

Mercator Management (USA) LP

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This “**Brochure**” provides information about the qualifications and business practices of Mercator Management (USA) LP (hereinafter “**Mercator**”, “**we**”, “**us**”, “**our**,” the “**Investment Manager**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Ryan Kus, by email at ryan.kus@mercatorpartners.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Mercator is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply that Mercator or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Mercator Management (USA) LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure Amendment is Mercator's Annual Amendment to the ADV Part 2A. There were no material updates since Mercator's last Amendment in March 2023.

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Item 4: Advisory Business

Mercator Management (USA) LP (hereinafter “**Mercator**”, “**Investment Manager**”, “**we**”, “**us**”, “**our**” or the “**Firm**”) is organized as a Delaware limited Partnership with a principal place of business in Princeton, New Jersey.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Mercator will provide discretionary investment management services through its private funds:

- Mercator Convergence Fund, LP, Cayman Islands exempted limited partnership, (the “**Master Fund**”).
- Mercator Convergence (Onshore) Fund, LP, a Delaware domiciled limited partnership (the “**Onshore Feeder**”).
- Mercator Convergence Offshore Fund, LP, a Cayman Islands domiciled limited partnership (the “**Offshore Feeder**”).
- SMID Energy Transition Fund, LP, a Delaware domiciled limited partnership (the “**SMID Fund**”).

The above-mentioned funds are herein each referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**”, the “**Partnership**”, or the “**Clients**”. Mercator Convergence GP LLC, an affiliate of Mercator, is the general partner of the Fund. The Fund’s “**Limited Partners**” are hereafter collectively referred to as the “**Investors**” where appropriate.

Our investment decisions and advice with respect to the Fund are subject to the Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**,” which may include without limitation private placement memoranda and limited partnership agreements.

As of December 31, 2023, Mercator’s regulatory assets under management are \$278,137,652.

Item 5: Fees and Compensation

The fees applicable to each of the Funds, which are offered only to qualified purchasers (within the meaning of Section 2(a)(51) of the Investment Company Act of 1940) and accredited investors (within the meaning of Regulation D under the Securities Act of 1933), are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

Management Fee

Our Funds pay us a quarterly fee (the “**Management Fee**”) calculated at a rate equal to: (a) 0.3125% (i.e., 1.25% per annum) of the value of each founders capital account and (b) 0.375% (i.e., 1.5% per annum) of the value of each standard capital account. The Management Fee

will be paid quarterly in advance based on the value of each Limited Partner's Capital Account (with respect to each partner, the capital account established and maintained on the books of the partnership in accordance with the amended and restated exempted limited partnership agreement) as of the beginning of the first business day of each quarter, and will be adjusted for contributions and withdrawals made during the quarter and without accrual of the incentive allocation, if any. The Investment Manager will generally charge the Management Fee to the Partnership for purposes of administrative convenience but may instead charge the Management Fee at the Feeder Fund level (in respect of any Feeder Fund) in its sole discretion.

