

Item 1. Cover Page

BROCHURE OF

Saiers Capital, LLC

A Delaware limited liability company
registered with the Securities and Exchange Commission
as an Investment Adviser (CRD # 150413)

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The Date of this Brochure is:

March 31, 2015

The delivery of the Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above.

Item 2. Material Changes:

Material Changes

Below is a discussion of only material changes since our last annual update of our Brochure dated March 28, 2014.

On September 30, 2014 Nelson Saiers' resignation from Saiers Capital, LLC, became effective, and Jason Adler replaced him as the Chief Investment Officer. From October 1, 2014 through March 31, 2015 Mr. Saiers served as a consultant to the Saiers Capital, LLC. His consulting relationship was terminated on March 31, 2015.

On July 16, 2014 Saiers Capital, LLC entered into an agreement to become the Investment Manager for the Amida Partners Special Opportunity Master Fund, Ltd., the Amida Partners Offshore Fund, Ltd., and Amida Partners, LP (collectively, the "Amida Funds".)

Item 3. **Table of Contents:**

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Part 2A –BROCHURE

Item 4. **Advisory Business**

- (A) Saiers Capital, LLC (together with its affiliates, the “Investment Manager,” “we,” “us” or “our”), a Delaware limited liability company, is an investment adviser to privately placed pooled investment vehicles. The Investment Manager is registered with the U.S. Securities and Exchange Commission (“SEC”). As stated on the cover page of this Brochure, registration as an investment adviser does not imply a certain level of skill or training. Jason Adler (the “Principal”) is the principal owner of the Investment Manager. The Investment Manager has been in business since 2007.

The Investment Manager provides investment management services to, and has discretionary investment authority over the assets of, pooled investment vehicles, currently:

- Alphabet Partners, LP, a Delaware limited partnership (the “Partnership”), Alphabet Offshore, Ltd., a Cayman Islands exempted company (the “Offshore Fund”) and Alphabet Offshore Master, LP, a Cayman Islands exempted limited partnership. Alphabet Offshore Master, LP serves as the “Master Fund” in a “master-feeder” fund structure. The Partnership and the Offshore Fund (together, the “Feeder Funds”) invest all of their investible capital in the Master Fund.
- Amida Partners, LP, a Delaware limited partnership (the “Amida Partnership”), Amida Partners Offshore Fund, Ltd., a Cayman Islands exempted company (the “Amida Offshore Fund”) and Amida Partners Special Opportunity Master Fund, Ltd, a Cayman Islands exempted company. Amida Partners Special Opportunity Master Fund, Ltd., serves as the “Master Fund” in a “master-feeder” fund structure. The Amida Partnership and the Amida Offshore Fund (together, the “Amida Feeder Funds”) invest all of their investible capital in the Master Fund.

The Feeder Funds and the Master Funds for both funds are known as the “Clients.”

The investors in the Partnerships shall be known as the “Investors” and the investors in the Offshore Funds shall be known as the “Offshore Investors.” References to the Investors shall include the Offshore Investors, unless otherwise specified.

References to the Master Funds shall include the Partnerships and the Offshore Funds unless the context otherwise requires.

AlphaBet Advisors, LLC, a Delaware limited liability company (the “General Partner”), is a related person of the Investment Manager and serves as the general partner to the Master Funds and the Partnerships. The Principal is the controlling person of the General Partner.

- (B) The Investment Manager provides investment management services to, and has discretionary investment authority over the assets of the Clients, which are privately placed pooled investment vehicles. Advisory services include among other things, providing advice regarding asset allocation and the selection of investments. The decisions relating to the investment advice are based on analysis of the merits of the security involved and on the investment guidelines and restrictions of the Clients. The Investment Manager does not hold itself out as specializing in a particular type of advisory service. The Investment Manager does not provide investment advice only with respect to limited types of investments.
- (C) The Investment Manager tailors its investment strategy to its Clients, which is described in Item 8(A) and in the relevant offering documents of the Clients.
- (D) The Investment Manager does not participate in wrap fee programs by providing portfolio management services.
- (E) As of December 31, 2014, the Investment Manager managed Client assets on a discretionary basis in the amount of approximately \$187,807,318. In addition, as of December 31, 2014 the Investment Manager managed \$476,672,945 on behalf of the Clients in regulatory assets under management, which takes into all long positions managed by the Investment Manager without netting out short positions. The Investment Manager does not manage any client assets on a non-discretionary basis.

Item 5. Fees and Compensation

(A) MANAGEMENT FEE GENERALLY

(i) The Alphabet Funds

The Alphabet Offshore Master Fund pays to the Investment Manager, on the first business day of each calendar quarter, a fixed fee for management services (the “Management Fee”) equal to 0.5% (2.0% annualized) of the net asset value of each Investor’s capital account(s) as of the beginning of such calendar quarter. The Management Fee will be calculated and paid in advance but will be amortized monthly by the Master Fund over the quarter for which such Management Fee is paid.

A *pro rata* portion of the Management Fee will be paid to the Investment Manager out of any capital contributions or subscriptions made to the Master Fund by new or existing Investors on any date that does not fall on

the first business day of a quarter, based on the actual number of days remaining in such partial quarter. If an Investor makes a withdrawal at any time other than at the end of a calendar quarter, a *pro rata* portion of the Management Fee (based on the months remaining in such partial quarter) will be repaid by the Investment Manager to the Master Fund.

(ii) The Amida Funds

The Amida Partners Special Opportunity Master Fund pays to the Investment Manager, on the first business day of each month, a fixed fee for management services (the “Management Fee”) equal to 0.083% (1.0% annualized) or 0.125% (1.5% annualized), depending on share class, of the net asset value of each Investor’s capital account(s) as of the beginning of such calendar quarter. The Management Fee will be calculated and paid in advance but will be amortized monthly by the Master Fund over the quarter for which such Management Fee is paid.

A *pro rata* portion of the Management Fee will be paid to the Investment Manager out of any capital contributions or subscriptions made to the Master Fund by new or existing Investors on any date that does not fall on the first business day of a month, based on the actual number of days remaining in such partial month.

PERFORMANCE ALLOCATION OR FEE GENERALLY

(i) The Alphabet Master Fund

Generally, at the end of each fiscal year of the Alphabet Master Fund, a related person of the Investment Manager will receive a performance-based allocation (the “Performance Allocation”) from each Investor’s capital account equal to 20% of the excess of (i) the net capital appreciation allocated to such capital account for such year over (ii) the Management Fees paid from, and, if applicable, the direct fund expenses attributable to, such capital account for such year, subject to adjustments for any loss carryforward as described in further detail in the Feeder Funds’ respective offering documents.

Upon any withdrawal by an Investor, whether voluntary or involuntary, the Performance Allocation will be allocated with respect to the amounts withdrawn. The Performance Allocation will also be allocated upon dissolution of the Master Fund. The Performance Allocation will be allocated in addition to, and separately from, the proportionate allocations of income and profits, or losses, to the Investment Manager and/or its affiliates based upon their capital accounts relative to the capital accounts of all Investors.

The Investment Manager and/or its affiliates may, in their sole discretion, elect to reduce, waive or calculate differently the Performance Allocation

or the Management Fee with respect to any Investor, including, without limitation, an Investor that is a partner, member or employee of the Investment Manager, the General Partner or their respective affiliates, such person's family members and trusts or other entities established for the benefit of such person or his or her family members. The Investment Manager and/or its affiliates, in their sole discretion, may cause the Master Fund to allocate a portion of the Performance Allocation to certain Investors that may or may not be affiliated with the Investment Manager without the consent of the Investors.

