve as investment adviser for other entities and accounts managed by Farallon in the future.

Farallon Europe, Farallon Capital Asia Pte. Ltd., a Singapore company (“Farallon Asia”), Farallon Capital Asia (HK) Limited, a Hong Kong company (“Farallon Hong Kong”), Farallon Capital Japan LLC, a Japanese limited liability company (“Farallon Japan”) and Farallon Latin America Investimentos Ltda., a Brazilian sociedade limitada (“Farallon Latin America”), serve as exclusive discretionary subadvisers to FCM. Farallon Europe, collectively with Farallon Asia¹, Farallon Hong Kong², Farallon Japan³ and Farallon Latin America⁴ are referred to as the “Farallon Subadvisers.” All of the Farallon Subadvisers currently provide services exclusively for FCM.

Farallon Europe has broad and flexible investment parameters, and seeks global investment opportunities pursuant to a wide variety of investment strategies, including, without limitation, certain core strategies such as credit, value, merger arbitrage and real estate, as more fully set forth below in Item 8. Farallon Europe will emphasize or de-emphasize, add, develop or eliminate different investments and investment strategies from time to time, depending on, among other things, the perceived opportunities and relative risk-adjusted expected returns or changing regulations. Farallon Europe’s execution is flexible to allow capital to shift among strategies, asset classes, and geographies based on prevailing opportunities. Investments are made in U.S. and non-U.S. securities and markets, including emerging markets such as China, Southeast Asia, India, Eastern Europe, Africa and Latin America. Farallon Funds’ investment portfolios consist of a broad range of publicly traded and privately purchased securities, instruments and obligations.

This Brochure generally includes information about Farallon Europe and its relationships with the Farallon Funds. While much of this Brochure applies to all such Farallon Funds, certain information included herein applies to specific Farallon Funds.

C. Availability of Customized Services

While the Farallon Funds generally have similar and overlapping investment strategies and investment parameters, Farallon Europe’s advice with respect to the Farallon Funds is subject to their investment programs, which differ due to, among other reasons, various investment restrictions and types of investors. The Farallon Funds include, for example, funds that are designed specifically for U.S. taxable investors, which utilize margin borrowings and other forms of leverage; funds that are designed specifically for U.S. tax-exempt investors; non-U.S. funds that do not participate in certain U.S. investments; a multi-strategy fund that makes investments subject to a fossil fuel investment screen; and strategy-specific funds as well as co-investment funds and managed accounts. Farallon enters into agreements, such as side letters,

¹ Formerly known as Noonday Asset Management Asia Pte. Ltd.

² Formerly known as Noonday Asset Management Asia (HK) Ltd.

³ Formerly known as Noonday Asset Management Japan G.K.

⁴ Formerly known as FKG Capital-Gestao de Recursos Ltda.

with certain investors in the Farallon Funds that may, in each case, provide for terms of investment that are more favorable than the terms provided to other investors in the Farallon Funds. The investment mandate and restrictions for each Farallon Fund are set forth in its constituent documents. References to “constituent documents” in this Form ADV Part 2A include any investment management agreement with respect to a Farallon Fund that is a managed account. Persons reviewing this Form ADV Part 2A should not construe this as an offering of any of the Farallon Funds described herein. Such offering will only be made pursuant to the delivery to prospective investors of a private placement memorandum, which will describe certain risk factors, conflicts of interest, investment objectives and other important features of a particular Farallon Fund.

D. Wrap Fee Programs

Not applicable.

E. Client Assets

The amount of discretionary assets under management as of March 31, 2014 is approximately \$2,128,000,000 and is based on unaudited financial data which are subject to change. The figure represents regulatory assets under management for the portion of the Farallon Funds managed by Farallon Europe. As of March 31, 2014, Farallon Europe manages no assets on a non-discretionary basis.

Item 5: Fees and Compensation

In consideration for the investment advisory services provided by Farallon Europe pursuant to the Sub-Adviser Agreement, FCM pays to Farallon Europe a quarterly fee in advance based upon Farallon Europe’s forecasted costs for the calendar year. In addition, FCM pays to Farallon Europe annual performance-based compensation.

FCM, and not the Farallon Funds, is responsible for all payment of Farallon Europe’s cost-based fees and performance-based compensation. FCM’s payment obligations to Farallon Europe do not affect the rights of investors in the Farallon Funds to terminate their investment advisory relationships with Farallon or recover any unearned management fees from Farallon. Please see Farallon’s Form ADV for management fees and performance compensation payable by the Farallon Funds and allocable to Farallon.

Additional Fees and Expenses

To the extent permitted under the Farallon Funds’ constituent documents, the Farallon Funds are obligated to pay for all legal, auditing and accounting fees, tax preparation expenses, investment expenses and all other expenses of each respective Farallon Fund, including, without limitation, custodian fees, taxes on securities transactions, brokerage fees and commissions and any other similar fees, research services, consulting expenses and other third party research-related expenses, clearing expenses, government registration fees, fees to an

administrator, entity-level taxes, organizational expenses and other similar or extraordinary expenses related to the operation of the respective Farallon Fund. See Item 12 for further discussion with respect to fees associated with brokerage practices.

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

As noted in Item 5 and in FCM's Form ADV, Farallon Europe accepts performance-based fees/allocation from FCM, which receives performance-based fees/allocation from most Farallon Funds. From time to time, Farallon Europe may elect to manage Farallon Funds that charge only management fees and do not charge performance fees/allocation or vice versa. In situations where certain Farallon Funds pay performance fees/allocation and other Farallon Funds do not (or will pay a smaller performance fee or allocation due to the existence of a high water mark or otherwise), there can be an incentive for Farallon Europe to favor those Farallon Funds that pay performance fees/allocation (or higher performance fees/allocation), for example, through its allocation of investment opportunities. Clients should be aware that performance-based fees/allocation may be deemed to create a conflict of interest for Farallon Europe, as there can be an incentive for Farallon Europe to make investments that are riskier or more speculative than would be the case in the absence of a performance fee/allocation. To seek to mitigate this inherent conflict of interest, FCM has implemented allocation policies and procedures (discussed more fully in Item 11D.), to which Farallon Europe is subject, that seek to ensure that investments are allocated among the Farallon Funds on what FCM deems to be an equitable basis. Please see FCM's Form ADV for further details.

Item 7: Types of Clients

Farallon Europe provides investment advice to the Farallon Funds, as described above in Item 4, including that Farallon Europe advises separately managed accounts for institutions such as endowments, foundations, charitable organizations and state or municipal government entities.

The constituent documents for each Farallon Fund may set minimum amounts for investment by prospective investors. Please see FCM's Form ADV for further information regarding minimum investment commitments for the Farallon Funds.

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

Farallon Europe has broad and flexible investment parameters and seeks investment opportunities pursuant to a wide variety of investment strategies for the Farallon Funds, including, but not limited to, the core strategies described below, depending on each Farallon Fund's investment mandate. Farallon Funds' investment portfolios may differ based on whether they concentrate their investments in one or more strategies. Farallon Funds' investment portfolios may also differ based on geographical focus, liquidity needs and other considerations.

Merger Arbitrage. Farallon Europe's merger arbitrage strategy is focused mainly on corporate takeovers. Each investment seeks to capture the spread between the current and projected values of securities of companies involved in a merger or acquisition. To employ this strategy, Farallon Europe typically establishes a long position (usually a purchase of

common stock) in an announced takeover candidate and, if the proposed merger or acquisition is structured as a share-for-share deal, takes a short position in the company making the acquisition.

Credit Investments. Credit investments include investments in companies experiencing financial distress or whose credit is viewed as marginal but improving, or whose debt Farallon Europe believes is inexpensive relative to its underlying risk or delivers an attractive return. Investments include non-investment grade debt in leveraged or underperforming companies, as well as companies experiencing a liquidity crisis, defaulting on their debt obligations, filing for Chapter 11 bankruptcy protection (or its equivalent), undergoing liquidation or undergoing another corporate event, such as a merger, recapitalization, reorganization or restructuring. Investments also may be made in anticipation of strengthening credit, a repayment or refinancing, an event of default or amendment or renegotiation of covenants or economic terms.

Real Estate. Real estate investments include investments in fee simple real estate, leaseholds, mortgages or other real estate-related assets, especially in cases where Farallon Europe believes redevelopment, leasing and addition of management expertise can add value; including investments across a broad range of real estate assets and at various points in the capital structure of a real estate transaction.

Value Investments. Value investments consist of investments and short sales in securities that Farallon Europe believes are underpriced or overpriced relative to their intrinsic or fundamental value. These mispricings may be caused by, among other things, general market conditions, a company specific issue that Farallon Europe believes is temporary, a change in management or strategic direction, or a variation between Farallon Europe's assessment of the company or its market and that of other market participants. This category also sometimes includes investments in restructuring companies that are undergoing significant corporate events such as spin-offs, recapitalizations, litigation events, strategic realignment, and other major changes.

Farallon Europe may also make investments on behalf of the Farallon Funds using other investment strategies or modifications of existing strategies, such as non-merger arbitrage, and generally in any other situation in which Farallon Europe believes a security or instrument is undervalued or overvalued or likely to appreciate or depreciate. Direct investments in equity or debt of operating and services businesses or any other businesses or other Special Investments (as defined below) may be made by Farallon Europe on behalf of the Farallon Funds pursuant to any of the foregoing or other strategies depending on their investment mandates. A portion of certain Farallon Funds' portfolios may be invested in securities and instruments Farallon Europe determines to be illiquid and lacking a readily assessable market value, and such investments may be maintained in special situation sub-accounts (such investments held in such sub-accounts, "Special Investments"). Farallon Europe, on behalf of the Farallon Funds, may emphasize or de-emphasize, add, develop or eliminate different investments and different investment strategies and techniques from time to time, depending on, among other things, the perceived opportunities and relative risk-adjusted expected returns

or changing regulations. Farallon Europe's execution is flexible to allow capital to shift among strategies, asset classes, and geographies based on prevailing opportunities.

Farallon Europe generally has broad discretion to invest in a broad range of private and publicly traded, U.S. and non-U.S. securities and instruments, including, without limitation, equity securities whether exchange-listed or traded over-the-counter, warrants, corporate debt securities, commercial paper, municipal securities, mutual fund shares, United States government securities, bank debt, trade and other vendor claims, loans (originated or acquired through assignment, participation or sub-participation), mortgages and mortgage-related securities or instruments, contractual obligations and claims, contingent rights, litigation rights and claims, certificates of beneficial interest, liquidation trust certificates in bankruptcies and other situations, put and call options on securities or commodities, over-the-counter or listed commodity or equity derivative products, exchange-traded funds, indices of all kinds, futures, deliverable and non-deliverable foreign currency and other forward contracts including on stock exchange indices, swaps, swaptions, contracts for differences, credit derivatives and other over-the-counter derivative products, interests in real estate, commodities, limited and general partnerships, limited liability companies and joint ventures (including other Farallon Funds), as well as any other securities or instruments or assets and liabilities consistent with the investment programs of the Farallon Funds. Many of these instruments can and may be traded on an exchange or over-the-counter. The Farallon Funds may also hold cash or cash equivalents, and Farallon Europe may or may not elect to hedge its U.S. dollar or other currency exposure in its discretion.

In pursuing such strategies, Farallon Europe generally seeks to achieve superior risk-adjusted rates of return through a process of fundamental analysis that emphasizes capital preservation. Farallon Europe employs the following information sources and methods of analysis: a variety of publicly available information sources, including but not limited to financial periodicals, corporate rating services, annual reports, prospectuses and filings with the SEC and other regulators, company press releases, as well as information provided by management and creditors of portfolio companies, brokers, dealers, analysts, professional asset managers, research services and hired consultants and advisers. Farallon Europe may also consult with legal and other experts and speak with members of official and unofficial creditor committees of portfolio companies involved in bankruptcy reorganizations and their legal and financial advisers. When conducting due diligence and investment research, investment professionals may be required to evaluate important and complex business, financial, tax, accounting, environmental, and legal issues. Outside consultants, legal advisers, accountants, and investment banks may be involved in the due diligence and investment research process in varying degrees depending on the type of investment. When conducting due diligence and investment research and making an assessment regarding an investment, the investment professionals may rely on information provided by the target of the investment and, in some circumstances, third-party investigations.

The descriptions set forth in this Brochure of specific advisory services that Farallon Europe offers to the Farallon Funds, and investment strategies pursued and investments made by Farallon Europe on behalf of the Farallon Funds should not be understood to limit in any way Farallon Europe's investment activities. Farallon Europe may offer any advisory services,

engage in any investment strategy and make any investment, including any not described in this Brochure, that Farallon Europe considers appropriate, subject to each Farallon Fund's investment objectives and guidelines. The investment strategies Farallon Europe pursues are speculative and entail substantial risks. Accordingly, such activities could result in a substantial loss of capital. There can be no assurance that the investment objectives of any Farallon Fund will be achieved.

Certain Risks Relating to Investment Strategies

The investment programs for each of the Farallon Funds involve a substantial degree of risk. The following risk factors do not purport to be a complete list or explanation of the risks involved with the activities of Farallon Europe and the Farallon Funds. These risk factors include only risks Farallon Europe believes to be material, significant, or unusual based on information currently available, and relate to particular investment strategies employed by Farallon Europe and investments made pursuant thereto, and do not address material, significant, or unusual risks associated with other factors, including, without limitation certain instrument types, structural risks and certain market risks. Some or all of these risks may be applicable to the Farallon Funds depending on their investment mandate.