Other Types of Fees and Expenses

The Funds shall pay (or bear the cost of) the expenses incurred by or on behalf of the Funds (including out of pocket costs incurred by the Investment Manager on their behalf) in the ordinary course of its business, directly and indirectly (including, without limitation, the Funds' pro-rata share of the expenses incurred by any **Acquisition Vehicle** (as defined in the amended and restated exempted limited partnership agreements)), including, but not limited to: (A) all fees and reimbursable expenses payable to SEI Global Services, Inc., together with its affiliates, which serve as the Funds' administrator or any other entity retained as a replacement administrator (the "**Administrator**") (including for communications systems provided by the Administrator); (B) accounting, auditing, valuation, tax preparation and tax planning services, including outsourced "shadow" administrative services, third-party accounting or middle office services, and accounting software (including all implementation costs); (C) expenses associated with third-party research (including without limitation fees, expenses, dues, and the like associated with academic research partnerships), industry subscriptions, expert networks, political intelligence providers; (D) all expenses related to Bloomberg, FactSet or similar data providers, research and pricing services, as well as expenses related to news, quotations, modeling, statistics, market data, databases, order management systems, portfolio management systems, risk management systems and other technical and telecommunications services and equipment used in the investment management process (including both hardware and software), including implementation costs; (E) all expenses related to the investment process, including all expenses associated with sourcing, investigating, researching, and structuring of investments and potential investments, whether or not consummated; (F) the costs of consultants, lawyers, due diligence providers, valuation agents, accountants, investment bankers, advisors and other professional experts (including expenses of public relations advice as it relates to particular investments) utilized by the Investment Manager in connection with the Funds' investments; (G) all reasonable travel expenses incurred in evaluating, diligencing, researching and monitoring potential or actual investments; (H) all expenses related to trade execution and portfolio or position financing including outsourced trading expenses; (I) the costs and expenses of any errors and omissions insurance, directors and officers liability insurance, professional liability or cyber-security insurance obtained on behalf of the Funds, the General Partner, the Investment Manager and the **Governance Committee** (as defined in the amended and restated exempted limited partnership agreements); (J) the fees of, and expenses incurred by or on behalf of, the members of the Governance Committee (including in their role as members of the Onshore Feeder Fund's Governance Committee and the Offshore Feeder Fund's Governance Committee); (K) legal expenses specifically related to the Funds and their operations, including the cost of producing and updating offering memoranda and other marketing materials, the costs of negotiating side letters or amending the Funds' governing documents and the costs of any investor consent processes; (L) all costs and expenses associated with any meetings of the investors in the Funds; (M) all regulatory and compliance expenses directly related to the Funds, including costs incurred in complying with anti-money laundering laws and regulations

and the Investment Manager reporting obligations related to the Funds (such as Section 13 or Section 16 filings, Form 13F, Form 13H, Form PF, FATCA filings and any other similar filing in any other U.S. or non-U.S. jurisdiction) and the fees and expenses of the Funds' AML officers; (N) all expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization directly related to the Funds, including without limitation by the United States Securities and Exchange Commission, other than expenses related to regulatory audits or "regulatory sweeps" of the General Partner, the Investment Manager, or their affiliates; (O) filing and registration fees and expenses, registered office fees and expenses, custodial fees and bank services fees relating to the operation of the Funds and the offering of the interests therein; (P) any government fees or taxes imposed on the Funds, in each case, as determined by the Investment Manager; (Q) expenses associated with participating in class actions and securing other claims and any proxy voting services; (R) the costs of producing and distributing periodic and annual reports, investor communications and investor statements, risk reporting systems or responding to other investor requests; (S) extraordinary expenses (e.g., litigation costs and indemnification obligations, costs and expenses of the "fund representative" of the Funds) that the Funds may incur; (T) any similar expenses of any acquisition vehicle formed by the Funds; (U) all expenses associated with the liquidation and winding up of the Funds, including the formation and operation of any liquidating trusts or accounts; and (V) any other expenses related to the Funds' operations as determined by the General Partner.

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

We and our affiliates are entitled to a performance-based compensation. The performance-based fee structures vary among the Funds. As a result, we and our affiliates face certain conflicts of interest that may arise when an investment manager accepts differing performance-based fees from its clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

The above conflicts of interest are mitigated by investment guidelines, objectives and restrictions contained in the Offering Documents.

Item 7: Types of Clients

Our clients are the Funds, as described in Item 4 above, and the Fund is generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors that are qualified purchasers.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment

strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

Investment Objective

Mercator's investment objective is to seek to achieve capital appreciation by taking long and short positions in a portfolio that consists primarily of global equities. The Investment Manager will use a research-driven strategy initially focused on the energy, primary production, manufacturing, and transportation sectors.