(ii) The Amida Funds

For the Amida Offshore Feeder Fund:

The Investment Manager is entitled to receive an Incentive Fee for any fiscal year equal to 15% of the New Net Profits experienced by the Class E Shares and Class E-2 Shares during the preceding calendar year, subject to a high water mark. The Incentive Fee will be determined and paid at the end of each fiscal year and upon the Fund's termination or a redemption of Class E Shares or Class E-2 Shares, deducted from the applicable redemption proceeds and paid by the Fund to the Investment Manager. Incentive Fees are subject to a "high water mark." Shareholders of Class M-3 Shares shall not pay an Incentive Fee.

The Investment Manager may, in its sole discretion, elect to reduce, waive or calculate differently the Incentive Fee with respect to any Shareholder, including any Shareholder that is an affiliate or employee of the Investment Manager, and the Directors may create and issue a separate class of Shares to any such Shareholder(s). The terms applicable to such classes of Shares are described in a separate supplement to the Memorandum or side letter agreement.

For the Amida Onshore Feeder Fund:

At the end of each fiscal year of the Partnership, 15% of the net capital appreciation allocated to the capital account of each Limited Partner with respect to its Class E and Class E-2 Interest for such year (after deducting the Management Fee from such Limited Partner's capital account) will be reallocated to the capital account of the General Partner as an Incentive Allocation, subject to the loss carryforward (described below). The Incentive Allocation is also calculated upon a withdrawal of capital, deducted from the applicable withdrawal proceeds and paid by the Partnership to the General Partner.

The Partnership will maintain a loss recovery account (a "Loss Recovery Account") for each Class E Limited Partner and each Class E-2 Limited Partner. At the end of each fiscal year (or on any other date during a fiscal year when the calculation of an Incentive Allocation is required), each Limited Partner's Loss Recovery Account shall be credited with the aggregate net capital depreciation, if any, allocated to such Limited Partner's capital account with respect to its Class E Interest or Class E-2

Interest for such fiscal year (after deducting the Management Fee from such Limited Partner's capital account). The General Partner will not be allocated any Incentive Allocation with respect to a Limited Partner's Class E or Class E-2 capital account until such Limited Partner has recovered any positive balance in its Loss Recovery Account (the "loss carryforward"). A positive balance in a Limited Partner's Loss Recovery Account will be reduced in proportion to a Limited Partner's withdrawal of capital with respect to its Class E or Class E-2 Interest. Additional capital contributions will not affect a Limited Partner's Loss Recovery Account.

- (B) Fees are paid by the Master Fund to the Investment Manager, based on the net asset value of each Investor capital account. Fees are deducted from Investor capital accounts. Please see 5(A) for more detail and information regarding frequency.
- (C) *Organizational and Initial Offering Expenses.* The Clients have reimbursed the General Partner, the Investment Manager and/or their affiliates for all organizational and initial offering expenses of the Clients, including, but not limited to, legal and accounting fees, printing and mailing expenses and government filing fees (including blue sky filing fees).

Operating Expenses. Clients bear their own expenses. In addition, in the case of the Feeder Funds, they contribute their *pro rata* share of the expenses incurred by the Master Fund. The expenses include, without limitation, (i) investment-related costs and expenses (*e.g.*, expenses that, in the Investment Manager's discretion, are related to the investment of the Client assets, whether or not such investments are consummated, such as brokerage commissions, research-related expenses (including, news and quotation equipment and services, investment-related travel expenses (*e.g.*, travel expenses associated with attending investment-related conferences and seminars and travel, lodging and other expenses incurred in connection with meeting members of management of existing or prospective investment targets)), clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses and investment banking expenses), and technology related to trading decisions, which may include quotations, data and data connectivity fees, (ii) operating costs and expenses, including legal expenses, accounting, audit, tax preparation and other tax-related expenses (including preparation costs of financial statements, tax returns, reports to investors and Schedules K-1, if applicable), expenses of other professional advisers, certain expenses relating to obtaining liability insurance for directors and officers, the General Partner, the Investment Manager and their respective partners and members, entity-level taxes and governmental fees, expenses of meetings of the board of directors, if applicable, (iii) expenses relating to the ongoing offer and sale of interests and withdrawals and transfers thereof, including

printing and mailing costs, (iv) the Management Fee, administration fees and related costs (including fees to the third-party administrator), (v) fees and expenses of the unrelated members of the board of directors, if applicable, costs of communications with Investors, extraordinary expenses and (vi) other expenses associated with operating the Clients, as determined by the Investment Manager in its sole discretion.

- (D) Certain fees are deducted in advance as described above and will be reimbursed *pro rata* if the advisory contract is terminated prior to the end of the billing period.
- (E) Neither we nor any of our supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

NB: Please see the Offering Memorandum for each respective Fund for a fuller discussion of allocation of expenses. The above discussion is for the Alphabet Funds and does not necessarily address expense allocation for the Amida Funds.

Item 6. **Performance Based Fees and Side-by-Side Management**

The Investment Manager and its affiliates accept performance-based fees from the Clients. All of the Clients are currently subject to an incentive allocation or incentive fee of various degrees. The fact that affiliates of the Investment Manager are compensated based on the net capital appreciation of the Clients may create an incentive for the Investment Manager to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such compensation. Since the incentive allocation will be determined on both realized and unrealized gains, the Investment Manager or its affiliates may receive an incentive allocation or fee reflecting unrealized gains at the end of a year that are not subsequently realized by the Clients.

Item 7. **Types of Clients**

The Investment Manager provides investment management services to the Clients, which are privately placed pooled investment vehicles.

Investors in the Feeder Funds are individuals and institutions. The minimum initial investment in the Feeder Funds is \$1,000,000, and the minimum subsequent investment is \$100,000. In each case, however, the General Partner for the Partnership and the Board of Directors for the Offshore Fund have sole discretion to accept lesser amounts. Further, partial withdrawals or redemptions that would reduce the net asset value of the Investor capital account to below \$1,000,000 may be treated as notice of a complete withdrawal or redemption. This treatment however, is at the sole discretion of the General Partner or the Board of Directors, as the case may be.

Item 8. **Methods of Analysis, Investment Strategies and Risk of Loss**

- (A) Following is a description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets of the Clients.

INTRODUCTION

The Clients were organized for the purpose of investing and trading in securities and financial instruments of all kinds and descriptions, whether publicly traded or privately placed, including, but not limited to, common and preferred stocks, options, bonds and other debt securities (including sovereign, corporate and public debt), derivative products of all types (including credit, interest rate, commodity and currency derivatives), warrants, commodities, futures contracts, convertible securities, asset-backed securities, limited partnership or limited liability company interests, mutual fund shares, closed-end investment funds, currencies (including forward contracts thereon), and structured/indexed securities, certificates of deposit, monetary instruments and cash and cash equivalents.