Arbitrage Risks:

Risk arbitrage typically involves the purchase and/or sale of a position in a security subject to a merger, acquisition, exchange offer, tender offer, reorganization, liquidation or other corporate event. In a typical transaction, a Farallon Fund may seek to profit from the "spread" between the current market price and the amount to be realized if the corporate event occurs. If a Farallon Fund purchases the target company's shares, which are to be exchanged for shares of the acquiring company, the Farallon Fund may seek to offset, wholly or partially, the purchase with the use of options or other derivatives or a short sale of shares of the acquiring company's stock to seek to reduce general market risks and risks specific to the acquiring company. The Farallon Fund will remain subject to the risks that the corporate event does not occur or that hedging is imperfect. The consummation of mergers, acquisitions, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Risk arbitrage success is largely dependent upon the ability of Farallon Europe to correctly analyze the outcome and the completion date of the proposed transaction. In the event the proposed transaction is not consummated, the value of the securities held by the Farallon Fund (which typically are purchased at a significant premium to the pre-announcement market price) may decline significantly, even if the security's market price returns to a level comparable to that which exists prior to the announcement of the deal. Furthermore, the difference between the price paid by the Farallon Fund for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps by more than the Farallon Fund's anticipated profit. If the Farallon Fund has established a short position in the acquiring company's securities, as it often may do in share-for-share transactions, the value of this short position may often also generate significant losses in such an event.

Credit Strategy Risks:

Investments in Distressed Companies. A Farallon Fund may invest in securities and claims and obligations of U.S. and non-U.S. issuers which are experiencing or may come to experience significant financial or business difficulties or default (including companies involved in bankruptcy or other reorganization and liquidation proceedings). Such investments involve substantial risks not normally associated with investments in better-performing companies, including adverse business, financial or economic conditions that can lead to defaulted principal and interest payments and insolvency proceedings. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such entities. Troubled company and real estate investments also may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, equitable subordination, lender liability and the bankruptcy court's discretionary power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, 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. In addition, there is no minimum credit standard that is a prerequisite to a Farallon Fund's investments in any security, and a significant portion of the obligations in which a Farallon Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high.

A Farallon Fund may purchase or hold distressed securities and instruments of all kinds, including equity and debt instruments and, in particular, loans, loan participations and sub-participations, claims held by trade or other creditors, bonds, notes, bills, debentures (whether subordinated, convertible or otherwise), non-performing and sub-performing mortgage loans, fee interests and financial interests in real estate, partnership interests and similar financial instruments, executory contracts and participations therein, and securities similar or related to the foregoing, many of which are not publicly traded and which may involve a substantial degree of risk. A Farallon Fund may lose a substantial portion or all of its investments in a troubled loan or equity interest (or other distressed instrument) or may be required to accept cash or securities with a value less than such Farallon Fund's investment. In certain periods, there may be little or no liquidity in the markets for these securities or instruments. Some of a Farallon Fund's private investments may contain trading restrictions, or the marketability of such interests may be hindered for other reasons. The public market prices of distressed securities and private claims and obligations may be subject to periods of abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than normally expected. It may take a number of years for the market price of such securities or instruments to reflect what Farallon Europe believes is their intrinsic value. In addition, the concentration of hedge funds (or similar participants) as owners of distressed companies could cause the value of such companies to be depressed if the hedge funds (or similar participants) were forced to liquidate their positions due to withdrawals, a credit crisis or other event affecting such funds.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the liquidation or reorganization 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 Farallon Fund of the security in respect to which such distribution was made. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Farallon Fund.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process is subject to unpredictable and lengthy delays and can involve substantial legal, professional and administrative costs. The administrative costs in connection with a bankruptcy proceeding are frequently high and are required by law to be paid out of the debtor's estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. During the bankruptcy process the company's competitive position may erode, key management may depart and the company may not be able to operate adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets.

In those cases where a Farallon Fund, by virtue of such action, is found to exercise "domination and control" of a debtor, the Farallon Fund may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by the Farallon Fund. In addition, the amount of certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a risk that a Farallon Fund's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. A Farallon Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy, bankruptcy or reorganization proceedings by Farallon Europe or its affiliates. To the extent that Farallon Europe or its affiliates become involved in such proceedings, a Farallon Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor, and this may result in greater expenses, increased demands on Farallon Europe's resources and personnel and risk of liability to a Farallon Fund. Farallon Europe or its affiliates, on behalf of a Farallon Fund, may elect to

serve on creditors' committees or other groups to ensure preservation or enhancement of a Farallon Fund's positions as a creditor. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee or group represents. If Farallon Europe or an affiliate concludes that its obligations owed to the other parties as a committee or group member conflict with duties owed to the Farallon Fund, it may be required to recuse itself or resign from that committee or group, and the Farallon Fund may not realize the benefits, if any, of participation on the committee or group. In addition, if a Farallon Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group and thereafter. Further, there is some uncertainty in the law as to duties and restrictions applicable to an "ad hoc" creditors committee on which Farallon Europe or its affiliates participate or are deemed to participate.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

"High-Yield" Bonds and Unrated or Non-Investment Grade Securities and Instruments. A Farallon Fund may invest in private sector and government debt securities and instruments, including, without limitation, "higher yielding" (and, therefore, generally higher risk) debt securities and other subordinate debt obligations. Such securities and instruments may be unrated or below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. In addition, such securities and instruments generally are not exchange-traded and, as a result, trade in the over-the-counter marketplace, which is less transparent and may have wider bid/ask spreads than the exchange-traded marketplace. A Farallon Fund may also invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. Furthermore, it is likely that a major economic recession or financial crisis could have a materially adverse impact on the value of such securities and instruments or otherwise increase the incidence of defaults. High-yield securities and instruments have historically experienced greater default rates than has been the case for investment-grade securities. The market values of certain of these lower-rated debt securities and instruments tend to reflect individual corporate developments to a greater extent than do higher-rated securities and instruments, which would be expected to be more correlated to fluctuations in the general level of interest rates. The markets for high-yield securities and other lower-rated securities and instruments tend to be more volatile, less liquid and less active than those for higher-rated securities and instruments, which can adversely affect the price at which these securities can be sold and may make it impractical or impossible to sell such securities and instruments at times of market dislocation. High-yield securities and instruments may be subordinate to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities and instruments may also not be protected by financial covenants or limitations on additional indebtedness. Some issuances may be held by a small

number of holders, and there may be little or no liquidity in markets for these securities and instruments even absent market dislocation.

Bank Loans. A Farallon Fund's investment program may include investments in bank loans and participations. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation or compromise of an investment transaction as a fraudulent conveyance or preference under relevant creditors' rights laws; (ii) challenges to the validity or seniority of bank claims and guarantees; (iii) so-called lender-liability claims by the issuer of the obligations; (iv) environmental liabilities that may arise with respect to collateral securing the obligations; (v) limitations on the ability of the Farallon Fund to directly enforce its rights with respect to participations; (vi) long and less certain settlement periods; and (vii) adverse consequences resulting from participating in such instruments with other institutions of lower credit quality. Successful claims by third parties arising from these and other risks would be borne by the Farallon Funds.

Many of the bank loans that may be purchased or originated by a Farallon Fund will have no, or only a limited, trading market. In addition, secondary market liquidity may become constrained during periods of volatility in the credit markets. Illiquid bank loans may trade at a discount to comparable, more liquid investments. In addition, because of the provision of confidential information, the unique and customized nature of a loan agreement and the private syndication of a loan, certain bank loans may not be purchased or sold as easily as publicly traded securities, particularly as a result of the increased degree of complexity in negotiating a secondary market purchase or sale of bank loans, a complexity that does not exist, for example, in the high-yield bond market. Bank loans may encounter trading delays due to their unique and customized nature, and transfers may be prohibited without the consent of an agent bank or borrower.

Bank loans may become non-performing for a variety of reasons. Non-performing bank loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write down of the principal of the loan and/or the deferral of payments. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. A Farallon Fund may incur additional expenses to the extent it is required to seek recovery upon a default on a bank loan or participate in the restructuring of such obligation. Although Farallon Europe may exercise voting rights with respect to an individual bank loan on behalf of a Farallon Fund, there can be no certainty that Farallon Europe will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such bank loan to determine the outcome of such vote.

To the extent that a Farallon Fund originates or acquires loans, the Farallon Fund may be subject to additional risks, including those related to lender liability, liability to syndicate members or later purchasers and protracted, expensive and resource-intensive work-outs or other restructurings.

Real Estate Risks:

General Real Estate Risks. Real estate investments are illiquid and generally will be subject to the risks incident to the ownership and operation of commercial and residential real estate

and/or risks incident to the making of, or investment in, nonrecourse mortgage loans secured by real estate, including risk associated with: the general economic climate; local real estate conditions; geographic concentration; risks due to dependence on cash flow; risks and operating problems arising out of the absence or scarcity of certain construction materials; changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); the financial condition of tenants, ground lessees, ground lessors, and buyers and sellers of properties; changes in availability of debt financing, which may increase borrowing costs and/or render the sale of a property difficult or inopportune; lenders' refusal or inability to satisfy loan commitments to a project; the cost associated with contingent liabilities that are recourse to the project or a Farallon Fund, such as indemnities and guarantees required by project lenders or warranties associated with construction; changes in interest rates; energy and supply shortages and resulting increases in operating costs or the cost of materials and construction; changes in real estate taxes; other excise tax rates and any other operating expenses; imposition of rent controls; the promulgation and enforcement of governmental regulations relating to land-use, zoning laws and regulations, environmental protection, Americans with Disabilities Act, fire and other safety and occupational safety issues; changes in laws, regulations, elected officials and government staff; government financial distress and budget cutbacks affecting, among other things, quality of services, permitting, taxes and availability of bond financing; condemnation or other taking of property by a government; unexpected environmental conditions; various uninsured or uninsurable risks including losses from terrorist acts, environmental liabilities, natural disasters and weather events, including risks for which insurance is unavailable at reasonable rates or with reasonable deductibles; insured losses for which insurers are unable or unwilling to pay; and the ability of the Farallon Fund, its joint venture partners or third-party borrowers to manage the real properties.

A Farallon Fund will usually invest in a real estate asset on a passive basis, by giving a third party operating partner and/or property manager a certain degree of authority and responsibility for daily management of the assets and, therefore, will in large part be dependent on the ability of third parties to successfully operate the underlying real estate assets, and be unable to exercise sole decision-making authority and will be subject to the risk that a joint venture or partner will act negligently, fraudulently or in a manner contrary to the Farallon Fund's best interest. There is no assurance that there will be a ready market for resale of investments because investments in real estate generally are not liquid; holding periods accordingly are difficult to predict, particularly as business plans may be revised to adapt to changing economic, business and financial conditions.

Risks of Engaging in Development Activities. From time to time, a Farallon Fund may undertake to develop properties or to invest in property development companies. Although the Farallon Fund intends to contract with companies that are experienced in handling such development projects, it will be subject to various risks, including those set forth above in "General Real Estate Risks" and the risk that there may be unanticipated delays in the completion of such development projects due to factors beyond the control of Farallon Europe and the Farallon Fund. The factors may include: adverse weather; earthquakes and other "force majeure" events; changes in building plans and specifications; zoning, entitlement and regulatory concerns; unanticipated soil problems; material and labor shortages or strikes; increases in the costs of labor and materials; rising energy costs; the expiration of permits; and changes in laws, regulations, elected officials and government staff. Delays in completing any development

project will cause corresponding delays in the receipt of operating income and, consequently, the distribution of any cash flow by the Farallon Fund with respect to such project, as well as increased expense and unforeseen capital outlays. In addition, the estimated costs and schedules of developing and constructing buildings and related landscaping may be affected by changes in construction plans and specifications, regulatory changes or by other unforeseen events, which may cause additional expenses to be incurred and likely borne by the Farallon Fund.

General Risks:

Investment and Trading Risks. All investments risk the loss of capital. No guarantee or representation is made that a Farallon Fund's investment program will be successful. There is no assurance that a Farallon Fund will be able to generate positive returns for its investors or that the returns will be commensurate with the risks of investing in the securities and instruments and strategies described herein and in the constituent documents of the Farallon Funds. There can be no assurance that the Farallon Funds' returns will not be correlated with a traditional portfolio of stocks or bonds. The investment program utilizes such investment techniques as leverage, margin transactions, swaps, contracts for differences ("CFDs"), limited diversification, short sales, futures, forward contracts, credit derivatives and options contracts, which practices can, in certain circumstances, magnify the adverse impact of market moves to which a Farallon Fund may be subject or cause a Farallon Fund's net assets to appreciate or depreciate at a greater rate. A Farallon Fund may invest in highly volatile securities or markets.

A Farallon Fund's investments may be materially affected by the overall economic and financial market conditions occurring globally and in the countries or markets where the Farallon Fund may invest its assets, including interest rates, commodity prices, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Farallon Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of a Farallon Fund's investments. Volatility or illiquidity could impair a Farallon Fund's profitability or result in losses.

Litigation. Farallon Europe anticipates that during the term of a Farallon Fund, Farallon Europe or its affiliates, or such Farallon Fund may be named as defendants in civil proceedings, including in connection with a Farallon Fund's distressed investments or Special Investments. Litigation or threats of litigation consume time and resources and jeopardize the successful closing of transactions. Moreover, the outcome of such proceedings may materially adversely affect the value of portfolio positions, may be impossible to predict and may continue unresolved for long periods of time. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Farallon Funds and would reduce net assets. Litigation may also arise where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management. Such litigation involves substantial uncertainties and may impose substantial delay, cost and expense on the company participating in the transaction.

Hedging Transactions. A Farallon Fund may utilize a variety of financial instruments, such as derivatives, options, short sales, 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 a Farallon Fund's investment portfolio resulting from fluctuations in market prices, including in securities and commodities markets and changes in interest rates; (ii) protect a Farallon Fund's unrealized gains in the value of a Farallon Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Farallon Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of its liabilities or assets; (vi) protect against an increase in the price of securities a Farallon Fund anticipates purchasing at a later date; or (vii) for any other reason that Farallon Europe deems appropriate. The success of a Farallon Fund's hedging strategy will depend, in part, upon Farallon Europe'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 portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Farallon Fund's hedging strategy will also be subject to Farallon Europe's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a Farallon Fund may enter into hedging transactions to seek to reduce risk, such transactions may be costly and result in a poorer overall performance and increased (rather than reduced) risk for the Farallon Fund than if it had not engaged in any such hedging transactions. Moreover, it should be noted that a portfolio will always be exposed to certain risks that will not or cannot be hedged, and that a Farallon Fund may not anticipate a particular risk so as to hedge against it. In addition, a Farallon Fund may choose not to enter into hedging transactions with respect to some or all of its positions.