Mercator currently manages two strategies. Mercator seeks to position the Funds, which have long/short global equities mandates, in companies impacted by structural disruption across the asset heavy industries as a direct consequence of a greater focus on sustainability, efficiency, electrification, and decarbonization. The Fund's long exposure focuses on:

- I. Companies and business models leveraged to the opportunity created for products/technologies/processes contributing substantially and positively to the EU Taxonomy environmental objectives and/or related sustainability factors,
- II. Positively contributing companies that retain some legacy exposure to non-contributing businesses, and
- III. Select instances where a company's activity falls outside of the Taxonomy, or there is an ambiguous interpretation relating to Taxonomy criteria or sustainability factors, but where a science based due diligence process can validate its overall beneficial contribution.

The Fund's short exposure focuses on companies with a substantial negative contribution to EU Taxonomy environmental objectives and related sustainability factors, exposing them to significant transition risk. Mercator structures its risk according to an investment duration of 24-36 months for long exposures and 18-24mths for short exposures (reflective of the need for a clear set of catalysts to underpin our short bias risk). Mercator seeks to enhance returns through actively readjusting the weighting of core allocations whilst the positioning is held within the mandate.

Mercator uses fundamental and technical analysis to formulate client investment opportunities. Mercator's primary investment strategy is built around primary research discipline that draws on thought leaders in academia, national laboratories, and proprietary analysis. In addition, Mercator may consider industry research, economic theory, quantitative methods and market data.

Risk Management

Risk management is an ingrained part of Mercator's investment methodology. It informs the decision making around how the Investment Manager seeks to articulate a view, the size and duration of the positioning held and the need to adjust risk given performance on both an individual position and portfolio level. Mercator's risk management framework relies on both front and middle office to operate as a cohesive unit. Risk modelling is not a task undertaken for the purposes of protocol and reporting.

As an example of the risk tools deployed across positioning, the below outlines a methodology which forms part of our risk management framework:

Position Review Triggers: Mercator will adhere to a set of position review triggers which further serve to re-enforce a commitment to capital preservation and risk assessment. Underperforming positions will be subject to reviews at pre-determined trigger levels. An absolute move in stock price across a series of levels elicits a forum for review. Senior members of Mercator and the Chief Investment Officer are charged with discretion to act depending on the magnitude of the underperformance.

Risk of Loss Factors

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

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Mercator Management (USA) LP.

The Fund may be deemed to be a highly speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their entire investment in the Fund, who have a limited need for liquidity in their investment and who meet the conditions set forth in this Memorandum and the Subscription Agreement. There can be no assurances that the Fund will achieve its investment objective. The following risks should be carefully evaluated before making an investment in the Fund. The list of risks below does not purport to be an exhaustive list of the risks relating to an investment in the Fund.

General Risks

Potential Loss of Investment.

There is a risk that an investment in the Partnership will be lost entirely or in part. The Partnership is not a complete investment program and should represent only a portion of an investor's portfolio management strategy.

The Partnership, the Master Fund, the General Partner and the Investment Manager have no Operating History

The Partnership, the Master Fund, the General Partner and the Investment Manager each has no operating history. There is no performance history to evaluate an investment in the Partnership.

Devotion of Time

The Investment Manager and its affiliates may in the future manage accounts other than the Partnership, the Offshore Feeder Fund, the Onshore Feeder Fund, and the Master Fund. The Investment Manager and its affiliates may devote substantial time and resources to doing so. There are no formal

restrictions on the ability of the Principals and employees of the Investment Manager from being involved in other business ventures besides the Partnership or the Investment Manager.

Competition

The Partnership competes with numerous other private investment funds and financial institutions (both diversified and specialized funds), as well as other investors, many of which have substantially greater resources than the Partnership.

The amount of capital committed to “alternative investment strategies” has increased dramatically during the past decade. At the same time, market conditions have become significantly more adverse to many of such strategies than they were in previous years. The profit potential of the Partnership may be materially reduced as a result of competition within the alternative investment field.