The following is a general description of the principal types of securities and other instruments in which the Clients may invest, certain trading techniques that they may employ, the investment criteria that they plan to apply and the guidelines they have established with respect to the composition of their investment portfolios. The following description is merely a summary, and you should not assume that any descriptions of the specific activities in which the Clients may engage are intended in any way to limit the types of investment activities which the Clients may undertake or the allocation of Client capital among such investments. The Investment Manager and its affiliates reserve the right to alter any investment policy or strategy as deemed appropriate from time to time in its discretion without obtaining Investor approval.

INVESTMENT OBJECTIVE AND STRATEGY

The Clients operate as global multi-strategy investment funds that currently focus on volatility arbitrage, while employing other arbitrage strategies (e.g., risk arbitrage, convertible bond arbitrage, capital structure arbitrage) and directional strategies. The Clients are authorized to invest, directly or indirectly, in all types of securities and instruments, both U.S. and non-U.S., and to participate in other potentially profitable opportunities, including, without limitation, the short selling of securities. Examples of securities traded and other investments made by the Clients include, but are not limited to, listed and over-the-counter options, equity and debt securities and listed and over the counter derivatives, ETFs, futures, variance swaps, correlation swaps, equity swaps, credit default swaps, foreign exchange and commodities.

The Investment Manager believes that the flexible investment mandate of the Clients allows it to invest in asset classes and markets that are poised

for superior performance. It should be noted that although the Investment Manager is free to diversify by asset class and geography, it is not obligated to do so, and the flexibility of the strategy is intended to allow the Investment Manager to focus where it believes the maximum investment opportunity exists.

Below is a description of certain investment strategies pursued by the Clients:

Volatility Arbitrage. The Clients will actively look to exploit mispricings in global volatility. Strategies employed could include, but are not limited to, dispersion, relative value volatility, and market-making. Products traded in volatility arbitrage include, but are not limited to, listed and over-the-counter derivatives, correlation swaps, variance swaps, convertible bonds, equity swaps and credit default swaps. In addition, if a derivative is being used, its underlying asset (e.g., stock, FX, commodity, etc.) could also be used, typically as a hedge. Proprietary mathematical models are one of the tools employed by the Clients to find trading opportunities.

Long and Short Investments. The Clients may trade, both long and short, assets, securities and derivatives of any type across all geographies. These investments may be done as a hedge for other strategies the Investment Manager may employ on a separate discretionary basis. Examples of these investments may include but are not limited to: equities, exchange traded funds (ETFs), bonds of all types (convertible, corporate, sovereign, catastrophe, etc.) and instruments related to commodities, foreign exchange, insurance, etc. The Investment Manager will focus on areas where it deems there to be a reasonable expectation of producing positive returns.

The Clients may sell short equities or other instruments. Some of these trades will be short sales with respect to instruments that the Clients do not own. Accordingly, if the price of the instrument increases subsequent to the short sale, the Clients will have to cover the sale by buying the instrument at a higher price than the price for which it sold the instrument.

Fixed Income Securities and Derivatives. The Clients may invest in fixed income securities (e.g., bonds) and derivatives (e.g., credit default swaps) as part of the strategic operations of the Clients. The Clients may seek to take advantage of special investment opportunities in the fixed income market.

Convertible Bond Arbitrage. The Clients may trade convertible bond arbitrage, for example, the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible-security can be exchanged to exploit price differentials. The Clients may seek to hedge out the risk inherent in the stock; the remaining interest rate risk may or may not be hedged.

Commodity Securities and Derivatives. The Clients may trade in securities and derivatives related to commodities of all types, including but not limited to energy, metals, agriculture, etc., and the instruments may be cash and/or physically settled. These investments may include instruments listed on an exchange or over-the-counter directly with a counterparty.

Futures Contracts and Other Derivatives. The Clients may trade futures contracts and other derivatives, including those relating to interest rates, commodities, currencies, stock indices, U.S. Government securities and other financial instruments or other commodities, and may purchase and sell options on futures, as a means of increasing or decreasing the Clients' exposure to general market risk, or as a means to implement a specific investment strategy. In addition, the Clients may trade futures contracts on instruments traded in countries outside of the U.S.

Foreign Exchange/Foreign Currency. The Clients may trade in spot, forwards, non-deliverable forwards, options and other derivatives in currencies of G10 and emerging market economies. Currency trading differs from most of the trading in the U.S. of stocks, futures or options, in that it does not typically occur on regulated exchanges, and clearing houses do not guarantee the execution of trades. Instead, most participants in currency markets trade with each other based upon various credit arrangements.

Private Investments in Public Equities ("PIPEs"). Many PIPEs investors focus on making directly negotiated private investments in public and non-public companies, typically focused primarily on providing alternative liquidity options for small to mid-sized publicly traded companies with market capitalizations generally below \$300 million. PIPEs investors generally invest at terms which are more favorable than those available in the public markets for the corresponding companies.

The Clients expect that any PIPEs investments will consist primarily of secured, senior and convertible notes, along with convertible preferred stock acquired in the secondary market. Warrants and common stock often accompany these investments as "sweeteners" or "equity kickers," which provide upside potential. The Clients' PIPE investments (if any) primarily will include those companies trading in the over-the-counter markets, the NASDAQ, the NYSE and other regional exchanges.

Special Situations and Risk Arbitrage. When the opportunity arises, the Clients may invest in companies based upon certain situations or events, such as launching of a new product, changes in management, a corporate restructuring, a rights offering, a bankruptcy, a merger or an acquisition. These special situations may also include investments which are based on market timing and impact analysis. For example, due to the timing of options and futures expirations, markets may become overvalued or

undervalued and the Clients may make opportunistic investments that seek to capitalize on these market imbalances.

Occasionally, the Clients may engage in arbitrage transactions that the Investment Manager believes represent an exceptional risk/reward opportunity. Risk arbitrage opportunities generally arise during corporate mergers, leveraged buyouts or takeovers. Frequently the stock of the company being acquired will trade at a significant discount to the announced deal price. This discount compensates investors for the time value of money and the risk that the transaction may be canceled. If the discount is significantly greater than the Investment Manager's assessment of the underlying risk, the strategy will be implemented.

Capital Structure Arbitrage. The Investment Manager may look to exploit mispricings in the capital structure of a corporation. Mathematical models, fundamental analysis, and other approaches will be used to assess the risk and profitability of these trades. Products traded could include, but are not limited to, credit default swaps, corporate/convertible bonds, options, equities, variance swaps and corporate loans.

Other Investments. The Investment Manager may invest some of the Clients' assets in short-term U.S. Government obligations, certificates of deposit (including sovereign and corporate), commercial paper and other money market instruments to enable the Clients to make investments quickly and to serve as collateral with respect to certain of its investments. If the Investment Manager believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or the Investment Manager determines that opportunities for investing are unattractive, then a greater percentage of Client assets may be invested in such obligations. The Clients may engage in securities lending activities. From time to time, in the sole discretion of the Investment Manager, cash balances in the Clients' brokerage accounts may be placed in a money market fund.

Other Investment Techniques. The Clients may enter into joint venture arrangements, co-invest with third parties or otherwise participate in pooled investment vehicles with others, and may invest assets in hedge funds, private equity funds and other types of alternative investment vehicles. The Investment Manager may, in its sole discretion, offer co-investment opportunities to one or more Investors or third parties.