Risk Concentration and Risk Management Failures. Certain Farallon Funds may not be restricted in the amount of their capital that they may commit to any single investment, strategy or industry sector. At times a Farallon Fund may hold a relatively large concentration in a particular security, issuer, sector, geographic region or type of investment. Any such concentration of risk may increase losses suffered by the Farallon Fund, which could have a material adverse effect on the Farallon Fund's overall financial condition. Even when Farallon Europe attempts to control risks and diversify the portfolio, risks associated with different assets may be correlated in unexpected ways, with the result that the Farallon Fund faces concentrated exposure to certain risks. Conversely, Farallon Europe may encounter unexpected changes in the correlation of assets or markets, or basis risk due to imperfectly matched debt maturities and the like, which confound its attempts to hedge or limit risk and result in investment losses. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. In addition, many hedge funds pursue similar strategies, which creates the risk that many funds would be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although Farallon Europe attempts to identify, monitor and manage significant risks, these efforts may not necessarily take all risks into account and there can be no assurance that these efforts will be effective. Any inadequacy or failure in Farallon Europe's risk management efforts could result in material losses for the Farallon Funds.

Investment Due Diligence and Investment Research. When conducting due diligence and investment research, Farallon Europe may be required to evaluate important and complex

business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence and investment research process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and investment research and making an assessment regarding an investment, Farallon Europe may rely on information provided by such persons, or by the management of the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation and investment research that Farallon Europe carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, may lead to inaccurate or incomplete conclusions, or may be manipulated by fraud. Moreover, such an investigation will not necessarily result in the investment being successful.

Non-U.S. and Emerging Markets Investments. Certain non-U.S. and emerging markets at times have experienced extremely volatile market conditions with a dramatic effect on the value of, and return on, investments. Investing in emerging or certain non-U.S. markets involves additional risks and special considerations not typically associated with investing in other more established economies or markets. Such risks may include, without limitation: (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including civil and ethnic unrest, war, abrupt changes in political and economic power, changes in government institutions and policies or famine; (iii) potentially higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) capital controls, such as limitations on the ability to exchange local currencies for U.S. dollars; trade restrictions, including quotas, tariffs, customs, duties and other assessments, which may lead to significant costs and delays in obtaining licenses, approvals and authorizations; (viii) increased likelihood of governmental involvement in and control over the economy, issuers and financial markets; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) preferential treatment of local interests over foreign interests by the government, including legislators, regulators and courts; (xi) differences in auditing and financial reporting standards which may result in the unavailability of reliable, current or detailed information about issuers; (xii) less extensive regulation of the markets; (xiii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiv) greater correlation to commodity price movements; (xv) imposition of withholding or other taxes on dividends, interest, capital gains, gross sales or disposition proceeds or other income; (xvi) higher transaction costs; and (xvii) certain considerations regarding the maintenance of a Farallon Fund's securities with non-U.S. brokers and securities depositories. Repatriation of investment principal, income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. The consent or cooperation of local management and co-venturers may be required for repatriation and may be difficult, expensive or impossible to obtain. A Farallon Fund could be adversely affected by delays in, or a refusal to grant, any required governmental registration or approval for such repatriation. In addition, some of these risks that are traditionally more characteristic of emerging markets and certain less-developed markets may also be present in more established economies, especially during times of economic distress or political unrest.

Some non-U.S. countries have laws and regulations which limit direct foreign investment and require government approval or registration prior to effecting any foreign investment in domestic securities. Thus, a Farallon Fund may not be able to recover investment proceeds or otherwise realize gains to which it is entitled. The process of securing necessary approvals for the purchase or disposal of investments may result in a level of expenses and delay which exceeds the level of expenses and delay necessary to make investments of a similar nature in other jurisdictions. These restrictions could also have an adverse effect on the companies in which a Farallon Fund invests. In circumstances deemed appropriate by Farallon Europe, a Farallon Fund may make investments indirectly, including through derivative instruments such as equity swaps and participation notes. Trading through derivatives introduces counterparty risks and additional costs; counterparties in emerging markets may be less well known to Farallon Europe and less creditworthy than those used in other markets. In addition, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted by certain emerging countries through investment funds that have been specifically authorized. A Farallon Fund may invest in these investment funds, and the Farallon Fund will bear the expenses of the underlying investment funds or derivatives.

In addition to limits on direct foreign investment, certain non-U.S. governments may provide for other preferential treatment to particular domestic industries or companies or engage in other protectionist acts. Certain countries have, or may adopt, policies that entitle local entities to greater rights than foreign investors or the companies owned by foreign investors, including discriminatory taxes, price controls, administrative barriers, ad hominem legislation or regulation and cancellation of necessary licenses. In the event that such a situation arises and a country's regulatory environment unexpectedly becomes unfavorable to foreign investment, a Farallon Fund may not be able to easily liquidate or restructure its assets, or otherwise reduce its exposure to such environment, and a Farallon Fund or the companies in which it invests could be placed at a competitive disadvantage to local competitors.

There can be no assurance that investments by a Farallon Fund will not be subject to non-U.S. government expropriation. International contracts may be difficult to enforce, and it is possible that there may be no legal recourse if the non-U.S. government chooses to expropriate an asset or otherwise increase the cost for foreign investors. While some non-U.S. countries only have the legal authority to expropriate foreign assets if they do so in the "public interest," on a non-discriminatory basis, and pay "appropriate compensation" in return, these concepts may not be clearly defined or tested under local laws or regulations, or they may not be enforced at all.

Certain countries have recently emerged from state-run economies and their markets are more prone to government intervention than more developed markets. Government intervention is often expressly intended to influence prices and from time to time has taken the form of outright default and/or expropriations, resulting in total losses for affected investors.

The economies of individual non-U.S. countries may differ from the U.S. economy in such respects as growth of gross domestic product, rate of inflation or deflation, currency depreciation and appreciation, asset reinvestment, taxation, resource self-sufficiency and balance of payments position. In addition, certain countries have less political, economic and social stability than the United States or other more developed countries. Such instability can lead to losses for a Farallon Fund, or increased risk of losses, due to among other things

increased risk of business interruptions; reduced supply of and demand for products; interruptions in communications, transportation, public utilities and other public services; loss of key personnel; increased risk of terrorist acts, widespread protests or state action; adverse moves in currency exchange rates; increased interest rates; and declining capital inflows and exit opportunities.

Many of the laws that govern private and foreign investment, securities transactions, creditor's rights and other contractual relationships in non-U.S. countries, particularly in developing countries, are new and largely untested. As a result, a Farallon Fund may be subject to a number of additional risks typically not associated with investments in established markets, including inadequate investor protection, inconsistencies and contradictions within and among local, regional and national laws, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. In particular, regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in developed country markets. In certain instances, management may take significant actions without the consent of investors. Organized crime and corruption are also threats in a number of countries, some of which rank well below the United States in Transparency International's Corruption Perceptions Index. Because the effectiveness of the judicial systems in the countries in which a Farallon Fund may invest varies, a Farallon Fund may have difficulty in successfully pursuing or defending claims in the courts of such countries, as compared to the U.S. or other developed countries. In many emerging markets, there is no effective means of enforcing a security interest, and a Farallon Fund may not be in a position to attempt to negotiate or participate in extended workouts or restructurings due to geographical considerations, exchange-rate risk, local licensing requirements and/or other factors. In addition, both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Further, to the extent a Farallon Fund may obtain a judgment but is required to seek its enforcement in the courts of one of the countries in which such Farallon Fund invests, there can be no assurance that such courts will enforce such judgment. Therefore, the effective ability of a Farallon Fund to enforce its rights against non-U.S. issuers may be severely limited.

Taxation of dividends, interest, other investment income and capital gains received by non-residents of non-U.S. countries varies among countries and, in some cases, is high compared to the United States. In addition, some non-U.S. countries have less well-defined tax laws and procedures than the United States does, making it difficult to ascertain with certainty the taxation that will apply to a particular transaction. The tax systems of some non-U.S. countries can be subject to rapid change, which may occur without warning and be applied with retroactive effect. Due to factors such as these, a Farallon Fund may be liable for high levels of taxes, or higher levels of taxes than projected upon initial investment in certain jurisdictions in which a Farallon Fund may invest; in addition, such taxes may be asserted retroactively, or a Farallon Fund may be required to accrue for uncertain tax positions, which could require a Farallon Fund to incur losses, or reserves or withholdings against amounts otherwise distributable.

Due to the foregoing risks and complications, the risks and costs associated with investments in non-U.S. countries, including emerging markets, may have an adverse effect on the performance of a Farallon Fund.

Emerging Market/Developed Market Credit Spread and Impact of Financial Crises. During “credit squeezes” and market disruptions, the differential between the interest rates on emerging market debt and the interest rates on developed market debt denominated in the same currency (i.e., the “credit spread”) may widen dramatically, irrespective of the actual economic conditions in a given emerging market. The widening of emerging market/developed market credit spreads may be expected to cause the value of emerging market credit instruments held by a Farallon Fund to decline materially.

As a result of the European financial crisis, companies in emerging markets that historically have relied upon borrowings from European-based banks may face increased borrowing costs or an inability to finance their key operations or to refinance outstanding debt obligations. A credit squeeze in emerging markets may negatively impact general economic and market conditions in the region, which may adversely affect a Farallon Fund’s profitability or result in losses.

Emerging Market Characteristics. Trading markets in emerging markets may be substantially smaller (on the basis of market capitalization, value of securities traded and number of listed companies) than the United States and other countries with more developed securities markets. As a consequence, a Farallon Fund may invest in a relatively limited number of issuers, some or many of which may operate in the same industry or economic sector. Trading markets in emerging markets may be subject to greater price volatility and less liquidity than is usually the case in the United States and other countries with more developed securities markets.

Many companies traded on securities markets in emerging markets are smaller than companies whose securities are traded on securities markets in the United States and other more developed countries. Additionally, market making and arbitrage activities are generally less extensive in such markets, which may contribute to increased volatility and reduced liquidity of such markets. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States and other more developed countries. Trading practices that are prohibited in a number of other countries also may be present in some of these markets. Less information may be available to a Farallon Fund than in respect of investments in the United States and other more developed countries. Further, in certain countries in emerging markets, less information may be available to a Farallon Fund than to local market participants.

Currency Risks. A Farallon Fund will generally compute and distribute its income in U.S. dollars. Since a Farallon Fund may invest in securities and other instruments denominated or quoted in currencies other than the U.S. dollar, changes in currency exchange rates will affect the value of a Farallon Fund’s portfolio and the unrealized appreciation or depreciation of investments. Likewise, a Farallon Fund may borrow in currencies other than the U.S. dollar under multi-currency borrowing facilities. The cost of the obligation to repay such borrowings, and pay interest on such borrowings, will fluctuate relative to the U.S. dollar as currency rates

fluctuate, affecting the value of a Farallon Fund's portfolio. Further, a Farallon Fund may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Farallon Fund at one rate, while offering a lesser rate of exchange should the Farallon Fund desire immediately to resell that currency to the dealer. A Farallon Fund may conduct its 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 contracts to purchase or sell non-U.S. currencies.

A Farallon Fund may seek to protect the value of some portion or all of its portfolio holdings against certain currency risks by engaging in hedging transactions, and Farallon Europe may from time to time determine to hedge against the U.S. dollar or other currencies. A Farallon Fund may enter into forward contracts on currencies, as well as purchase put or call options on currencies or enter into cross-currency swaps, in U.S. or non-U.S. markets. A Farallon Fund may enter into non-deliverable forward transactions, which may introduce a higher level of counterparty risk than deliverable forward transactions. Borrowings in currencies other than the U.S. dollar may have the intent of hedging against certain currency risks. There can be no guarantee that instruments suitable for hedging currency exchange rate changes will be available at the time when a Farallon Fund wishes to use them or will be able to be liquidated when a Farallon Fund wishes to do so. Some currency risks are difficult or impossible to hedge, including for example the impact of exchange rate fluctuations on portfolio companies' businesses and macroeconomies. In many emerging countries, the markets for certain of these hedging instruments are not highly developed or do not exist. Farallon Europe may also identify foreign currency risks with a portfolio company's business (e.g. revenues are foreign currency denominated even though expenses are in U.S. dollars) which are not directly related to the denomination of the investment purchased by a Farallon Fund, and Farallon Europe may or may not seek to hedge such other foreign currency risks. As with other hedging transactions, currency hedging may result in a poorer overall performance and increased (rather than reduced) risk for a Farallon Fund.

Sovereign Default Risk. Many countries, including Cyprus, Greece, Iceland, Ireland, Italy, Portugal and Spain, are currently experiencing varying degrees of financial distress, and in certain jurisdictions, there has been a surge in the cost of insuring against default on sovereign debt based on concerns that government funding costs are becoming unsustainable. Additional economic disruptions in such jurisdictions could lead to increased volatility in equity and other markets, and a sovereign default could lead to substantial losses in value in these markets, potentially compounded by currency and foreign exchange conversion restrictions. With regard to Europe, in the event that such disruption leads to the exit of one or more countries from the Euro currency there may be additional difficulties in analyzing and valuing holdings in such jurisdiction as a result of the change in reference currency. There is a possibility that an issuer/obligor might ultimately be permitted to repay its debt in a different, less valuable, security depending upon the governing law of the contract and the provisions, if any, therein regarding the risk of redenomination. Sovereign debt risk and pressure on bond and currency markets have been a drag on financial markets and are a risk to recovery in those markets. The markets' perception of risk in certain countries has increased, raising the prospect of financial contagion across markets.

In the past, countries (including Venezuela, Russia and Argentina) have encountered difficulties in servicing their external national or government debt obligations, which led to defaults on government obligations and the restructuring of certain indebtedness. It is unclear how the global economy will respond to the shock of certain sovereign defaults, and the risk remains that one sovereign default may have an adverse effect on the markets of both the defaulting country and non-defaulting countries.