Systems Failure

The Investment Manager’s strategies will be dependent to a significant degree on establishment and proper functioning of relationships with third-party service providers, including third party or “outsourced” traders, and the internal and external systems established for the Partnership’s activities. On a daily basis, the Partnership will rely heavily on third-party service providers and third-party financial, accounting and other data and information technology systems to execute trades and settle transactions across numerous and diverse markets and to evaluate certain securities, monitor its portfolio and capital, and generate risk management and other reports that are critical to oversight of the Partnership’s activities. Despite conducting reasonable due diligence on third-party service providers, the Investment Manager may not be in a position to verify the risks or reliability of such third parties or third-party systems. Accordingly, systems failures, whether due to the failure of third parties upon which such systems are dependent or the failure of the Investment Manager’s hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential disruption in the Partnership’s operations, including the inability to trade (even for a short time), could, in certain market conditions, cause significant trading losses, missed opportunities for profitable trading, financial loss, liability to third parties, regulatory intervention or reputational damage. Any such failures also could cause a temporary delay in reports to investors.

Regulatory Risks

The Partnership is not registered as an “investment company” under the Company Act or any comparable regulatory requirements, and does not intend to do so. Accordingly, the provisions of such regulations, which among other things generally require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be maintained in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to an investment in the Partnership. Neither the Partnership nor the Master Fund is subject to comparable regulation in any non-U.S. jurisdiction. Therefore, investors in the Partnership do not have the benefit of the protections afforded by, nor is the Partnership subject to the restrictions contained in, such registrations and regulations.

The Investment Manager is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser under the Advisers Act. The Investment Manager intends initially to make use of the exemption from registering as a “commodity pool operator” with the U.S. Commodity Futures Trading Commission (“CFTC”) provided by CFTC Rule 4.13(a)(3).

Regulation by the SEC, CFTC or other regulatory body (whether promulgated under securities laws or any other applicable law) and regulatory oversight of and changes in law applicable to private investment funds and their managers may impose operational burdens on the Investment Manager in addition to implementing policies and procedures, including, without limitation, responding to examinations and other regulatory inquiries. Such operational burdens may divert the Investment Manager's time, attention and resources from portfolio management activities, could prevent the Partnership from executing on the investment strategy, may impact the Partnership's ability to raise additional capital or may result in additional liability for the Partnership. Such regulatory inquiries are generally confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

The legal and regulatory environment worldwide for private investment funds (such as the Partnership) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Partnership to pursue its investment program or the value of securities held by the Partnership. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations over the past decade. New laws and regulations or actions taken by regulators that restrict the ability of the Partnership to pursue its investment program or engage in transactions with certain counterparties could have a material adverse effect on the Partnership and the Limited Partners' investments therein. In addition, the Investment Manager may, in its sole discretion, cause the Partnership to be subject to certain laws and regulations if it believes that an investment or business activity is in the Partnership's interest, even if such laws and regulations may have a detrimental effect on one or more Limited Partners.

Cayman Islands Regulatory Oversight

The Partnership is required to register and be regulated as a mutual fund under section 4(3) of the Mutual Funds Act (As Revised) of the Cayman Islands ("Mutual Funds Act") and is therefore regulated as a mutual fund by the Cayman Islands Monetary Authority (the "Authority") under the Mutual Funds Act. Once registered, the Authority will have supervisory and enforcement powers to ensure the Partnership's compliance with the Mutual Funds Act. The Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due, or is carrying on business fraudulently or otherwise in a manner detrimental to the public interest or to the interests of its investors or creditors, or is carrying on or is attempting to carry on business or is winding up of its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Authority include, inter alia, the power to require the substitution of the General Partner, to appoint a person to advise the Partnership on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Partnership. There are other remedies available to the Authority including the ability to apply to court for approval of other actions.

Absence of Regulatory Oversight

While the Fund may be considered similar to an investment company, it does not intend to register as such under the Investment Company Act in reliance upon an exemption available to privately offered investment companies, and, accordingly, the provisions of the Investment Company Act (which, among other matters, require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between

the adviser and the investment company) will not be afforded to the Fund or the Limited Partners.