Traders; Risk Management. The Chief Investment Officer manages a team of traders that currently trades and invests all of the Clients' capital. Other portfolio managers/traders employed by the Investment Manager may be allocated discretionary authority over a portion of the Clients' assets in the future. Risk management is an integral part of the Investment Manager's investment process. The Investment Manager believes that real-time monitoring and proactive involvement in the portfolio construction and daily trading activity lends itself to tighter controls. The

Clients' risk management generally will be ongoing and interactive, reaching into all business protocols and investment activities.

Leverage. The Clients have the power to borrow and may do so when deemed appropriate by the Investment Manager and its affiliates. Leverage may be used to enhance the Clients' returns and for cash management purposes (e.g., short-term borrowings to make investments in anticipation of additional subscriptions and to fund withdrawals). The Clients may also invest in derivatives and other financial instruments that are inherently leveraged. While the Investment Manager and its affiliates believe that the use of leverage may enable the Clients to achieve higher rates of return, the use of leverage has attendant risks and can, in certain circumstances, substantially increase the rate and size of losses to which the Clients' investment portfolios may be subject.

The Clients may increase the number and extent of their "long" positions by borrowing (e.g., by purchasing securities on margin). Entering into short sales also increases the Clients' use of leverage. The amount of any borrowing by the Clients may be limited by regulations imposed by the Federal Reserve Board ("FRB") and by the availability and cost of credit. The Investment Manager does not expect that the Clients will incur indebtedness in connection with its operations, other than interest on margin debts or deposits with respect to securities positions.

DEVELOPMENT AND RISKS OF CLIENTS' TRADING STRATEGY

The Clients' investment activities are not limited to the investment strategies described above, and the Clients are not limited with respect to the types of investment strategies they may employ or the markets or instruments in which it may invest. Over time, markets change and the Investment Manager will seek to capitalize on what it perceives to be attractive opportunities, wherever they might be. Depending on conditions and trends in the securities markets and economy generally, the Investment Manager may employ other techniques it considers appropriate and in the best interest of the Clients. The Clients may pursue any investment strategy that the Investment Manager and its affiliates determine to be appropriate from time to time in their sole discretion.

The Clients' investment program is speculative and entails substantial risks. There can be no assurance that the investment objective of the Clients will be achieved. In fact, the investment techniques that the Clients may employ from time to time can, in certain circumstances, substantially increase the adverse impact on the Clients' investment portfolios.

Investing in securities involves risk of loss that Clients should be prepared to bear.

- (B) Following is an explanation of the material risks involved in our methods of analysis and investment strategies:

Options and Other Derivative Instruments. The Investment Manager may invest in options and derivative instruments, including buying and writing puts and calls. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend upon many factors, potentially including the price, volatility and/or correlation of the securities, indexes, commodities, currencies or other instruments underlying them, and counterparty risk. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Clients are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by the Clients were permitted to expire without being sold or exercised, the Clients would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Clients at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Clients at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the

market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Clients of all or a substantial portion of their assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Swap Agreements. The Clients 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. The Clients, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease the Clients’ 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 Clients are not limited to any particular form of swap agreement if consistent with the Clients’ investment objective.

Whether the Clients’ use of swap agreements or swaptions will be successful will depend on the Investment Manager’s ability to select appropriate transactions for the Clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Clients’ portfolios. Moreover, the Clients bear 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. The Clients will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Clients to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Clients’ ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Technology Risk. The Investment Manager’s investment strategy relies heavily on the use of proprietary and non-proprietary software, data and intellectual property. The Clients’ reliance on this technology and data is subject to a number of important risks. First, the Clients may be severely

and adversely affected by the malfunction of the technology and/or data feed. For example, an unforeseeable software or hardware malfunction could occur, as a result of a virus or other outside force, or as result of a design flaw in the Clients' system or in its continued implementation. In the past, occurrences of this nature to other funds have sometimes resulted in dramatically negative consequences for the portfolio of the related fund. In addition, changes in the market for publicly available data or in regulatory reporting requirements could cause a severe diminution in the data available for the technology to operate as designed. Such events can also have dramatically negative consequences for the Clients. Furthermore, if any of the Clients' software, hardware, data and/or other intellectual property is found to infringe on the rights of any third party, the Clients could be severely and adversely affected.

Liquidity Risks. Liquidity may be important to certain aspects of the Clients' business. In addition to financial instruments and assets for which no markets exist or that are illiquid by nature, the Clients' portfolios may include other relatively illiquid investments. Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of the Clients' relatively liquid portfolio positions may be reduced. During such times, the Clients may be unable to dispose of certain assets, which would adversely affect the Clients' ability to rebalance their portfolio or to meet withdrawal requests. In addition, such circumstances may force the Clients to dispose of assets at reduced prices, thereby adversely affecting the Clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, the Clients may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the Clients incur substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Clients' credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for the Clients' investments.

Competition; Availability of Investments. Certain markets in which the Clients may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Investment Manager will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to the Clients in obtaining suitable investments.

Market Volatility. The profitability of the Clients substantially depends

upon the Investment Manager correctly assessing the future price movements of stocks, bonds, options on stocks, over-the-counter derivatives, commodities, currencies and other securities and the movements of interest rates. The Clients cannot guarantee that the Investment Manager will be successful in accurately predicting price and interest rate movements.

Clients' Investment Activities. The Clients' investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Investment Manager. Such factors include a wide range of economic, political, technological, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Clients to realize profits. As a result of the nature of the Clients' investing activities, it is possible that the Clients' financial performance may fluctuate substantially from period to period.

Material Non-Public Information. By reason of their responsibilities in connection with other activities of the Investment Manager, the General Partner and/or their affiliates, certain principals or employees of the Investment Manager, the General Partner and/or their affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Clients will not be free to act upon any such information. Due to these restrictions, the Clients 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.

Accuracy of Public Information. The Investment Manager selects investments for the Clients, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Investment Manager by the issuers or through sources other than the issuers. Although the Investment Manager evaluates all such information and data and sometimes seeks independent corroboration when the Investment Manager considers it is appropriate and when it is reasonably available, the Investment Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

Electronic Trading Facilities. The Clients, in their trading activities, may, at the discretion of the Investment Manager, make use of electronic trading and/or communication networks. Most electronic trading facilities (including electronic communications networks ("ECNs")) are supported by computer (including internet) based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all

facilities and systems, they are vulnerable to temporary disruption or failure. Trading on an electronic trading system (including an ECN) may differ not only from trading in an open-outcry market or telephonic market but also from trading on other electronic trading systems. The Clients, in undertaking transactions on an electronic trading system, will be exposed to risk associated with the system including the failure of hardware and software. The result of any system failure may be that the Clients' order is either not executed according to its instructions or is not executed at all. The Clients' ability to limit or recover certain losses may be subject to limits on liability imposed by, without limitation, foreign or domestic law or regulation, the Clients' own or their introducing or clearing broker's internet service provider, other systems providers, market factors, foreign or domestic banking or other market regulations and/or telephonic or other communications providers, foreign or domestic.

Investments in Securities and Other Assets Believed to Be Undervalued.

The Investment Manager's investment program contemplates that a portion of the Clients' portfolios may be invested in securities and other assets that the Investment Manager believes to be undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from the Clients' investments may not adequately compensate for the business and financial risks assumed. The current severe economic conditions and any future major economic recession can severely disrupt the markets for such investments and significantly impact their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Clients may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Clients' funds would be committed to the investments made, thus possibly preventing the Clients from investing in other opportunities.

Equity Securities. The Clients may invest in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as domestic and international political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Clients.