Interest Rate Risk; Inflation/Deflation Risk. Changes in interest rates can affect the value of a Farallon Fund's investments in fixed-income instruments. Increases in interest rates may cause the value of a Farallon Fund's debt investments to decline. During periods of rising interest rates, the average life of certain types of securities in which a Farallon Fund may invest may be extended, because borrowers choose not to repay principal on the loans to take advantage of a below market interest rate. This extension risk increases the security's duration (the estimated period until the security is paid in full) and may reduce the value of the security. During periods of declining interest rates, an issuer of fixed-income securities may be more likely to exercise its option to prepay principal which may make an investment less profitable. This is known as call or prepayment risk. Investments held by a Farallon Fund often have call features that allow the issuer to repurchase the securities before stated maturity. An issuer may redeem a lower-grade obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the issuer's credit standing.

Inflation risk is the risk that the value of assets or income from a Farallon Fund's fixed-income investments will be worth less in the future as inflation decreases the present value of payments at future dates. Deflation risk is the risk that prices throughout the economy decline over time, which may adversely affect the creditworthiness of issuers and make issuer default more likely, reducing the value of a Farallon Fund's portfolio.

Credit-Rating Risk. A credit-rating agency is a private company that assigns credit ratings to some types of fixed-income obligations. Such ratings measure creditworthiness and affect the value of those obligations. Ratings assigned to fixed-income securities by credit-rating agencies are intended to indicate different levels of risk that a fixed-income security will pay its principal and interest to investors as and when required. Ratings are based on various factors, such as the fixed-income security's seniority in the capital structure of its issuer, credit characteristics, collateral composition, if any, degree of diversification, weighted average life of the collateral, if any, and the legal structure of the issuer. Such ratings are subject to limitations. An issuer's rating is heavily weighted by historical data and does not necessarily reflect future conditions. In addition, the rating agencies may have difficulty rating and monitoring mortgage-related securities through different economic cycles. If rating agencies incorrectly rate, or downgrade ratings on, fixed-income securities, the value of the securities may decrease substantially.

Investments in the Natural Resources Sector. The Farallon Funds may invest in companies that operate in or are related to the natural resources sector (e.g., mining companies). The profits of such companies have historically been difficult to predict, as the prices of hard commodities, such as precious and non-precious metals, gas and oil, can fluctuate significantly over short periods of time. These fluctuations may be caused by, among other things, political events, embargos, tariffs, natural disasters, changes in technology and the success or failure of

exploration, development and production activities. Any adverse effects of such events on the ability of Farallon Europe to achieve its investment objectives may be exacerbated in emerging markets. Mining operations are subject to extensive laws and regulations, such as environmental laws, mine closure laws and mined-land reclamation laws of various jurisdictions. Natural resources, and companies and investments in or related to the natural resources sector, may be subject to higher levels of taxation than other companies and investments, especially for nonresident investors when investing outside of the United States. Economic and other events (whether real or perceived) can reduce global demand for certain hard commodities, which may reduce market prices. In addition, certain natural resources are geographically concentrated, and therefore may be adversely affected by purely local events that are reasonably unforeseeable to an outside investor.

Investment Risks Related to Natural and Other Catastrophic Disasters. Certain Farallon Funds' investments, including, without limitation, investments in the natural resources sector, are subject to relatively infrequent but potentially severe risk of loss resulting from the occurrence of one or more catastrophic events or natural disasters, such as floods, forest fires, earthquakes, hurricanes, tsunamis, volcanic eruption or nuclear meltdowns. If any such event or disaster should occur, a Farallon Fund's investments may be directly impacted by such loss, or operations at one or more of the Farallon Fund's portfolio companies may halt, either completely or for extended periods of time, as such disasters may destroy or impair the ability of such companies to make use of their facilities or obtain the supplies necessary to operate. In addition, in the event of a widespread disaster, insurers with whom a Farallon Fund's portfolio companies hold policies may become insolvent and unable to pay claims, or affected portfolio companies may incur losses in excess of insured limits. Any of these events may severely impact the performance of a Farallon Fund.

Use of Leverage. The use of leverage may be integral to many of the Farallon Funds' strategies and some depend on the availability of credit in order to finance their portfolios. There can be no assurance that a Farallon Fund will be able to maintain adequate financing arrangements under all market circumstances.

A Farallon Fund may invest and trade on a leveraged basis, both through borrowings and through the significant degree of leverage typically embedded in the derivative instruments in its portfolios. Losses incurred on a Farallon Fund's leveraged investments increase in direct proportion to the degree of leverage employed. A Farallon Fund also incurs interest, transaction and other costs on the borrowings used to leverage its positions through the borrowing of money, the purchase of commodities or securities on margin or otherwise. Any such costs may or may not be recovered by the return on a Farallon Fund's portfolio. If gains earned by the Farallon Fund's portfolio fail to cover such costs, the net asset value of the Farallon Fund may decrease faster than if there had been no borrowings. The use of leverage also may result in the forced liquidation of positions (which might otherwise have been profitable) as a result of margin or collateral calls.

There can be no assurance that a Farallon Fund will be able to establish or maintain adequate financing arrangements on acceptable terms or under all market conditions. The "liquidity crisis" of 2007 and 2008 led to reduced lending levels on the part of numerous banks as well as withdrawn credit lines on the part of certain brokers, dealers, and banks, some of whom may

have been able to assert essentially discretionary margins and collateral valuation policies; banks and brokerage firms could become illiquid once again and without warning. To the extent a Farallon Fund enters into financing facilities through total return swaps or other instruments, it may be subject to “mark-to-market” risk with respect to the value of certain collateral, and significant price movement may result in withdrawn financing lines. As a result, credit may become abruptly unavailable, and a Farallon Fund could be closed out of positions prematurely and at disadvantageous prices by certain brokers and dealers. The adverse effects of such close-outs could be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under a Farallon Fund’s agreements with other brokers, lenders, clearing firms or other counterparties, magnifying the adverse impact on the Farallon Fund. Such circumstances may persist or recur, may lower the expected rates of return and may impede the Farallon Fund’s ability to maintain or employ leverage, having a material adverse effect on the Farallon Fund’s performance.

Inside Information, Section 16 and Restricted Securities. By reason of their responsibilities in connection with the Farallon Funds and their other activities, Farallon Europe or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. A Farallon Fund will not be free to act upon any such information. Due to these restrictions, the Farallon Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Conversely, in certain circumstances, Farallon Europe may elect not to receive material nonpublic information in respect of a company which could actually or potentially restrict trading activity by the Farallon Funds and, consequently, elect not to conduct due diligence on, or proceed with, a particular Farallon Fund-eligible investment.

Any persons or group of persons who beneficially own, directly or indirectly, more than 10% of any class of equity securities registered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), of certain issuers are subject to strict liability for short-swing trading—effecting purchases and sales (or sales and purchases) within a six-month period that result in a profit—under Section 16(b) of the Exchange Act. In the event a Farallon Fund, together with its affiliates, owns in excess of 10% of any class of equity securities of such an issuer, if it violates the rule, it would require the Farallon Fund to disgorge all profits gained in such short-swing transactions. Accordingly, the Farallon Fund may elect to refrain from purchasing or selling such securities for a period of up to six months. In addition, in such circumstances, the Farallon Fund will be prohibited from entering into a short position in such issuer’s securities, and therefore limited in its ability to hedge such investments. In addition, Rule 144 of the U.S. Securities Act of 1933, as amended restricts the ability of “affiliates” of an issuer in a private offering from transferring the securities for a specified period of time. A Farallon Fund and its affiliates may be deemed affiliates of an issuer due to the aggregate holdings of the group and therefore may be restricted in their ability to transfer such securities.

Illiquid Investments. A significant portion of a Farallon Fund’s portfolio may be invested in private claims, securities and instruments, structured products, derivatives, restricted securities, unregistered securities and other relatively illiquid securities and instruments. In some cases, a Farallon Fund may not be able to readily dispose of such investments, or may be able to

dispose of them only at a substantial discount to fair value. In some cases, a Farallon Fund may be contractually prohibited from disposing of such investments for a specified period of time and may be forced to hold such securities and instruments despite adverse price movements. Accordingly, a Farallon Fund may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid securities, including in order to satisfy investor withdrawals of capital. Further, under adverse market or economic conditions, in the event market participants are aware that a Farallon Fund must sell such investments to raise cash including to satisfy investor withdrawals of capital, or in the event of adverse changes in the financial condition of the issuer, a Farallon Fund may find it more difficult to sell such securities when Farallon Europe believes it advisable to do so or may be able to sell such securities only at prices lower than if the securities were more widely held. In such circumstances, a Farallon Fund may also find it more difficult to determine the fair market value of such securities for purposes of valuing a Farallon Fund's portfolio. There may be no market for such securities or for a substantial percentage of such securities. To the extent there is a market for such securities, the market will be limited to a narrow range of potential counterparties, such as institutions and investment banks. As a consequence, a Farallon Fund's ability to participate in or liquidate such investments may be restricted and the value of such investments may be subject to wide fluctuation. The purchase and 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 purchase and sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Even if the securities are publicly traded, large holdings of securities can often be disposed of only after a substantial length of time, exposing such holdings to risks comparable to the foregoing. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Asset Valuation and Thinly Quoted Instruments. Certain of a Farallon Fund's investments (namely Special Investments and a portion of a Farallon Fund's portfolio comprising bank debt positions and other securities and instruments for which broker quotes may be scarce or potentially unreliable) do not have a readily assessable market value or are difficult to value, and such valuations may be somewhat volatile, due to the variable nature of certain components of the pricing models used and changing market events. In cases in which a particular investment held by a Farallon Fund has received materially different valuations from independent pricing services, FCM may determine the value of such investment in its good faith judgment by, among other things, using internal valuation models (with which other traders may reasonably disagree) and, if necessary, through relative value pricing, other relevant sources deemed reliable by FCM or the subjective determination of FCM or its affiliates' personnel most familiar with the position in question. Determining fair value — in the absence of any market or reliable valuation model — can be both difficult and subjective. Accordingly, there can be no assurance that investments may be sold at or near estimated fair value.

In order to value the assets of a Farallon Fund, FCM relies on information provided by third parties, and such persons may provide inaccurate, incomplete, not current or otherwise unreliable information. With respect to over-the-counter securities, and instruments such as loans, bonds, vendor claims, 144A securities, certain swaps and other unlisted or non-

exchange-traded securities and instruments, multiple dealer quotations and sales prices may not be available. In such circumstances FCM must rely upon a single broker-dealer quotation or, if no quotation is available, value the investment at a fair value based on factors it deems relevant, such as historical sales activity, models, comparable transaction pricing and the like. In addition, although a broker-dealer quotation is available for a small block of securities, the quotation will not necessarily be valid for a larger block of securities, especially if a Farallon Fund holds a concentrated position.

It is not unusual for broker-dealers to provide “bid” and “ask” quotations for such securities and instruments on a preliminary or “soft” basis. Such preliminary quotations may or may not reflect the “bid” or “ask” prices at which such broker-dealer would be willing to effect actual transactions or may only hold true for a smaller block of securities and instruments than a Farallon Fund is seeking to trade. In the absence of actual sale transactions, it is difficult for FCM or its affiliates to test the reliability of preliminary quotes even when multiple broker-dealers are providing “bid” and “ask” prices. Investors should be aware that situations involving uncertainties as to the valuation of portfolio securities could dramatically affect a Farallon Fund’s net asset value if FCM or its affiliates’ judgment regarding appropriate valuations should prove incorrect.

The value assigned to a Farallon Fund’s securities and instruments affects the amount and timing of management fees and incentive fees or allocations paid to FCM or its affiliates, as well as reported performance; it also affects the ownership percentages used for subscriptions to, and redemptions from a Farallon Fund (i.e., the “price” at which such transactions are effected).

Short Selling. A Farallon Fund’s investment program may include short selling. Short sales may be made, for example, if Farallon Europe believes the securities or instruments are overpriced relative to their intrinsic or fundamental value or to other securities or indices that may provide a hedge, or are expected to depreciate in value due to a catalyzing event or change in circumstances. Short sales also are made in connection with a Farallon Fund’s merger arbitrage and risk arbitrage investments. In addition, short positions may be taken if, in the view of Farallon Europe, such positions will reduce the risk inherent in taking long positions. The extent to which a Farallon Fund engages in short sales will depend upon its investment strategy and perception of market direction. An uncovered short sale of an instrument involves the risk of an increase in the market price of the instrument which could result in an inability to cover the short position or a substantial and theoretically unlimited loss, while the prospective gain on such short sale generally is limited to the proceeds of such sale. There can be no assurance that a Farallon Fund will be able to maintain the ability to borrow securities sold short. In such cases, a Farallon Fund can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). Furthermore, there can be no assurance that securities or instruments necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The rules affecting short sales (and synthetic short sales) in the U.S. and other jurisdictions are constantly evolving in ways that have restricted or may restrict the ability of a Farallon Fund to engage in short-selling. It is impossible to predict what, if any, changes to the rules affecting short sales may occur in the future, but any new regulation could

have a materially adverse impact on the ability of a Farallon Fund to achieve its investment strategy.

Options. A Farallon Fund may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which 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 less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered 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 securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium in the call option. A Farallon Fund may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which 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 sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire premium in the put option. Over-the-counter options may also expose a Farallon Fund to counterparty risk.

Swap Agreements. A Farallon Fund may enter into swap agreements and options on swap agreements (“swaptions”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. A Farallon Fund, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, securities, indices of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease a Farallon Fund’s exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Farallon Funds are generally not limited to any particular form of swap agreement if consistent with the Farallon Fund’s investment objective.

Whether a Farallon Fund’s use of swap agreements or swaptions will be successful will depend on Farallon’s ability to select appropriate transactions for the Farallon Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of a Farallon Fund’s portfolio. Moreover, a Farallon Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Each Farallon Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of such Farallon Fund to post or maintain required collateral. Many swap markets are relatively new, still developing and subject to changing regulations.