Non-Disclosure of Positions

In an effort to protect the confidentiality of its positions and its strategies, the Investment Manager generally will not disclose the Partnership's positions to Limited Partners on an ongoing basis. The Investment Manager, in its sole discretion, may from time to time permit such disclosure to certain Limited Partners.

Risk of Litigation

In the ordinary course of business, the Partnership may be subject to litigation from time to time. In addition, the Partnership may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, the Partnership could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings may be impossible to predict, and such proceedings may continue without resolution for long periods of time, ultimately resulting in material losses for the Partnership. Any litigation may consume substantial amounts of the Investment Manager's time and attention, and such time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Cybersecurity Risk

The Investment Manager, its service providers, its counterparties and other market participants on whom the Investment Manager relies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Partnership and/or its investors, despite the efforts of the Investment Manager, its service providers, its counterparties and other market participants on whom the Investment Manager relies to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Partnership and/or its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of or prevent access to these systems of the Investment Manager, its service providers, its counterparties and other market participants on whom the Investment Manager relies, or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of systems to disclose sensitive information in order to gain access to the Investment Manager's data or that of its investors. A successful penetration or circumvention of the security of the Investment Manager's systems or the systems of the Investment Manager's service providers, counterparties or other market participants on whom the Investment Manager relies could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Partnership, the Investment Manager, their service providers, their counterparties and other market participants on whom the Investment Manager relies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for certain of the Partnership's investments, which could have material adverse consequences for such investments, and may cause the Partnership's investments to lose value.

Increasing the Assets Managed by the Investment Manager May Adversely Affect Performance

There appears to be a tendency for the rates of return achieved by advisers to degrade as assets under management increase. Although the Investment Manager intends to limit the amount of capital that it intends to raise and is permitted to return capital to investors in the Partnership, there is no limit on the total amount of subscriptions that may be accepted over the life of the Partnership. In addition, the Investment Manager is not prohibited from managing other vehicles or accounts with similar or different strategies.

Force Majeure

The Investment Manager and the Partnership may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemics or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Investment advisory activities and the Partnership's operations could be adversely affected by such events outside of the Investment Manager's control. The Investment Manager, the Partnership, their service providers and counterparties may incur expenses, delays, or interruption of critical business functions relating to such events outside of their control, which could have adverse impacts on their respective investment advisory businesses. Such adverse impacts could, in turn, adversely affect the performance of the Partnership.

Global Pandemic; Public Health Emergency.

Global pandemics such as Covid 19 and other public health emergencies can cause disruption in the global economy, business and travel disruption and extreme fluctuations in global capital and financial markets. This can lead to significant increases in unemployment levels, a decline in business and consumer confidence and spending, global supply chain issues, inflation, an economic recession in many economies throughout the world and significant increases in federal, state and local deficits and debt. The severity and extent of the impact of a pandemic or public health emergency on the U.S. and global capital and financial markets and economies will depend largely on the duration of the pandemic or health emergency and the policies implemented in connection with restoring business and other activity, all of which are highly uncertain and cannot be predicted. A prolonged period of economic contraction or stagnation can adversely affect a Fund's performance and reduce available investment opportunities. Additional effects may arise that cannot be predicted currently, including the impact of the pandemic on a Fund's service providers, a Fund, the Firm and its affiliates.

Receipt of Mail

Mail addressed to the Partnership and received at its registered office will be forwarded unopened to the forwarding address supplied by the General Partner to be dealt with. None of the Partnership, the General Partner or any of its or their directors, officers, advisors or service providers (including the organization which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular, the principals of the General Partner will only receive, open or deal directly with mail that is addressed to them personally (as opposed to mail addressed solely to the Partnership).

Subscription Monies

Where a subscription for Interests is accepted, the Interests will be treated as having been issued with effect from the relevant subscription date notwithstanding that the subscriber for those Interests may not be entered in the Partnership's register of limited partners, nor the

subscription reflected in the Partnership's record of contributions, until after the relevant subscription date. The subscription monies contributed by a subscriber for Interests will accordingly be subject to investment risk in the Partnership from the relevant subscription date. Details of the value, as the subscription date, of an accepted subscription may be obtained by the relevant Limited Partner from the Administrator.