Debt Instruments Generally. The Clients may invest in private and government debt securities and instruments. Debt instruments in which the Clients invest may be unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these instruments and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default for such instruments.

Purchasing Securities of Initial Public Offerings. The Clients may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies and, thus, for the Clients' interests. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Clients to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. 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.

Investments in Small Capitalization and Unseasoned Companies. The Investment Manager's investment program contemplates that a portion of the Clients' portfolios may be invested in small and/or unseasoned companies with small market capitalization. While these companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and/or competitive strength of larger and/or more established companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Due to the lower trading volume of smaller company securities, the Clients 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 when making large sales.

Leverage. When deemed appropriate by the Investment Manager and

subject to applicable regulations, the Clients may incur leverage in their investment programs, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market price of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Clients purchase securities with borrowed funds, their net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Clients. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, the Clients' use of leverage would result in a lower rate of return than if the Clients were not leveraged.

If the amount of leverage which the Clients may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Clients' portfolios will have disproportionately large effects in relation to the Clients' capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional leverage will generally cause the net asset value of the Clients to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the leveraged capital fails to cover its cost to the Clients, the net asset value of the Clients will generally decline faster than would otherwise be the case.

Certain of the Clients' trading and investment activities may be subject to the FRB margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Clients, the Clients might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Clients' trading activities, the Clients, and not the Investors personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Market or Interest Rate Risk. The Clients may invest, from time to time, in fixed income securities and instruments. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If the Clients hold a fixed income security to maturity, the change in its price before maturity may have little impact on the Clients' performance; however, if the Clients have to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Clients.

Credit Default Swap Agreements. The Clients may enter into credit default swap agreements. The "buyer" in a credit default swap contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference entity. Generally, a credit event means bankruptcy, failure to pay or, possibly for non-U.S. reference entities, restructuring of existing debt obligations. Credit default swap agreements may involve greater risks than if the Clients had invested in the debt obligation of the reference entity directly. Credit default swap agreements are subject to general market risk, liquidity risk and credit risk. If the Clients are a buyer and no credit event occurs, they will lose the premium they paid for protection. In addition, the value of the debt obligation of the reference entity received by the Clients as a seller if a credit event occurs, coupled with the periodic payments previously received, may be less than the full notional value they pay to the buyer, resulting in a loss of value to the Clients.

Credit default swaps entered into by the Clients will be documented based on the forms (which may include template confirmations or other form provisions) and definitions published from time to time by the International Swaps and Derivatives Association, Inc. ("ISDA"). While ISDA has promulgated these forms and definitions to facilitate transactions in the credit default swap market, differing interpretations exist with respect to such succession events. These varying interpretations have led to different market practices being adopted in different jurisdictions. Therefore, in addition to the general market risk applicable to credit default swaps (counterparty risk, liquidity risk and the credit risk related to reference entities or reference obligations), the Clients will also be subject to the risk that the interpretation of the terms of a credit default swap may undergo changes that are adverse to the Clients.

High Yield Securities. The Clients may invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange traded marketplace. In addition, the Clients may 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. High-yield securities 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. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Convertible Securities. Convertible securities are stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Clients is called for redemption, the Clients will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Clients' ability to achieve its investment objective.

Call Option Risk. Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Clients are exposed to reinvestment rate risk – the Clients will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Maturity Risk. In certain situations, the Clients may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Clients will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

Inflation Risk. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Clients purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Clients are exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Currency Risks. The Clients’ investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Currency Exposure. The functional currency and dealing currency of the interests is U.S. dollars. In the future, the Clients may issue additional classes of interests denominated in currencies other than the functional

currency of the Clients. The Clients will invest their assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than U.S. dollars. The Clients, however, values their securities and other assets in U.S. dollars. The Investment Manager may seek to mitigate the foreign currency exposure of any investment made by the Clients in any currency other than U.S. dollars in order to neutralize, so far as practicable, the impact of fluctuations in the exchange rates. Under normal circumstances, gains and losses associated with such transactions for the purpose of neutralizing the foreign currency exposure of the Clients attributable to classes of interests denominated in currencies other than U.S. dollars will be for the benefit or detriment of holders of such classes. To the extent a foreign currency transaction is undertaken in relation to an investment, the related currency conversions and the expenses, profits or losses of such activities will be allocated pro rata to each class of interests.

To the extent unhedged, the value of the Clients' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Clients makes their investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Clients' securities in their local markets and may result in a loss to the Clients. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Clients' non-U.S. dollar investments.

The Clients may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Clients at one rate, while offering a lesser rate of exchange should the Clients desire immediately to resell that currency to the dealer. The Clients conducts their currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward, futures or commodity options contracts to purchase or sell non-U.S. currencies.

Investors should also note that there can be no guarantee that the foreign currency transactions which the Investment Manager puts in place will be effective. The Investment Manager retains the sole discretion to determine how, when and to what extent to engage in currency transactions. To the extent that the Investment Manager engages in such transactions, partners may be exposed to certain risks. A Performance Allocation may be allocable to the General Partner due to gains from hedging transactions, despite losses in the Clients' investments. The Clients may be exposed to considerable losses as a result of its policies. Since the assets of a Client will be held in a single portfolio for the

individual Client, there will be no segregation of liabilities between the separate classes of interests and therefore the entire portfolio of the Client may be at risk in the unlikely event that irrecoverable losses are incurred in connection with such transactions.

Hedging Transactions. The Clients may utilize financial instruments to seek to hedge fluctuations in the relative values of the Clients' portfolio positions as a result of changes in various economic factors and other events. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the value of the portfolio positions. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for the Clients to hedge an exchange rate or interest rate fluctuation that is so generally anticipated that the Clients are not able to enter into a hedging transaction at a price sufficient to protect the Clients from the decline in value of the portfolio position anticipated as a result of such a fluctuation. Additionally, the Clients may at times add macro hedges to their portfolios. Macro hedges are typically utilized in order to protect a portfolio against macro-related volatility and tail risks.

The success of the Clients' hedging strategy will depend, in part, upon the Investment Manager'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 the Clients' hedging strategy will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Clients from achieving the intended hedge or expose the Clients to risk of loss. The Clients will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Moreover, it should be noted that the portfolio will always be exposed to certain risks that may not be hedged.

Short Sales. When deemed appropriate by the Investment Manager, the Clients may sell securities short. Short selling involves the sale of a security that the Clients do not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Clients must borrow securities from a third party lender. The Clients subsequently

return the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The Clients must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Clients a fee for the use of the Clients' cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Clients may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Regulation SHO. The Clients will engage in activities that are governed by Regulation SHO. As such, the Clients will be required to follow various regulatory requirements, including, but not limited to, locating securities, closing out positions in threshold securities and properly marking its orders. As of the date hereof, there is significant regulatory review of broker-dealers that engage in Regulation SHO activities. The Clients could incur significant expenses or suffer losses if it were to become the subject of a regulatory audit relating to its Regulation SHO activities. Furthermore, regulatory changes to Regulation SHO could have a detrimental effect on the Clients' trading activities.