Derivative and Over-the-Counter Instruments; Counterparty Risk; Foreign Exchange Contracts; Systemic Risk. The prices of, or payments pursuant to, swaps, options, futures contracts and other derivative instruments that may be entered into by a Farallon Fund may be highly volatile and are influenced by, among other things, volatility of the underlying or notional rate, price or index, amount of collateral required (which may be negligible relative to the notional amount of the contract), interest rates, taxes, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, some of the markets in which a Farallon Fund effects its derivative transactions and bank debt, vendor claim and other debt transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are often not subject to the same type of credit evaluation and regulatory oversight as are members of “exchange based” markets. To the extent a transaction is not guaranteed by a clearinghouse, this may expose a Farallon Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not *bona fide*) since such markets may lack the established rules and procedures for swift settlement of disputes among market participants in “exchange-based” markets. In particular, trades of over-the-counter debt instruments could take more time to resolve disputes and may have significantly longer settlement periods than other securities. These factors may cause a Farallon Fund to suffer a loss due to adverse market movements or increased counterparty risk while parties resolve the dispute and during any delayed or lengthy settlement period.

To the extent a Farallon Fund obtains exposure to a security or instrument through a derivative or similar instrument, such as a bank debt participation, the Farallon Fund may not be able to exercise rights incidental to actual ownership of the underlying security or instrument, including without limitation voting rights, the right to participate in tender offers, meeting and information rights, and under certain circumstances, the Farallon Fund’s ability to dispose of the instrument may be contractually or practically less flexible than it would be if the Farallon Fund held the instrument directly. “Counterparty risk” also is present in certain of a Farallon Fund’s swaps and CFD transactions, as well as other over-the-counter derivative transactions, debt trades and foreign exchange contracts and is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Farallon Fund has concentrated its transactions with a single or small group of counterparties. Funds on deposit with a counterparty to support a Farallon Fund’s trading may not have the benefit of customer-protected “segregation” of such funds.

Some contracts in the foreign exchange market are not regulated by the Commodity Futures Trading Commission (the “CFTC”), or, in some jurisdictions, any comparable regulatory body, and such contracts are not guaranteed by an exchange or its clearinghouse, although this is anticipated to change to an extent with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Consequently, there may be no requirements imposed on a counterparty with respect to financial responsibility or segregation of customer funds or positions. As a result, trading in interbank foreign 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 a Farallon Fund has a forward

contract. Although the Farallon Funds generally attempt to limit their transactions to those with well-known and well-capitalized firms, a Farallon Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

A Farallon Fund uses several qualified custodians for its publicly-traded securities and other financial instruments, other than bank debt, trade claims and certain private investments. A Farallon Fund has counterparty risk exposure to each qualified custodian in the event of financial distress or bankruptcy of a qualified custodian. There may be practical or timing problems associated with enforcing the rights of a Farallon Fund to its assets in the case of such insolvency or other distress.

Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent institutions. Systemic risk may adversely affect financial intermediaries, such as clearing agencies, clearinghouses, banks, securities firms and exchanges with which a Farallon Fund interacts on a daily basis.

Furthermore, a Farallon Fund's assets may be held in one or more accounts maintained for the Farallon Fund by counterparties, including prime brokers. There is a risk that any of such counterparties could become insolvent. Any insolvency of one of the Farallon Fund's counterparties would be likely to impair the operational capabilities or the assets of a Farallon Fund. If one or more of a Farallon Fund's counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Farallon Fund's securities and other assets from such prime broker or broker-dealer 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, a Farallon Fund may use counterparties located in various jurisdictions outside the United States that are subject to various laws and regulations designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Farallon Fund's 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 a Farallon Fund and its assets.

Futures. Futures positions may be illiquid because certain 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 particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Farallon Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses or prevent it from entering into desired trades. Also, 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. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Over-the-Counter Transactions. The Dodd-Frank Act includes provisions that comprehensively regulate the over-the-counter derivatives markets for the first time. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for other derivatives in the future.

The Dodd-Frank Act will require that a substantial portion of over-the-counter derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses. Over-the-counter trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC or CFTC mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared over-the-counter derivatives. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called “end-users”, the Farallon Funds do not expect to be able to rely on such exemptions. In addition, the over-the-counter derivative dealers with which certain Farallon Funds may execute the majority of their over-the-counter derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore such dealers will be subject to clearing and margin requirements notwithstanding whether the Farallon Fund is subject to such requirements.

Over-the-counter derivative dealers also will be required to post margin to the clearinghouses through which they clear their customers’ trades instead of using such margin in their operations, as they currently are allowed to do. In addition, dealers will be subject to minimum capital requirements. These requirements may apply irrespective of whether the over-the-counter derivatives in question are exchange-traded or cleared. Over-the-counter derivatives dealers will also be subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest and other regulatory burdens. These requirements may increase the overall costs for over-the-counter derivative dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks.

Another risk is that a Farallon Fund may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the clearinghouse and the dealer through which the Farallon Fund will access the clearinghouse, which may force the Farallon Fund to use temporary credit facilities of the dealer to meet margin calls related to cleared trades and increase the costs of cleared trades to the Farallon Fund. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Farallon Fund to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Farallon Fund. In addition, clearinghouses may not allow the Farallon Fund to portfolio-margin its positions, which may cause an increase in the costs to the Farallon Fund. Further, clearinghouses are encouraged to model risks and implement margin requirements in typical market

environments. Many of the risk models, however, are subject to change at any time and, therefore, the Farallon Fund may be subject to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Farallon Fund.

The SEC and CFTC may also require a substantial portion of derivative transactions that are currently executed on a bilateral basis in the over-the-counter markets to be executed through a regulated securities, futures or swap exchange or execution facility. Such requirements may make it more difficult and costly for investment funds, including certain Farallon Funds, to express an investment view or to enter into highly tailored or customized transactions, and such transactions will likely be less liquid and less common. They may also render certain strategies in which certain Farallon Funds might otherwise engage impossible or so costly that they will no longer be economical to implement. As an alternative to hedging its positions with customized positions, a Farallon Fund may use standardized derivatives which may be a less optimal hedge.

Although standardized clearing for derivatives is intended to reduce risk (for instance, they may reduce the counterparty risk to the dealers to which a Farallon Fund would be exposed under non-cleared derivatives), it does not necessarily eliminate risk. Rather, standardized clearing transfers risk of default from the over-the-counter derivatives dealer to the central clearinghouse, which may increase systemic risk, potentially more so than a failure by one of its members. The failure of a clearinghouse could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on member firms during a financial crisis, which could lead member firms to default, worsening the crisis. It is difficult to speculate what the actual risks would be to a Farallon Fund related to the default of a clearinghouse. There is no one international standard for clearinghouses; existing clearinghouses have different waterfalls that apply upon the insolvency of a clearinghouse or a clearinghouse member and it is possible that a Farallon Fund could be in a worse position if a clearinghouse were to fail than had the Farallon Fund executed a trade with a traditional derivative counterparty. A clearinghouse could seek to require that the Farallon Fund relinquish control of its transactions if the clearinghouse were to become insolvent, and, therefore, such Farallon Fund may not be able to terminate and close out of a defaulting clearinghouse's positions, but could become subject to regulators' control over those positions. In such a circumstance, the Farallon Fund may not be able to take actions that it deems appropriate to lessen the impact of such clearinghouse default.

The overall impact of the Dodd-Frank Act or comparable regulations in other jurisdictions on the Farallon Funds is uncertain and it is unclear how the over-the-counter derivatives markets will adapt to this new regulatory regime or any additional regulation in the future.

European Market Infrastructure Regulation. On August 16, 2012, the European Market Infrastructure Regulation ("EMIR") entered into force, and the implementation will be phased in over time.

EMIR introduces certain requirements in respect of derivative contracts, which will apply primarily to "financial counterparties" such as European Union ("EU") authorized investment firms, credit institutions, insurance companies, Undertakings for Collective Investment in

Transferable Securities Directives (“UCITS”) and alternative investment funds managed by EU authorized alternative investment fund managers, and “non-financial counterparties” which are entities established in the EU which are not financial counterparties.

As financial counterparties and non-financial counterparties are required to comply with EMIR’s risk mitigation techniques regardless of the identity of their counterparties, non-EU counterparties, such as the Farallon Funds, are likely to become indirectly subject to such requirements when they transact with EU counterparties which will require compliance by their non-EU counterparties in order to satisfy their own obligations under EMIR. The EU regulatory framework relating to derivatives is set not only by EMIR but also by the proposals to “recast” the existing Markets in Financial Instruments Directive (such proposals, “MiFID II”) which have not been finalized. In particular, MiFID II is expected to require transactions in derivatives to be traded on a regulated market and cleared.

It is difficult to predict the full impact of these regulatory developments on the Farallon Funds. Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II may in due course significantly raise the costs of entering into derivative contracts and may adversely affect a Farallon Fund’s ability to engage in transactions in derivatives.

Forward Trading Through Banks. A Farallon Fund may enter into forward contracts, which are not traded on exchanges. Such forward contracts may be primarily forward interest rate or currency contracts with banks and other market participants and used primarily to hedge existing positions and not for speculation. There are no limitations on daily price moves of forward contracts. Banks and futures commission merchants with whom a Farallon Fund may maintain accounts may require the Farallon Fund to deposit margin with respect to such trading. Forwards market participants are not required to continue to make markets in currencies. There have been periods during which certain market participants have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the bank is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few banks, and liquidity problems therefore might be greater than if such arrangements were made with numerous banks. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which Farallon Europe would otherwise recommend, to the possible detriment of a Farallon Fund. In respect of such trading, a Farallon Fund is subject to the risk of bank failure or the inability of, or refusal by, a counterparty to perform with respect to such contracts.

Initial Public Offerings; New Issues. Certain Farallon Funds have taken the required steps to qualify to participate in income and loss from “new issues” as such term is defined under Financial Industry Regulatory Authority, Inc. Rule 5130 (the “FINRA Rule”), as Farallon Europe believes that initial public offerings that may be deemed “new issues” often provide potential for appreciation. However, due to a variety of factors, prices of initial public offerings are often more volatile than prices of more seasoned stocks. Initial public offerings often involve a limited number of shares available for trading, unseasoned trading, a lack of investor knowledge about an issuer and a limited operating history on the part of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies

may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. Accordingly, income or loss attributable to such investments may affect a Farallon Fund's performance. Moreover, investors that are restricted under the FINRA Rule will not be compensated for the use of their capital by a particular Farallon Fund to purchase "new issues".

Regulated Industries/Large Positions. Because certain of the Farallon Funds are structured as limited partnerships, such Farallon Funds' interests in companies engaged in certain regulated industries, such as companies subject to Federal Communications Commission ("FCC") regulation, may be attributable to limited partners of such Farallon Funds. To the extent that a Farallon Fund invests in securities of companies in certain regulated industries, such Farallon Fund and each of its limited partners and its general partner could be deemed for certain regulatory purposes to directly own all or a portion of such investment. If Farallon Europe deems it appropriate, Farallon Europe may cause such Farallon Fund, or may ask such Farallon Fund's limited partners, to adopt certain policies designed to ensure that such Farallon Fund's investments in companies in such industries will not be attributable to such Farallon Fund or to its limited partners or its general partner.

Under certain circumstances, regulations may cause a Farallon Fund's investment in one entity in a regulated industry to prohibit it from further investments in the entity or in the same industry until the initial investment is divested. Furthermore, investments by Farallon Europe or by other Farallon Funds, in a particular regulated industry may similarly affect the ability of another Farallon Fund to invest in the same industry. Large and controlling positions in certain types of entities (e.g., REITs, bank holding companies or FCC-regulated entities) may implicate regulatory restrictions or result in possible investment forfeitures or obligations to dispose of a Farallon Fund's interests in such entities in a time or manner that may be disadvantageous or result in a loss to such Farallon Fund.

A Farallon Fund may seek to acquire a significant stake in certain securities or instruments and may invest in certain sectors that are subject to special regulatory oversight. In such event, the Farallon Fund may be required to file a notification with a governmental agency, seek regulatory approval or comply with other regulatory requirements. These requirements may result in a delay in, or prohibit, the acquisition of an investment. Compliance with regulatory requirements may result in additional costs to such Farallon Fund. Such restrictions may also restrict or delay a Farallon Fund's ability to liquidate an investment.

Enforcement Considerations. Various laws enacted for the protection of creditors may be applied to investments a Farallon Fund may make and the Farallon Fund may sustain losses or incur legal defense costs as a result. Losses may be realized years after the investments were bought or sold by the Farallon Fund. These creditor-protection laws may be applied to Farallon Fund investments in bonds or bank loans of distressed companies that go or have gone into bankruptcy, and also may be applied to equity investments bought or sold by a Farallon Fund. For example, under U.S. federal and state laws of fraudulent conveyance, if loans made to companies that are insolvent or are rendered insolvent as a result of the transaction that includes the borrowing, the loans or the liens or guaranties that secure such loans may be

judicially invalidated, and the borrower's payments of principal, interest or fees to its lenders or stock dividends or stock repurchase payments may be recouped. Fraudulent conveyance actions may target transfers made as much as six years before the commencement of the fraudulent conveyance action or a bankruptcy case.

Similar to fraudulent conveyance actions, preference actions also may be asserted against investors in a failing company. If an issuer in which a Farallon Fund has an investment becomes insolvent, any payment made by the issuer on such investment, including loan interest, principal or fees, may be subject to disgorgement as a "preference" if made within a certain period of time (which may be as long as one year) before the date the issuer goes into bankruptcy.

In general, if an issuer's payments are found to be either fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from a Farallon Fund and the Farallon Fund has no or inadequate recourse to upstream or other parties, the resulting loss would be borne by investors in the Farallon Fund.

Under other principles of U.S. bankruptcy law, loans may lose their priority due to "equitable subordination," which is a remedy where a court subordinates the claim of a creditor to claims of disadvantaged creditors. Examples of situations where equitable subordination could be applied are where a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence to dominate or control a borrower to the detriment of other creditors of such borrower. Under related remedies known as "equitable disallowance" or "lender liability" a court may disallow the claim of a lender or other creditor that has abused its influence on the borrower or even require the lender to pay affirmative damages for its misconduct.