Effect of Withdrawals

Where a withdrawal request is accepted, the Interests will be treated as having been withdrawn with effect from the relevant withdrawal date irrespective of whether or not such withdrawing Limited Partner has been removed from the Partnership's register of limited partners, the withdrawal reflected in the Partnership's record of contributions, or the withdrawal proceeds remitted. Details of the value, as at the withdrawal date, of a withdrawn Interest may be obtained by the relevant withdrawing Limited Partner from the Administrator.

No Separate Counsel; No Responsibility or Independent Verification

Seward & Kissel LLP represents the General Partner, the Investment Manager, and the Fund (each, a "Party" and collectively, the "Parties") as U.S. counsel. Seward & Kissel LLP does not represent investors in the Fund and no independent counsel has been retained to act on behalf of the Limited Partners. Seward & Kissel LLP is not responsible for any acts or omissions of the Parties (including their compliance with any guidelines, policies, restrictions or applicable laws, or the selection, suitability or advisability of their investment activities) or any administrator, accountant, custodian/prime brokers or other service providers to the Parties. Seward & Kissel LLP's representation of the Parties is limited to specific matters as to which they have been consulted by the applicable Party. There may exist other matters that could have a bearing on a Party as to which Seward & Kissel LLP has not been consulted.

Brokerage and Custodial Risk

There are risks involved in dealing with the custodians or prime brokers who settle Fund trades. The Fund maintains a custody account with its prime broker and primary custodian (the "Prime Broker"). Although the General Partner monitors the Prime Broker and believes that it is an appropriate custodian, there is no guarantee that the Prime Broker, or any other custodian that the Fund may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Fund assets, the Fund would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

The Fund and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Fund. The Prime Broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Fund as a result of the bankruptcy or insolvency of any such sub-custodian. The Fund may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Fund. Under certain circumstances, including certain transactions where the Fund's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the Prime Broker, or where the Fund's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Fund and the Fund could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in

certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Fund may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or timing problems associated with enforcing the Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

Unrelated Business Taxable Income for Certain Tax-Exempt Investors

Pension and profit-sharing plans, Keogh plans, individual retirement accounts and other tax-exempt investors may realize "unrelated business taxable income" as a result of an investment in the Fund since the Fund may employ leverage. Any tax-exempt investor should consult its own tax adviser with respect to the effect of an investment in the Fund on its own tax situation.

Market Related Risks

The profitability of a significant portion of the Fund's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Investment Manager will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Fund, there is always some, and occasionally a significant, degree of market risk.

Market Risks in General

The Investment Manager's strategies are subject to certain market risks, including, but not limited to, directional price movements, deviations from historical pricing relationships, changes in the regulatory environment and market volatility. Certain strategies to be employed by the Investment Manager have from time to time incurred sudden and dramatic losses as a result of such market events. As the Partnership may from time to time be positioned with a greater degree of net exposure, the Partnership could during certain periods be more susceptible to overall market movements.

Volatility

The prices of certain instruments that may be traded by the Partnership have been subject to periods of volatility in the past, and such periods can be expected to continue or recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements or general economic and political conditions. As the Investment Manager may determine to leave a variety of risks in the Partnership's portfolio unhedged, investors should expect that the Partnership will likely be susceptible to short-term market volatility.

Market Disruptions; Governmental Intervention

The global financial markets have recently gone through pervasive disruptions that have led to extensive governmental intervention; these interventions in some ways mimic interventions that have occurred during prior market disruptions. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action—these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been

materially detrimental to the efficient functioning of the markets, as well as previously successful investment strategies.

The Partnership may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Partnership from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Partnership. Market disruptions may from time to time cause dramatic losses for the Partnership, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Market disruptions may result from any number of causes, including, but not limited to, the revelation of underlying weaknesses in the economy (e.g., credit crisis, subprime mortgage meltdown, etc.), political action and policy changes (e.g., central bank monetary policy, trade negotiations and changes to tariffs, withdrawal from pacts or agreements with other countries, implementation of sanctions, etc.), natural disasters, terrorist events, threats of or actual war, pandemics or other events.