Investments in Non-U.S. Investments. The Clients may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non-U.S. issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by non-U.S. governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some non-U.S. countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against non-U.S. governments.
- Non-U.S. securities and other assets often trade in currencies other than the U.S. dollar, and the Clients may directly hold non-U.S. currencies and purchase and sell non-U.S. currencies through

forward exchange contracts. Changes in currency exchange rates will affect the Clients' net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Clients' investments to decline. Some non-U.S. currencies are particularly volatile. Non-U.S. governments may intervene in the currency markets, causing a decline in value or liquidity of the Clients' non-U.S. currency holdings. If the Clients enter into forward non-U.S. currency exchange contracts for hedging purposes, they may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Clients enter forward contracts for the purpose of increasing return, it may sustain losses.

- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the U.S. Non-U.S. countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

Risks Associated with ETFs. The Investment Manager's investment program contemplates that a portion of the Clients' portfolios may be invested in ETFs. Because ETFs are, by definition, portfolios of securities, the Investment Manager believes that the unsystematic risk associated with investments in ETFs is generally very low relative to investments in ordinary securities of individual issuers. However, there are events that can trigger sharp and sometimes adverse price movements in ETFs that are not related to movements of the market in general. Not limited to, but among these, are surprise dividends, changes to regular dividend amounts, announcements of rights offerings and possible surprise revisions to net asset values. In addition, the Investment Company Act places certain restrictions on the percentage of ownership that a private investment fund, such as the Partnership, may have in an ETF.

PIPE Transactions. PIPE transactions may be a component of the Clients' investment strategy. PIPE transactions may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly-issued securities of smaller capitalization companies, which may be less likely to be able to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions may result in the Clients acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Clients' ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE

transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Clients are able to have securities acquired in a PIPE transaction registered or to sell such securities through an exempt transaction, the Clients may not be able to sell all of the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Clients' investments.

Stock Index Futures. Using stock index futures for hedging involves several risks. Price movements in the stock index and price movements in the securities that are the subject of the hedge do not always correlate. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and there is no secondary market for those contracts. In addition, there may be no active market for the contracts at any particular time. Some exchanges do not permit trading in particular contracts at prices that fluctuate more than a set limit in any day. If prices fluctuate during a single day beyond those limits, the Clients may not be able to liquidate unfavorable positions promptly and may lose money.

Commodity Trading Risk in Non-U.S. Markets. The Clients may make commodity investments in non-U.S. markets. In addition to the general risks of commodity trading discussed below, the Clients face special risks particular to non-U.S. markets. Non-U.S. commodity markets may have greater risk potential than U.S. markets. Unlike trading on U.S. commodity exchanges, trading on non-U.S. commodity exchanges is not regulated by a regulatory body comparable to the CFTC. For example, some non-U.S. exchanges are principal markets so that no common clearing facility exists and a trader may look only to the broker for performance of the contract. In addition, any profits that the Clients might realize in trading could be eliminated by adverse changes in the relevant currency exchange rate, or the Clients could incur losses as a result of those changes. Transactions on non-U.S. exchanges may include both commodities that are traded on U.S. exchanges and those that are not.

Trading of Spot and Forward Contracts Presents Unique Risks. The Investment Manager may trade in spot and forward contracts in currencies. Such contracts are not traded on exchanges; rather, banks and dealers typically act as principals in this market, generally called the "interbank" or "foreign exchange" market. Trading these markets presents certain risks not present in futures trading because no governmental agency regulates trading in forward contracts. Consequently, there is no limitation on the daily price movements of forward contracts and no margin legally is required to be posted. Because performance of spot and

forward contracts on currencies is not guaranteed by any exchange or clearing house, the client is subject to counterparty risk – the risk that the principals or agents with or through which the Clients’ bank or a non-bank foreign exchange broker (“Forex Broker”), or the Clients themselves trade will be unable or will refuse to perform with respect to such contracts. Furthermore, principals in the spot and forward markets have no obligation to continue to make markets in the spot and forward contracts traded. Additionally, the imposition of credit or foreign exchange controls by governmental authorities might limit such spot and forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the investor.

In addition, the non-centralized nature of the foreign exchange market produces certain complications. A bank or Forex Broker may decline to execute an order in a currency market which it believes to present a higher than acceptable level of risk to its operations. Because there is no central clearing mechanism to guarantee interbank trades, each bank or Forex Broker must apply its own risk analysis in deciding whether to participate in a particular market where its credit must stand behind each trade. Depending on the policies adopted by each counterparty, a given bank or Forex Broker may decline to execute an order placed by the Clients.

Because there is no central marketplace disseminating minute-by-minute time and sales reports, banks and Forex Brokers must rely on their own knowledge of prevailing market prices in agreeing to an execution price. The execution price obtained for the Partnership to a large extent will reflect the expertise of the bank or Forex Broker in trading the particular currency. Certain currencies, known as exotics, are infrequently traded by any but the largest dealers. For this reason, a less experienced counterparty may take longer to fill an order or may obtain an execution price that differs widely from what a more experienced or larger counterparty will obtain. As a consequence, two participants trading in the same markets through different counterparties may achieve markedly different rates of return during times of high market volatility.

While the Clients will generally rely upon marked-to-market evaluations from their prime brokers (the “Prime Brokers”), it should be noted that the absence of settlement prices generated by an organized market at the end of a trading day or at a particular time during each trading day can cause differences between profit and loss statements maintained by the Investment Manager and statements maintained by the banks and Forex Brokers, including the Prime Brokers. There are two generally accepted accounting methods for Foreign Exchange transactions; one is computed on a spot mark-to-market basis and the second is computed as a forward mark-to-market. Because the Clients’ funds are deposited with the Prime Brokers, the statement that the Prime Brokers prepare will have a strong influence on the valuations adopted for the Clients’ positions. At times, significant differences occur between the internal mark-to-market maintained by the Investment Manager as trading adviser and the mark to

markets maintained by banks and forex brokers. The Clients will seek to harmonize the mark-to-market rates so that they accurately reflect the market conditions at the time the mark to market is done.

Volatility of Currency Prices. The profitability of the Clients' portfolios substantially depends upon the Investment Manager correctly assessing the future price movements of currencies. However, price movements of currencies and the foreign exchange markets in which the Clients invest are highly volatile, and are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; a wide range of national and international economic, political, competitive and other conditions (including acts of terrorism and war); and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Clients cannot guarantee that the Investment Manager will be successful in accurately predicting currency price and interest rate movements. Theoretically, currencies and other portfolio assets are subject to unlimited risk of loss (similar to the risk of holding a naked short within the context of a securities portfolio) because there is no limit on the price that a currency or other such asset may appreciate or depreciate before the position is closed.

Foreign Exchange Markets May Be Illiquid At Certain Times. Several nations or groups of nations have in the past imposed trading limits or restrictions on the amount by which the price of certain foreign exchange may vary during a given time period and the volume which may be traded; they have also imposed restrictions or penalties for carrying positions in certain foreign currencies over time. Such limits may prevent trades from being executed during a given trading period. Such restrictions or limits could prevent the Investment Manager from promptly liquidating unfavorable positions and, therefore could subject the Clients to substantial losses. In addition, even in cases where foreign exchange prices have not become subject to governmental restrictions, the Investment Manager may be unable to execute trades at favorable prices if the liquidity of the market is not adequate. It is also possible for a nation or group of nations to restrict the transfer of currencies across national borders, suspend or restrict the exchange or trading of a particular currency, issue entirely new currencies to supplant old ones, order immediate settlement of a particular currency obligations, or order that trading in a particular currency be conducted for liquidation only. The Investment Manager may trade on non-U.S. markets, which may be substantially more prone to periods of illiquidity than the U.S. markets due to a variety of factors.