The relevant legal standards for fraudulent conveyance and preference actions and for equitable subordination, equitable disallowance and lender liability set forth above relate mostly to the United States and may differ by jurisdiction. Nevertheless, it should be assumed that risks similar to the foregoing, as well as additional risks which the U.S. bankruptcy regime is designed to prevent, may be present in other jurisdictions in which a Farallon Fund invests. In particular, a number of continental European jurisdictions operate "debtor friendly" insolvency regimes which may result in delayed payments in connection with investments subject to the laws of such regimes. Certain non-U.S. jurisdictions, particularly emerging markets jurisdictions, may have substantially different or less sophisticated systems for resolving corporate insolvencies. Such differences could expose a Farallon Fund to unanticipated claims, legal risks, costs and delays, any one of which could have an adverse effect on one or more of a Farallon Fund's investments.

Small Companies. A Farallon Fund may invest a portion of its assets in small and/or unseasoned companies, whether or not publicly traded. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, operating history, financial resources, product diversification and

competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of securities issued by larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, reduced liquidity, losses and risks of insolvency or bankruptcy. A Farallon Fund may establish large positions in these companies' securities, representing a high percentage of the outstanding public float. When making large sales, a Farallon Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities. Further, research resources, third-party analysis and information relating to smaller companies may be less available than that in respect of larger companies, making it more difficult to research an investment and make an informed investment decision.

Control Issues. Although Farallon Europe may seek protective provisions, including, possibly, board representation, in connection with certain of its investments, particularly Special Investments, to the extent a Farallon Fund takes minority or passive positions in companies in which it invests, Farallon Europe may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect a Farallon Fund's position in such companies. The day-to-day operations of such companies will be the responsibility of the companies' management teams, and there is no assurance that they can operate the companies successfully. In these circumstances and others in which Farallon Europe relies on information from corporate management, the Farallon Fund will also be subject to the risk of dysfunctional or fraudulent management and accounting irregularities. To the extent a Farallon Fund co-invests with third parties through joint ventures or other entities, such investments may involve risks such as dysfunctional management, increased costs, greater illiquidity and investors with conflicting interests or investment objectives. There also may be the possibility that a third-party co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Farallon Fund, or may be in a position to take (or block) action in a manner contrary to the Farallon Fund's investment objectives. Moreover, compensation arrangements with respect to such co-ventures may reduce the returns to participants in the investments.

Investments with Third-Party Subadvisers. A Farallon Fund may invest in funds, vehicles or other entities managed by third-party subadvisers. Among the principal risks inherent in a Farallon Fund investing in such funds managed by third-party subadvisers are the restrictions imposed on the asset allocation flexibility and risk control capability of Farallon Europe as a result of third party management and/or limited liquidity of such funds. A Farallon Fund may be unable to redeem its capital from a fund managed by a third-party subadviser due to contractual or other restrictions for some months after Farallon Europe has determined that the strategy being implemented is no longer attractive. Further, participating in such structures may at times result in higher expense to a Farallon Fund. Third-party subadvisers may trade wholly independently of one another and may at times hold economically offsetting positions from each other or the relevant Farallon Fund, which would diminish a Farallon Fund's ability, considered as a whole, to achieve any gain or loss despite incurring expenses. Additionally, since a Farallon Fund typically does not have full transparency with respect to the trading activities of third-party subadvisers, it will be limited in its ability to hedge its exposure or to prevent concentration of its assets within the same issuer, asset or asset class, industry, section,

strategy, currency, country or geographic region. Further, the Farallon Fund may be limited with respect to its ability to monitor third-party subadvisers, including their adherence to their respective trading and risk guidelines (if such guidelines exist), or with respect to potential or actual fraud.

Highly-Leveraged Companies. Investments in equity and debt of highly-leveraged companies involve a high degree of risk. Some of the companies in which the Farallon Funds' invest may use leverage, which will increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. For example, as a result of the ongoing European financial crisis, companies that have historically relied upon borrowings from European-based banks may face increased borrowing costs or an inability to finance their key operations or to refinance outstanding debt obligations. Companies that use leverage may be subject to restrictive financial and operating covenants that may impact the implementation of their business strategies. Moreover, rising interest rates may significantly increase such companies' interest expense, causing losses and/or inability to service debt levels. In the event any such company cannot generate adequate cash flow to meet debt service, or refinance debt, a Farallon Fund may suffer a partial or total loss of capital invested in the company, which, depending on the size of a Farallon Fund's investments, could adversely affect the return on the capital of such Farallon Fund.

Contingent Obligations. From time to time a Farallon Fund may incur contingent obligations in connection with an investment. For example, the Farallon Fund may purchase from a lender a revolving credit facility or bank loan obligation that has not yet been fully drawn or funded or may agree to backstop a bank syndicate or other participant's financing commitments to fund a merger or acquisition. If the borrower subsequently draws down on the facility, a Farallon Fund would be obligated to fund the amounts due, and may need to sell securities to satisfy the funding obligations at prices that may not be favorable. A Farallon Fund may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to a Farallon Fund. Other contingent obligations incurred in the ordinary course of a Farallon Fund's business, particularly in respect of its Special Investments, include commitments to fund joint venture equity at future dates, indemnities or guarantees and representations or warranties upon sale or disposition. Unresolved claims, including threatened litigation against Farallon Europe, its affiliates, or a Farallon Fund, or tax assessments or claims for unpaid taxes, are also a source of possible contingent liabilities. Contingent obligations may result in reserves and holdbacks upon an investor's withdrawal or redemption and upon dissolution of a Farallon Fund, which may subsist indefinitely; in addition, a Farallon Fund may require investors to return to such Farallon Fund distributed capital and earnings if, on final dissolution and winding up of such Farallon Fund, such Farallon Fund's property is insufficient to satisfy such Farallon Fund's liabilities. To the extent that expenses or losses arise in connection with any such contingent obligation, including contingent obligations that relate to prior periods, they generally will be borne by such Farallon Fund and may adversely affect them and their current investors.

Investments That Cannot Be Sold; Uncertain Exit Strategies. With respect to certain Special Investments, Farallon Europe is unable to predict with confidence what the exit

strategy will ultimately be for any given position, or that one will definitely be available. A Farallon Fund that is structured as a designated-term private investment fund could acquire investments that (i) have either maturity dates which come to extend past the term of such Farallon Fund or no scheduled maturity date and/or (ii) Farallon Europe believed could be exited prior to the end of the term of such Farallon Fund but for a variety of economic, legal, political or other reasons remain unsold at the end of such Farallon Fund's term. At the end of the term of such a Farallon Fund, Farallon Europe will have basically two options on how to handle such investments. It could sell such investments into the market (likely at a discount to perceived value, or at forced seller's liquidation price) or distribute such investments in kind to investors. If such investments are to be sold, there can be no assurance that there will be an active market in that particular investment at the time the term of such Farallon Fund expires and therefore the price upon sale may be lower than it would be otherwise. If such investments are to be distributed to the investors in kind, there can be no assurance that the investors will be able to dispose of such investment at a reasonable price or at any price and such investments may need to be held by such investors for an indefinite period.

Equity Securities Generally. A Farallon Fund may invest in equity and equity-linked securities either alone or as part of a package of securities (including debt securities) offered by a portfolio company. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Farallon Fund may suffer losses if it invests in equity securities of issuers whose performance diverges from Farallon Europe's expectations or if equity markets generally move in a single direction and a Farallon Fund has not hedged against such a general move. A Farallon Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Portfolio Turnover. In view of the fact that the Farallon Funds' investment programs may include active trading, the turnover of the Farallon Funds' portfolio and brokerage commissions from time to time may be substantially greater than the turnover and brokerage of other types of investment vehicles. Such increased turnover and brokerage commissions may have an adverse effect on the performance of the Farallon Funds.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

Neither Farallon Europe nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

Farallon Europe relies on exemptions from registration as a commodity trading adviser pursuant to the Commodity Exchange Act and rules promulgated thereunder.

C. Material Relationships or Arrangements with Related Persons who are Industry Participants

Affiliated Advisers

Farallon Europe provides discretionary investment management services to various Farallon Funds, as more fully discussed in Item 4.

Farallon has an exclusive subadviser relationship with the Farallon Subadvisers, who manage assets for Farallon from their international offices and comprise separate legal entities.

Farallon, Farallon Asia, Farallon Hong Kong, Farallon Japan and Farallon Latin America together filed a single Form ADV in reliance on the position expressed in the American Bar Association, Business Law Section, SEC No-Action Letter (January 18, 2012).

Farallon Europe does not consider the principals of any of Farallon, Farallon Asia, Farallon Hong Kong, Farallon Japan or Farallon Latin America to be control persons of Farallon Europe. Farallon Europe, on the one hand, is not a “related person” or affiliate of any of Farallon, Farallon Asia, Farallon Hong Kong, Farallon Japan or Farallon Latin America, on the other hand.

FPLLC serves as the general partner of most of the limited partnerships disclosed in FCM’s Form ADV and is the managing member of NCP. Certain clients of Farallon Europe also invest in some of these disclosed limited partnerships and NOI.

Throughout this Form ADV Part 2A, disclosure is made regarding risks related to Farallon Europe’s management of the Farallon Funds and conflicts of interest related to among other things, the activities, ownership and relationships of Farallon Europe and/or its affiliates. All such disclosures should be read also as applying to Farallon’s, the other Farallon Subadvisers’ and their respective affiliates’ management of the Farallon Funds and conflicts of interest related to among other things, the activities, ownership and relationships of Farallon, the other Farallon Subadvisers, and/or their respective affiliates.

Certain Conflicts of Interest Among Funds

As indicated above, Farallon Europe manages a number of Farallon Funds, some of which have investment programs that are similar or substantially similar. Farallon Europe and its affiliates may have conflicts of interest in allocating their time and resources between the Farallon Funds, in allocating investments among the Farallon Funds, and in effecting transactions between the Farallon Funds, including ones in which Farallon Europe and its affiliates may have a financial interest. Under the constituent documents of the Farallon

Funds, such persons generally are required only to devote so much of their time to each Farallon Fund's affairs as is reasonably necessary in good faith. In addition, Farallon Europe and its affiliates generally are not prohibited by such constituent documents from engaging in any other existing or future business if such activity does not materially interfere with the business of the Farallon Funds or conflict with their obligations under the Farallon Funds' constituent documents. The Farallon Funds will not have any right to any income or profit derived by Farallon Europe or its affiliates from any such employment or business activity. Different Farallon Funds charge different management fees and incentive fees and/or allocations due to circumstances such as different contractual rates or loss recovery account balances. Farallon Europe and its affiliates invest capital in the Farallon Funds and their capital interest in some Farallon Funds is disproportionate relative to their interest in other Farallon Funds.

Although the Farallon Funds generally have similar and overlapping investment strategies and investment parameters, their investment programs differ due to, among other reasons, various investment restrictions and types of investors. Farallon Europe may give advice, and take action, with respect to one or more of the Farallon Funds which may differ from the advice given, or the timing or nature of action taken with respect to other Farallon Funds. The portfolio strategies that Farallon Europe may use for one or more Farallon Funds could conflict with the transactions and strategies employed by Farallon in managing other Farallon Funds and could affect the prices, rights and availability of the securities and other financial instruments in which those Farallon Funds invest.

The Farallon Funds may have conflicting interests with respect to their investments, including with respect to selling objectives, taxes, performance, liquidity, timing and other objectives. The conflicting interests of the individual Farallon Funds may relate to, or arise from, among other things, the nature of investments made by the Farallon Funds, fund ramp up or ramp down periods, investing in different layers of the capital structure, the structuring or the acquisition of investments and the timing of disposition of investments. For example, certain Farallon Funds may from time to time be selling securities or instruments that the other Farallon Funds may continue to hold and/or purchase and vice versa. Farallon Europe may purchase on behalf of certain Farallon Funds instruments of an issuer which have a different ranking, priority or preference than the instruments of the same issuer purchased on behalf of other Farallon Funds, or whose interests are otherwise adverse (for example, debt of an insolvent issuer may be held by one Farallon Fund while equity of the same issuer is held by another Farallon Fund or one Farallon Fund may hold senior debt of an issuer while another Farallon Fund holds subordinated debt of the same issuer and the claims of the instruments against the issuer may be adverse to each other). Farallon may on behalf of certain Farallon Funds purchase instruments of an issuer in which other Farallon Funds already hold an investment; in Farallon's discretion, such other Farallon Funds may or may not participate in the subsequent investment by contributing new capital and/or restructuring their current investment. These and other investments may be deemed to create conflicts of interest, particularly because Farallon Europe may take (or decline to take) certain actions for some Farallon Funds that may have an adverse effect on other Farallon Funds (including in connection with restructuring and reorganization situations). For example, in a situation where a Farallon Fund invests in debt securities of a portfolio company in which another Farallon

Fund holds or is contemporaneously acquiring equity securities, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, whether debt should be refinanced, whether the debt financing was extended in order to benefit the Farallon Funds holding such equity securities, whether one investment was obtained in connection with, or as a quid pro quo for, the other investment, or whether terms of the investments were negotiated independently at arms' length. Similar questions may arise even if the investments concerned both comprise debt (for example where investments comprise senior debt and structurally or contractually subordinated debt in the same or related issuers), or equity, or are made at different times. Such conflicts also may arise, without limitation, with respect to the nature or structuring of investments, such as Special Investments, that may be more beneficial for one or more Farallon Funds than for other Farallon Funds. Further, as a result of Farallon Europe's relationships, Farallon Europe may be presented with serial investment opportunities with certain business groups, families or promoters; these investments have been particularly prevalent in developing markets such as those in Southeast Asia, but have also arisen in developed markets. A noteworthy feature of these relationships is that the Farallon Funds may invest in different companies across the business group structure, or make serial investments in the same or related companies, and that Farallon Europe may be in simultaneous negotiations with such business groups regarding multiple investments held or to be made by different Farallon Funds in such companies. For example, a new investment opportunity may arise by virtue of a business relationship which may be allocated to Farallon Funds other than Farallon Funds which participated in previous or existing transactions with the same company, or other companies in the group, or an amendment, modification or waiver to an existing transaction may be made contemporaneously with a new investment.

Performance results will vary, perhaps substantially, among the Farallon Funds. Farallon Funds may have more favorable, or different, liquidity terms relative to one another. Trading activities, including as a result of withdrawals from and subscriptions to one Farallon Fund, could disadvantage another Farallon Fund. Investors in a particular Farallon Fund may not be offered the opportunity to invest in other Farallon Funds.

To address these potential conflicts of interests in its material relationships, Farallon Europe has adopted policies and procedures, including a Code of Ethics and allocation policies. For a more detailed discussion of Farallon Europe's Code of Ethics and allocations and certain conflicts of interest policies, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Farallon Europe and its affiliates have relationships with certain subadvisers, investment funds and operating companies that could present potential or actual conflicts of interest. Certain of these relationships are summarized below.

The Farallon Funds from time to time may invest in funds managed by third party subadvisers. Farallon Europe and its affiliates (but typically not the Farallon Funds) may acquire a passive minority interest in certain of these third-party subadvisers, or acquire such an interest in connection with the Farallon Funds' investment in return for, among other things, strategic advice, financial support and/or support services. Farallon Europe and its affiliates may have a

conflict of interest in making allocations to, or other decisions in respect of, such third-party subadvisers in which they may own or acquire a minority interest. The Farallon Funds will have no interest in the fees earned by such third-party subadvisers. The Farallon Funds may be subject to additional asset-based fees and performance-based fees or allocations in respect of investments managed by third-party subadvisers. To address potential or actual conflicts of interest, Farallon Europe and FCM in their sole discretion may reduce the amount of the management fee or incentive allocation or fee by the amount of any asset-based or performance-based fees or allocations paid or allocated to such persons, but may elect not to do so.

Farallon Europe and its affiliates also may hold capital interests in the management companies of other investment firms or in such firms' private investment limited partnerships and may serve as officers, managing directors and/or members of investment committees for such management companies. However, neither Farallon Europe nor its affiliates have the power to direct the management or policies of such management companies.

The Farallon Funds may from time to time pursue investment opportunities arising out of or related to Farallon Europe and its affiliates' relationships with these management companies or private investment limited partnerships. The Farallon Funds may make co-investments with investment partnerships controlled by such other management companies in which Farallon Europe or its affiliates have a financial interest or other relationship. In some instances, the Farallon Funds may hold the same or similar instruments or rights as those held by the other investment partnerships. In other instances, however, the Farallon Funds may hold different instruments or rights than those held by such investment partnerships. Such co-investments may be made at the same time or at different times. For example, certain Farallon Funds have and may continue to invest in debt or equity securities related to the financing of a leveraged buyout or other acquisition sponsored by another investment partnership, where such investment partnership may hold equity interests. In addition to co-investment transactions, certain Farallon Funds may from time to time enter into other transactions, such as the purchase or sale of securities or instruments, with such private investment limited partnerships.

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

A. Code of Ethics

Per Rule 204A-1 under the Investment Advisers Act, Farallon Europe's written code of ethics contains Farallon Europe's standards of business conduct, including that Farallon Europe and its "supervised persons" must consider the interests of the Farallon Funds before their own, provisions requiring "supervised persons" to comply with federal securities laws, provisions requiring "access persons" to report personal securities transactions periodically and holdings at the time they become access persons and on at least an annual basis thereafter, provisions requiring supervised persons to report violations of the code of ethics promptly to the chief compliance officer, and provisions requiring Farallon Europe to provide a copy of the code of ethics, as it may be amended, to all supervised persons, with a requirement that they provide to the adviser a written acknowledgment that they have received the code of ethics.

Farallon Europe's "supervised persons" consist of the principals and employees (or other persons occupying a similar status or performing similar functions); and any other person who provides advice on behalf of Farallon Europe and is subject to Farallon Europe's supervision and control. Under SEC requirements, certain provisions of the code of ethics apply only to Farallon Europe's "access persons." For purposes of compliance with the code of ethics, Farallon Europe has determined that access persons generally shall be deemed to include all Farallon Europe supervised persons.

In addition to the elements required by Rule 204A-1, Farallon Europe's code of ethics includes, among others, restrictions that generally prohibit its access persons from purchasing or selling debt or equity securities that are not subject to general permission (e.g. Treasury securities, certain mutual funds or certain ETFs) or case-by-case permission exceptions. In addition, supervised persons must obtain pre-clearance before: making investments in private placements or private funds, serving on the boards of directors of any outside for-profit companies, receiving or offering gifts or entertainment worth a substantial monetary value from or to persons doing business with Farallon Europe, or making contributions, payments or gifts to political candidates or parties.

Clients may obtain a copy of Farallon Europe's code of ethics by contacting Farallon Europe.

As discussed in Item 10, Farallon Europe and its affiliates at times will have potential and actual conflicts of interest with respect to the Farallon Funds and their investments. These conflicts of interest may be between or among the different Farallon Funds or between Farallon Europe and its affiliates and the Farallon Funds. Farallon Europe generally resolves these conflicts of interest without input from disinterested third parties. Farallon Europe has adopted policies and procedures designed to make sure any such conflicts are resolved in an equitable manner.

B. Securities in Which Farallon Europe or a Related Person Has a Material Financial Interest

It is not currently the general practice of Farallon Europe and its affiliates as principal to purchase securities or other instruments for themselves from any client or sell securities or other instruments they own to any client, subject to the following. In certain circumstances, Farallon Europe may purchase securities or other instruments from a Farallon Fund for its own account.

Under certain circumstances, Farallon Europe may determine that it is in the best interest of the Farallon Funds to effect trades of securities or instruments between or among the Farallon Funds. This has occurred, or may occur, for example, in connection with the establishment, reorganization or liquidation of a fund or managed account. In such cases, one Farallon Fund may purchase securities or other instruments held by another Farallon Fund and, in certain circumstances, each party to the transaction may have conflicting price, performance, liquidity and timing objectives. To address potential or actual conflicts of interest, Farallon Europe and its affiliates will not receive any brokerage or transaction fee related to these transactions. Such transactions will be consistent with Farallon Europe's duty to obtain best execution and will otherwise be in the best interests of the participating Farallon Funds.

To the extent that these or other transactions may be viewed as principal transactions, including due to the ownership interest in the Farallon Funds by Farallon Europe or its affiliates, Farallon Europe also will comply with the requirements of Section 206(3) of the Advisers Act, including that Farallon Europe will notify the respective Farallon Funds (or, depending on a Farallon Fund's constituent documents, an independent representative) in writing of the transaction and obtain the consent of the respective Farallon Funds (or independent representative, as applicable).

When effecting principal or cross trade transactions between or among the Farallon Funds or itself or its affiliates, Farallon Europe will have potentially conflicting interests and duties, performance objectives, ownership interests and compensation arrangements with respect to each participating Farallon Fund or other account. To address potential or actual conflicts of interest, Farallon Europe develops procedures to be implemented in connection with potential principal and cross trade transactions.

Farallon Europe may, in its sole discretion, select one or more persons, who shall not be an affiliate of Farallon Europe, to serve on a committee, the purpose of which is to consider and, on behalf of the Farallon Funds, approve or disapprove, to the extent required by applicable law or deemed advisable by Farallon Europe, in its sole discretion, principal transactions and certain other related-party transactions involving potential conflicts of interest. The Farallon Funds may enter into an agreement such that the person(s) so selected would be exculpated and indemnified by the Farallon Funds in the same manner and to the same extent as Farallon and its affiliates are so exculpated and indemnified. Certain Farallon Funds have established, and in the future may establish, advisory committees made up of investor representatives to provide similar approvals and consents with respect to the applicable Farallon Fund.

Farallon Europe acts as discretionary investment manager of a significant portion of certain Farallon Funds in which other Farallon Funds may invest. In the case that one Farallon Fund invests in another Farallon Fund (as in NOI), Farallon Europe has structured the investment so that management fees and incentive compensation payable to Farallon Europe are not duplicated as a result of the investment.

For administrative, tax, limitation of recourse, limitation of liability, regulatory and other purposes, certain investments, including but not limited to Special Investments, are made in or through equity or debt investments in one or more special purpose vehicles ("Special Purpose Vehicles"). In one typical structure for Special Investments, a Special Purpose Vehicle controlled by Farallon Europe is formed in which the Farallon Funds co-invest. The Special Purpose Vehicle may make the investment in an operating entity or asset, such as a bank loan, directly, or by investing in other Special Purpose Vehicles controlled by Farallon Europe, which invest in an operating entity or asset. At the operating or asset level, an investment ultimately may be made in an existing operating company or asset, or in a newly-formed joint venture with a local operating partner or management team which will control and manage the business or asset on a day-to-day basis. Farallon Europe typically will retain direct or indirect control of, or vetoes or minority protections in respect of, the economics and business strategy of the operating company or joint venture. The operating partners and management teams retained in connection with such investments, as well as brokers, finders, investment bankers,

consultants and other advisers, generally are compensated by the Farallon Funds, the Special Purpose Vehicles and/or the ultimate operating company with fixed and/or performance-based fees, profit allocations, salaries and/or options for their services, and not by Farallon Europe.

The Farallon Funds may participate in discrete opportunities through joint venture arrangements or pooled investment vehicles with other investment managers (such as hedge fund managers or private equity fund sponsors) if Farallon Europe determines that this is an advantageous way to access or manage the opportunity. The Farallon Funds may be subject to various costs and fees relating to such ventures, including on occasion additional performance-based or asset-based fees or allocations payable or allocable to the investment managers promoting or managing such ventures. Such fees and allocations may not be applied to reduce the management fee or the incentive allocation (or incentive fee, if applicable) payable to Farallon Europe in the discretion of Farallon, considering factors such as whether the investment is in a difficult-to-access market or subject to exclusivity, or the third party manager is uniquely qualified to manage the opportunity. Absent factors such as these, to address potential or actual conflicts of interest, any such management fees and performance-based fees or allocations typically will be applied to reduce the management fee or the incentive allocation (or incentive fee, as applicable). Transaction or acquisition fees and other fees payable to such third-party managers are evaluated on a case-by-case basis considering factors such as whether the third-party manager provides valuable services, and generally will be borne by the Farallon Funds or the portfolio investment (not applied directly to reduce management fees or incentive fees or allocations to Farallon Europe).

From time to time, Farallon Europe and/or a Farallon Fund may be required to obtain regulatory licenses in accordance with local law in order to pursue certain elements of a Farallon Fund's investment program, as some jurisdictions may require local investments to be made through a duly licensed entity. For this reason, among others, it may be advisable or necessary for Farallon Europe to set up affiliated management, finance or other companies to hold a license to conduct, or perform consulting or other services related to, such activities (each, a "License Company"). Farallon Europe may allocate the opportunity to procure these licenses and invest in each License Company to one or more of Farallon Europe, the Farallon Funds or any of their respective affiliates in its discretion. Farallon Europe will determine the terms and conditions of investments into any License Company in its sole discretion. The ownership terms and conditions may include, among other things, that Farallon Europe or its affiliates will directly or indirectly own the residual value (if any) of a License Company, even in situations where the capital of a Farallon Fund is used to finance the License Company's business. The residual value of a License Company could potentially be substantial.

Additional risks and conflicts of interest may arise in connection with the procurement of such licenses and the capitalization and operation of License Companies. By way of example: (i) a Farallon Fund may provide capital to support a license application and/or to maintain regulatory minimum capital for a License Company, including prior to the time investments have been identified, which may benefit Farallon Europe and/or other Farallon Funds (or their respective affiliates) that also invest in such License Company from time to time (including in respect of investment opportunities in which a Farallon Fund does not participate because such Farallon Fund's capital has been deployed by the License Company for other opportunities, returned to such Farallon Fund at the relevant time or otherwise), (ii) return of capital to a

Farallon Fund from a License Company may be delayed due to regulatory or to other restrictions including to the extent such capital is required in order to continue to operate such License Company and is not replaced by Farallon and/or its affiliates, including other Farallon Funds or another party, which may benefit Farallon or its affiliates, including other Farallon Funds that also invest in such License Company from time to time or operate to the detriment of such Farallon Fund; moreover, the Farallon Fund itself may provide such replacement capital in respect of other funds and accounts, and there can be no assurance that suitable investments may be found to employ such capital; and (iii) transactions such as new equity issuances, shareholder loans or cross trades (actual or effective) between a License Company (or affiliates of a License Company) and affiliates of Farallon Europe, including the Farallon Funds, may be advisable in connection with the ongoing investment program of a certain Farallon Fund and the other Farallon Funds, for example, to facilitate new loans and movement of invested capital and proceeds from the investment activities of the License Company.

Farallon Europe may, on occasion, purchase or sell on behalf of a Farallon Fund a security in a company in which a managing member or employee of Farallon Europe or its affiliates or a related person has a position or role or enter into co-investments or joint ventures with such companies. Farallon Europe or its affiliates may, from time to time, serve as a director, on a creditors' committee or in a similar capacity, with respect to companies, the securities of which are held by the Farallon Funds. Conflicts of interest may arise in connection with these relationships due to duties Farallon Europe or its affiliates may have to such company or its stakeholders, or financial interests Farallon Europe or its affiliates may have related to such companies. In the event that Farallon Europe or an affiliate obtain material non-public information in connection with their activities on behalf of a Farallon Fund, or in connection with any of their other business activities, with respect to any such company, or are subject to trading restrictions pursuant to the internal policies of Farallon Europe or such company, the Farallon Funds may be prohibited from engaging in transactions with respect to the securities or instruments of such company, which prohibition may have an adverse effect on the Farallon Funds. A member of any creditors' committee, director or similar body may owe certain obligations generally to all parties similarly situated that the committee, director or similar body represents. Farallon Europe and its affiliates typically join these boards in connection with an investment being made in the securities and instruments of these companies on behalf of clients; however, to the extent a Farallon Fund does not have an interest in such securities or instruments, such Farallon Fund may not realize the benefits, if any, of the activities giving rise to such restrictions.