Foreign Transactions Carry Special Risks. Trading on interbank markets outside the U.S. is not regulated by any U.S. governmental agency and may involve certain risks not applicable to trading on U.S. exchanges. Trading on foreign markets involves the additional risks of expropriation,

burdensome or confiscatory taxation, moratoriums, investment controls or political or diplomatic events, which might adversely affect the Clients' trading activities. Trading on foreign markets is also subject to the risk of changes in the exchange rate between U.S. dollars and the currencies in which such contracts are settled, which can have an effect on profits or losses even after a position has been closed out. Additionally, the Clients' legal recourse in the event of default or trade dispute may be available only before foreign courts or other adjudicatory bodies under foreign law and rules, and such recourse may be severely limited and much more expensive than it would be in a forum located within the United States under U.S. or domestic state law. Furthermore, such trading also may be subject to whatever regulatory provisions are applicable to transactions effected outside the U.S., whether on foreign exchanges or otherwise.

Emerging Markets. The Clients invest in markets worldwide. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may be subject to the following risks: less publicly available information; more volatile markets; less liquidity or available credit; political or economic instability; less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; a greater likelihood of severe inflation; unstable currency; and war and expropriation of personal property.

Risk of Trading Futures and Commodities. Trading futures and/or commodities (or options thereon) is a highly risky strategy for the Partnership and the Investment Manager. Whenever the Clients purchase a particular future and/or commodity (or an option thereon), there is a substantial possibility that it may sustain a total loss of its purchase price. The prices of futures and/or commodities are, in general, much more volatile than prices of securities such as stocks and bonds. As a result, the risk of loss in trading futures and/or commodities is substantially greater than in trading securities. Prices of futures react strongly to the prices of the underlying commodities. The prices of these underlying products, in turn, rise and fall based on changes in interest rates, international balances of trade, changes in governments, wars, weather and a host of other factors that are entirely beyond the control of the Clients, the General Partner or the Investment Manager and that are very difficult (and perhaps impossible) to predict.

Necessity for Counterparty Trading Relationships; Counterparty Risk. The Clients expect to establish relationships to obtain financing, engage in derivative transactions and obtain prime brokerage services all of which permit the Clients to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Clients will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Clients' trading activities and could create losses, preclude the Clients from engaging in

certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Clients from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative and prime brokerage services provided by any such relationships before the Clients establish additional relationships could have a significant impact on the Clients' business due to the Clients' reliance on such counterparties.

Some of the markets in which the Clients may effect their transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Clients to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Clients to suffer a loss. In addition, in the case of a default, the Clients could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of the Clients' counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Clients' counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the Clients' securities and other assets from the Clients' prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

The Clients may use counterparties located in jurisdictions outside the U.S. Such counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Clients' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Clients and their assets.

The Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Investment Manager's internal credit function which evaluates the creditworthiness of its counterparties may prove insufficient. The ability of the Clients to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of the Clients' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Clients.

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

Over-the-Counter Derivatives. The Clients may engage in over-the-counter derivatives transactions with counterparties. Unlike exchange-traded derivatives, over-the-counter derivatives are not guaranteed by any clearing agency, and each party to an over-the-counter derivative transaction bears the risk that the counterparty will default. Over-the-counter derivatives are less liquid than exchange-traded derivatives and their mark-to-market values are obtained from a calculation agent (which may be the counterparty to the transaction) rather than from an exchange.

Default/Downgrade Risk. Corporations or sovereign entities can default on debt or other obligations, or credit can be upgraded or downgraded. These events can cause substantial price changes on bonds, loans and other obligations of such corporations or sovereign entities, as well as their stock prices and derivatives based on the underlying entity, such as stock options and credit default swaps.

Dividend Risk. A corporation’s dividends can change for various internal reasons, such as the corporation’s profitability, capital expenditures, cash flows, reorganizations/mergers, management changes, etc., as well as for various external reasons, such as government tax and tariff policies. The Partnership will often have exposure to dividends both directly, from products such as stock and index options and futures, and indirectly, through products such as equity swaps and futures.

Risks Relating to Investments with Other Managers. The Clients may invest with third parties through joint ventures or through other arrangements where the Investment Manager does not have control over the investments being made. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including asset-based compensations and incentive-based compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments. If the Clients invest in hedge funds, private equity funds and other types of alternative investment vehicles, the other risk factors described in this section will apply to the investment programs of those funds to the extent those vehicles invest in the relevant instruments and strategies. In addition, the Clients and the Investment Manager may have limited liquidity and transparency in respect of the Partnership’s investments in hedge funds or private equity funds.

- (C) We do not recommend primarily a particular type of security.

Item 9. Disciplinary Information

The Investment Manager has no disciplinary information that is required to be disclosed or is material to an investor's or prospective investor's evaluation of the Manager's advisory business.

Item 10. Other Financial Industry Activities and Affiliations

- (A) Neither we nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- (B) The Investment Manager is registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO") and is a member of the National Futures Association. Its management persons are registered as principals of the CPO and the Principal and the investor relations employee are registered as associated persons of the CPO.
- (C) Neither the Investment Manager nor any of its management persons have any relationship or arrangement that is material to our advisory business with any (1) broker-dealer, municipal securities dealer, or government securities dealer or broker; (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund); (3) other investment adviser or financial planner; (4) futures commission merchant, commodity pool operator, or commodity trading advisor; (5) banking or thrift institution; (6) accountant or accounting firm; (7) lawyer or law firm; (8) insurance company or agency; (9) pension consultant; (10) real estate broker or dealer; or (11) sponsor or syndicator of limited partnerships.
- (D) We do not recommend or select other investment advisers for our Clients.

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

- (A) Set forth below is a brief description of our code of ethics adopted pursuant to SEC rule 204A-1 ("Code of Ethics"). We will provide a copy of the Code of Ethics to any Investor or prospective investor upon request.

The Code of Ethics is based upon the premise that all of the Investment Manager's personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Investment Manager; (3) observe the

Investment Manager's personal trading policies so as to avoid "front-running" and other conflicts of interests between the Investment Manager and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by the Investment Manager, including termination.

(B) The Investment Manager permits employees and those of related persons to engage in personal account trading subject to adherence to written policies and procedures contained in its Code of Ethics and in the Investment Manager's Personal Trading Policy. All employees are required to pre-clear personal securities transactions (unless such transaction(s) is exempt from the pre-clearance and reporting obligations of the policy) prior to effecting them and to report transactions and holdings periodically. Employees may personally invest in the same securities that are purchased for clients and may own securities that are subsequently purchased for clients. However, the Investment Manager will act consistent with its fiduciary duties in determining whether to allow an employee to trade for his or her personal account. The Adviser's compliance personnel monitor and enforce these policies through receipt of pre-clearance requests and quarterly statements received from brokers and internal reporting obligations of all employees.

(C) See Item 11(B).

Item 12. Brokerage Practices

The Investment Manager is responsible for the placement of the portfolio transactions of the Clients and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the "bid" and the "ask" price. The Investment Manager will not commit to provide any level of brokerage business to any broker. The Investment Manager may utilize the services of one or more introducing brokers who will execute the Clients' brokerage transactions through the broker and custodian who will clear the Clients' transactions.

Securities transactions for the Clients are executed through brokers selected by the Investment Manager in its sole discretion and without the consent of the Clients. In placing portfolio transactions, the Investment Manager will seek to obtain the best execution for the Clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker;

the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Investment Manager's other selection criteria.

The Investment Manager is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide them with such investment and research information or to pay higher commissions to such firms if the Investment Manager determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. The Investment Manager is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by the Investment Manager, and the Investment Manager's fee is not reduced as a consequence of the receipt of such supplemental research information. Since commission rates in the U.S. are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

REFERRAL OF INVESTORS AND SALES CHARGES:

Although it currently does not, the Investment Manager may also direct some Client brokerage business to brokers who refer prospective investors to the Clients. Because such referrals, if any, are likely to benefit the Investment Manager and its affiliates but will provide an insignificant (if any) benefit to Investors, the Investment Manager will have a conflict of interest with the Clients when allocating Clients' brokerage business to a broker who has referred investors to the Clients. To prevent Client brokerage commissions from being used to pay investor referral fees, the Investment Manager will not allocate Clients' brokerage business to a referring broker unless the Investment Manager determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Clients.

A Client, the General Partner or the Investment Manager may enter into arrangements with placement agents providing for payments to such agents of a one-time or ongoing fee based on a percentage of the Management Fee and/or the Performance Allocation attributable to the interests of an Investor introduced by such placement agent and/or a sales charge based on a percentage of an Investor's subscription for interests. If any fees paid to a placement agent are paid by the Client, such fees will offset the Management Fee payable to the Investment Manager.

ALLOCATION OF TRADES:

The Investment Manager may at times determine that certain investments will be suitable for acquisition by multiple Clients managed by the Investment Manager, possibly including the Investment Manager's own accounts or accounts of an affiliate. If that occurs, and the Investment Manager is not able to acquire the desired aggregate amount of such investments on terms and conditions which the Investment Manager deems advisable, the Investment Manager will endeavor to allocate in good faith the limited amount of such investments acquired among the various accounts for which the Investment Manager considers them to be suitable. The Investment Manager may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including, but not limited to, the size of the investment put in for by each portfolio manager, allocations based on relative account sizes, the degree of risk involved in the investments acquired, and the extent to which such investments are consistent with the investment policies and strategies of the various accounts involved. The Investment Manager's Compliance Manual will have an appendix that contains the current Allocation and Aggregation Policy.

AGGREGATION OF ORDERS:

The Investment Manager may aggregate purchase and sale orders of investments held by Clients with similar orders being made simultaneously for other accounts or entities if, in the Investment Manager's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to its Clients based on an evaluation that the Clients will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for the Clients will be effected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of investments purchased or sold. In such event, the average price of all investments purchased or sold in such transactions may be determined, at the Investment Manager's sole discretion, and the Clients may be charged or credited, as the case may be, with the average transaction price.

"SOFT DOLLAR" POLICY:

The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the Investment Manager's Clients.

The Investment Manager has the option to use "soft dollars" generated by the Clients to pay for the research and non-research related services described above. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation

equipment). Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the Investment Manager in the performance of investment decision-making responsibilities. In the event the Investment Manager elects to use its soft dollars for payment of all or a portion of the Investment Manager’s or the General Partner’s administrative costs and expenses of operation, as described above, such uses of soft dollars would not fall within the safe harbor afforded by Section 28(e) of the Exchange Act.

While the Investment Manager has no soft dollar arrangements, the Investment Manager does receive unsolicited research from broker-dealers. In addition, from time to time, broker-dealers who whom the Investment Manager may effect transactions, may provide the opportunity to participate in capital introduction events sponsored by the broker-dealer. The Investment Manager does not take into consideration any unsolicited research received, or opportunities to participate in capital introduction events provided, when determining with whom to execute trades or conduct business activities.

DIRECTED BROKERAGE

We do not permit Clients to direct brokerage.

Item 13. Review of Accounts

- (A) On a daily basis, the Clients’ custodian and introducing broker will review and reconcile the Clients’ assets and trading transactions. On a monthly basis, the portfolio will be reviewed by the Clients’ administrator. On an annual basis the Clients’ accounts will be audited by the Clients’ auditor.
- (B) See Item 13(A).
- (C) Each Investor will receive the following: (i) annual financial statements of the applicable Client audited by an independent certified public accounting firm; (ii) periodic unaudited performance information; (iii) copies of such Investor’s Schedule K-1 to the Clients’ tax returns, if applicable; and (iv) other reports as determined by the Investment Manager and its affiliates in its sole discretion. The Investment Manager and its affiliates will provide monthly performance and Net Asset Value calculations upon written request by an Investor. The Clients bear all fees incurred in providing such tax returns and reports. The Investment Manager and its affiliates may agree to provide certain Investors with additional information on the underlying investments of the Clients, as well as heightened access to the General Partner, the Investment Manager and their respective employees for relevant information.

Item 14. Client Referrals and Other Compensation

- (A) No one who is not a Client provides an economic benefit to us for providing investment advice or other advisory services to our Clients.
- (B) Neither we nor any related person directly or indirectly compensates any person who is not our supervised person for Client referrals, except as follows: The Investment Manager utilizes independent third party solicitors to refer investors to the Clients and pays a portion of its fees to such solicitors, in accordance with the U.S. Investment Advisers Act of 1940, as amended.

Item 15. Custody

The Investment Manager maintains Client funds and securities at qualified custodians. In the event that Investors receive statements or reports directly from the custodian (or administrator), Investors are urged to compare such statements to any statements that may be sent directly by the Investment Manager. In addition, the Investment Manager's auditor sends annual audited financial statements, prepared in compliance with U.S. generally accepted accounting principles, to Investors within 120 days after the calendar year end.

Item 16. Investment Discretion

The Investment Manager has discretionary authority to manage securities accounts on behalf of Investors in accordance with the Clients' investment program. The Investment Manager and its affiliates assume discretionary authority to manage the Clients through the execution of investment management agreements or through the organizational documents of the Clients (*e.g.*, limited partnership agreements).

Item 17. Voting Client Securities

- (A) The Investment Manager understands and appreciates the importance of proxy voting. To the extent that the Investment Manager has discretion to vote the proxies of its Clients, the Investment Manager will vote any such proxies in the best interests of Clients. However, the Investment Manager does not vote all proxies and does not typically vote foreign proxies since the Investment Manager's Proxy Voting Policy allows the Investment Manager to abstain from voting a proxy when it is determined that the cost of voting the proxy exceeds the expected benefit to the Client.

The Investment Manager has retained an independent third party, ISS Governance ("ISS"), to vote proxies on behalf of the Client. Unless otherwise objected to by the Firm or where a decision to abstain is made, proxies are voted in accordance with the proposal put forth by

management. In addition, ISS, on behalf of the Firm, will maintain a copy of all information pertaining to each proxy vote and will deliver reports to the Firm at least quarterly, which will also include known proxies in which the Firm did not vote, along with the reasons for such non-votes. The Firm will periodically monitor the voting of ISS to ensure compliance with the Firm's stated policy.

Clients can obtain information on how the proxies were voted and a detailed description of the Investment Manager's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer.

(B) The Investment Manager has authority to vote Client securities.

Item 18. **Financial Information**

The Investment Manager is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.