Farallon Europe may receive transaction fees, commitment fees, break-up fees and other fees from a portfolio company in connection with a Farallon Fund's investment. The amount of such fees received by Farallon Europe (in each case, net of any amounts necessary to reimburse Farallon Europe for all previously unreimbursed out-of-pocket costs incurred by it in connection with generating such fees) will typically reduce dollar-for-dollar the management fees to be received by Farallon Europe.

C. Investing in Securities That Farallon Europe or a Related Person Recommends to Clients

Farallon Europe and its affiliates may from time to time invest for their personal accounts in securities or instruments in which the Farallon Funds are also invested. Farallon Europe may also recommend to the Farallon Funds securities or instruments in which it or its affiliates or their employees are already invested. Conflicts of interest may arise if Farallon Europe and its affiliates recommend a particular transaction because of a financial interest held by any such person in such securities or interests.

As mentioned above in Item 11A., Farallon Europe has implemented policies, relating to personal account trading by its principals and employees designed to reduce, monitor and resolve conflicts of interest presented by such trading activities and to ensure such trading activities are carried out in accordance with applicable law and regulatory requirements. For example, Farallon Europe's access persons are subject to Farallon Europe's personal trading pre-clearance policy, which is designed generally to (1) prevent access persons from transacting in certain securities of issuers at or about the same time that Farallon Europe recommends the securities to the Farallon Funds and (2) also prevent transactions in securities in which the Farallon Funds are restricted from trading.

Certain principals and employees of the Farallon Subadvisers, including Farallon Europe, have purchased interests in certain Farallon Funds. The Investment Partnerships may purchase or sell securities of an issuer, the securities of which are also bought or sold by Farallon Europe on behalf of NCP, NOI and other accounts managed by Farallon Europe.

D. Contemporaneous Trading

Farallon Europe is subject to Farallon's investment allocation policies and is authorized to combine, and does combine, purchase or sale orders on behalf of the Farallon Funds. From time to time and in accordance with such policies, Farallon Europe may determine to offer the opportunity to co-invest with the Farallon Funds in investment opportunities to investors in the Farallon Funds, Farallon, the Farallon Subadvisers, their respective affiliates, or third parties. Please see FCM's Form ADV for further details.

Item 12: Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Farallon Europe has full discretion and authority to make all investment decisions with respect to the types of securities or instruments to be bought or sold or the amount of securities or instruments to be bought or sold for a Farallon Fund, subject to the overall supervision and authority of Farallon under the Sub-Adviser Agreement. In addition, there are no limitations as to which broker-dealer is used or as to the commission rates paid. However, portfolio transactions for the Farallon Funds are allocated to brokers and dealers consistent with the fiduciary duty of best execution. The factors considered include, but are not limited to: dealer's quality of execution, reputation, financial strength and stability, ability to effect the transactions, its facilities, reliability, block trading and block positioning capabilities,

willingness and ability to commit capital, access to underwritten offerings and secondary markets, overall cost of trade, nature of the security and the available market makers, desired timing of the transaction and size of trade, confidentiality of trading activity, market intelligence regarding trading activity and the receipt of brokerage or research services which are of benefit to the Farallon Funds. In addition to the considerations described above and consistent with the fiduciary duty of best execution, the selection of a broker (including a prime broker) to execute transactions, provide financing and securities and instruments on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of access to deal flow. Please see FCM's Form ADV for further discussion of the factors FCM considers in selecting or recommending broker-dealers.

Research and Other Soft Dollar Benefits

The commission rates (or dealer markups or markdowns arising in connection with riskless principal transactions) charged to the Farallon Funds by brokers may be higher than those charged by other brokers who may not offer such proprietary or third-party services, capabilities or characteristics as described above.

Farallon Europe does not enter into "soft dollar" arrangements with brokers and dealers for the receipt of third-party produced goods and services, but as suggested above may take into consideration proprietary brokerage or research services provided by executing brokers. Farallon Europe expects that any such receipt of proprietary brokerage or research services will fall within Section 28(e) of the Exchange Act. Generally, where a product or service obtained with commission dollars provides both research (or brokerage) and non-research (or non-brokerage) assistance to Farallon Europe, Farallon Europe will make a reasonable allocation of the cost which may be paid for with commission dollars and Farallon Europe will pay the remainder. In making good faith allocations of costs between research and non-research assistance, a conflict of interest may exist by reason of Farallon Europe's allocation of the costs of such benefits and services between those that primarily benefit Farallon Europe and those that primarily benefit the Farallon Funds. Soft dollars are not intended to be used to pay for items not falling within the safe harbor (e.g., computer facilities used for accounting for the Farallon Funds). Consistent with Section 28(e), research or brokerage products or services obtained with "soft dollars" generated by one or more Farallon Funds may be used by Farallon Europe to service one or more other Farallon Funds. The research or brokerage products and services provided to Farallon Europe by broker-dealers generally may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, analysis of corporate responsibility issues, and post-trade services or communication services related to executing, clearing and settlement of transactions. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with industry spokespersons, economists, academics, and government representatives.

In addition, FCM may use commission or “soft” dollars to pay for proprietary brokerage and research services, as well as third-party produced brokerage or research services. Farallon Europe may receive, to the extent permissible, the benefit of these products or services. Research obtained from brokers may be used to service all client accounts, including certain accounts that have not participated in the transaction generating the commission; all accounts that participate in a trade generally pay the same commission rate for the purchase or sale of the same securities and instruments at the same time. Farallon Europe does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. Brokerage firms generally will not charge FCM or Farallon Europe a separate fee for proprietary research, brokerage and certain other services. While the continued provision of such services to FCM or Farallon Europe is not conditioned on FCM directing any particular level of transactions to these brokerage firms, such services are provided without separate charge in consideration of FCM’s use of such brokerage firms to execute transactions for all client accounts. Farallon Europe receives a benefit in this instance because Farallon Europe does not have to produce or pay for such research products or services, and Farallon Europe may have an incentive to select or recommend a broker-dealer based on Farallon Europe’s interest in receiving such services rather than in Farallon Europe’s clients’ interest in receiving the most favorable execution.

Farallon Europe’s procedures to direct client transactions to broker-dealers in return for soft dollar benefits include the following: traders distribute periodically a year-to-date commission report to investment professionals and portfolio managers; investment professionals and portfolio managers provide feedback to traders with respect to broker-dealers who have provided research services; and investment professionals track and provide to traders a log of research-related soft dollar services provided including, for example, broker-dealer sponsored conferences attended, meetings and conference calls arranged. Please see FCM’s Form ADV for more information regarding Farallon’s soft dollar procedures.

Brokerage for Client Referrals

Farallon Europe from time to time may participate in certain “capital introduction” programs organized or sponsored by certain prime or executing brokers to the Farallon Funds or affiliates of such prime or executing brokers, which programs may include the prime or executing brokers or their affiliates introducing Farallon to potential investors with which the prime or executing broker or its affiliate have a pre-existing relationship. Currently, neither Farallon Europe nor the Farallon Funds compensate prime or executing brokers or their affiliates for organizing such programs or making such introductions or for any investments ultimately made by such prospective investors (although either may do so in the future). While such programs and introductions provided by a prime or executing broker or its affiliates may provide an incentive or influence Farallon Europe in deciding whether to use such prime or executing broker in connection with brokerage, financing, trade execution and other activities of the Farallon Funds, Farallon Europe will not commit to allocate a particular amount of brokerage to a prime or executing broker in any such situation.

Directed Brokerage

Not applicable.

B. Order Aggregation

Farallon Europe is authorized to combine, and does combine, purchase or sale orders on behalf of the Farallon Funds. Please see FCM's Form ADV for information regarding Farallon's policies for allocating purchase and sales of investments among the Farallon Funds.

Trade Errors

Pursuant to the various exculpation and indemnification provisions of each Farallon Fund's constituent documents, Farallon Europe generally will not be liable to the Farallon Funds for any act or omission, absent bad faith, willful misconduct or gross negligence, and the Farallon Funds generally will be required to indemnify such person against any losses they may incur by reason of any act or omission related to the Farallon Funds, absent bad faith, willful misconduct or gross negligence. As a result of these provisions, the Farallon Fund (and not Farallon Europe) will be responsible for any losses resulting from trading errors and similar human errors, absent bad faith, willful misconduct or gross negligence. Trading errors might include, for example, (i) the placement of orders (either purchases or sales) in excess of the intended amount of securities or instruments; (ii) the sale of a security or instrument when it was intended to have been purchased; (iii) the purchase of a security or instrument when it was intended to have been sold; (iv) the purchase or sale of the wrong security or instrument; (v) the purchase or sale of a security or instrument contrary to regulatory restrictions, like Regulation S or private placement restrictions, or Fund investment guidelines or restrictions; and (vi) the allocation of a security or instrument to an account for which it is not suitable. Given the large volume of transactions executed by Farallon Europe on behalf of the Farallon Funds, investors should assume that trading errors (and similar errors) will occur and that the Farallon Funds will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of Farallon Europe's personnel. Such trade errors could result in substantial losses to the Farallon Funds. In determining whether Farallon Europe's personnel have satisfied the standard of care such that the Farallon Funds are responsible for a loss resulting from a trade error, Farallon Europe will have a conflict of interest between its economic interest and the economic interest of the Farallon Funds. The determination of whether Farallon Europe's personnel have satisfied their standard of care will not be based solely on the conduct of the specific Farallon Europe personnel with respect to the specific trade error at issue, but rather in the overall context of the control and compliance environment of Farallon Europe as it relates to trading activity.

Item 13: Review of Accounts

Farallon generates a profit and loss report for the accounts, including the portfolio managed by Farallon Europe, as of the end of the U.S. trading day. Andrew J.M. Spokes, the Managing Partner and the Senior Managing Member of Farallon, or Monica R. Landry, the Head of Trading and a Managing Member of Farallon, generally reviews the profit and loss reports as of the end of the U.S. trading day. The Farallon Europe senior investment principals also conduct reviews of the profit and loss reports with respect to the portfolio managed by Farallon Europe. Risk management is initially performed by each Farallon or, with respect to the portfolio managed by Farallon Europe, Farallon Europe analyst in respect of a particular position and is generally supervised by the respective Farallon or Farallon Europe Managing Member or, in some cases, an investment committee. Farallon circulates periodic reports for review by such persons, including a strategy and investment team attribution report as well as risk management reports tailored by investment strategy. The investment review criteria generally include an analysis of the down-side risk of positions and any material change in outlook and the projected profit and the projected holding period for positions held. A committee comprised of the Senior Managing Member or Managing Members or other principals may be convened to consider and approve investments in and material changes to certain Special Investments. A review of reports other than on a periodic basis may be triggered by unusual activity or special circumstances on a case-by-case basis.

Farallon generally provides the following regular reports to investors in the Farallon Funds:

- (i) the annual audited financial statements of the applicable Farallon Fund are sent to investors within 120 days, and in the case of FIH, within 180 days after the end of each fiscal year; and
- (ii) a report on the affairs or performance of the applicable Farallon Fund is sent to all active investors monthly, quarterly or semi-annually, as applicable.

Additional written information varies by Farallon Fund. Certain types of portfolio information or analysis are made available upon request, on a case-by-case basis, to investors in certain of the Farallon Funds that are not generally available to all investors. Such disclosure is made on a strictly confidential basis and is subject to contractual restrictions on use. Reporting with respect to certain Farallon Funds is subject to negotiation and established pursuant to each fund's constituent documents.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits for Providing Services to Clients

Not applicable.

B. Compensation to Non-Supervised Persons for Client Referrals

Not applicable.

Item 15: Custody

Farallon Europe has no custody over the Farallon Funds. Farallon has custody of all Farallon Funds' assets and is subject to Rule 206(4)-2 under the Investment Advisers Act. Please see FCM's Form ADV for more information regarding Farallon's qualified custodians.

Item 16: Investment Discretion

Unless otherwise specified, Farallon Europe has discretionary trading authority with respect to each Farallon Fund, as described in Item 4. Farallon Europe's investment decisions and advice with respect to each Farallon Fund are subject to each Fund's investment objectives, limitations and guidelines, as set forth in its constituent documents. Please see FCM's Form ADV for further discussion of discretionary trading authority granted pursuant to Farallon's contractual agreements.

Item 17: Voting Client Securities

SEC Rule 206(4)-6 requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Investors in a Farallon Fund cannot direct the voting of securities. Farallon Europe's policies are intended to promote that Farallon Europe votes proxies (as defined below) in the interests of the Farallon Funds and address how Farallon Europe resolves conflicts of interest that may arise when voting proxies. In compliance with such rules, Farallon Europe has adopted proxy voting policies and procedures (the "Policies"). The general policy when voting proxy proposals, amendments, consents or resolutions (collectively, "proxies") relating to all investments made by the Farallon Funds is to vote in a manner that serves the best interests of the Farallon Funds, as determined by Farallon Europe in its discretion and subject to the Sub-Adviser Agreement.

Although Farallon Europe generally votes all proxies that it receives for the Farallon Funds, there may be times when Farallon Europe does not vote proxies, provided Farallon Europe determines that not voting is in the best interest of the Farallon Funds. In making such a determination, Farallon Europe will consider various factors, including, but not limited to: (i) the cost associated with exercising the proxy (e.g., translation or travel costs); (ii) any legal restrictions on trading resulting from the exercise of a proxy; and (iii) whether Farallon Europe has sold the underlying securities since the record date for the proxy.

Farallon Europe has developed procedures designed to address conflicts of interest that may arise between the interests of the Farallon Funds, on the one hand, and the interests of Farallon

Europe or its affiliates, on the other hand, including, if appropriate, delegating a voting decision to an independent third party.

Investors may obtain a copy of the Policies and the proxy voting record relating to the respective Farallon Fund by contacting Farallon's Investor Relations department.

Item 18: Financial Information

Not applicable.

Item 19: Requirements for State-Registered Advisers

Not applicable.