Institutional and Counterparty Risk

Institutions, such as brokerage firms, banks and broker dealers, generally have custody of the Funds' portfolio assets and may hold such assets in "street name". The Funds are subject to the risk that these firms and other brokers, counterparties or clearinghouses with which the Funds deal may default on their obligations to the Funds. Any default by any of such parties could result in material losses to the Funds. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital position of the Funds. In addition, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Funds, causing the Funds to be exposed to a credit risk with regard to such parties. The Funds generally will only be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of such counterparties. In some jurisdictions, the Funds may also only be an unsecured creditor of its brokers in the event of bankruptcy or administration of such brokers. The Funds attempt to limit their brokerage and custody transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks, but the collapse in 2008 of the seemingly well capitalized and established Bear Stearns and Lehman Brothers demonstrates the limits on the effectiveness of this approach in avoiding counterparty losses.

The Funds may effect transactions in OTC or "interdealer" markets. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Investment Manager has concentrated its transactions with a single or small group of counterparties. The Funds are not restricted from dealing with any particular counterparty or in the size of the exposure which the Funds may provide to a given counterparty. The inability to make complete and "foolproof" evaluations of the financial capabilities of the Funds' counterparties and the absence of a regulated market to facilitate settlement increases the risk to the Funds.

In addition to the risk of a counterparty or broker defaulting, there also is the risk that major institutional investors in the Partnership or the Onshore Feeder Fund may be compelled to withdraw or redeem or that the Funds' counterparties or brokers will be required to restrict the amount of credit previously granted to the Funds due to their own financial difficulties, resulting in forced liquidation of substantial portions of the Funds' portfolios.

Past events surrounding the bankruptcies or similar proceedings with respect to various parties have demonstrated the risk that assets which an investor such as the Partnership believed were custodial under statutory and regulatory protections could be subject to various risks and not subject to certain protections. The banks or brokerage firms selected to act as the Partnership's custodians may become insolvent, causing the Partnership to lose all or a portion of the funds or securities held by those custodians.

The Investment Manager is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Investment Manager to transact business with any one or number of counterparties, the lack of any meaningful or independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

Potential Illiquidity of Investments

Partnership assets may include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

Partnership assets may include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments. While the Partnership's portfolio is generally expected to be comprised of relatively liquid securities, the Partnership (through its investment in the Partnership) may, at times, invest in less liquid securities, including certain illiquid privately offered securities. The Investment Manager may find it more difficult to readily dispose of these investments in the ordinary course of business. In addition, some of these investments may not have an established trading market. In the absence of an established trading market, the Partnership will, in accordance with its valuation policies then in effect, value such investments in good faith at each time the Partnership's net asset value ("NAV") is determined. Accordingly, the NAV of the Partnership may be based in part on the valuations placed on Partnership assets by the Investment Manager (in consultation with the Governance Committee) without reference to an established trading market for such investments. It should, however, be noted that no more than 5% of the Partnership's portfolio (measured at cost at time of investment) will be invested in illiquid private securities at any given time.

Risks Relating to the Partnership's Strategies

Importance of Individual Judgment

The individual judgment and discretion of the Investment Manager's personnel are fundamental to the implementation of its strategies. There can be no assurance that such individual judgment will be accurate, achieve profits or avoid losses.

Long/Short Investing

The success of the long/short investment strategy that the Partnership will pursue depends upon the Investment Manager's ability to identify and take long positions in respect of securities that are undervalued and identify and take short positions in respect of positions that are overvalued. The identification of investment opportunities in the implementation of a long/short investment strategy is subject to substantial uncertainties, and there can be no assurances that such opportunities will be successfully identified and implemented. If the Partnership's positions fail to converge toward, or were to diverge further from values expected by the Investment Manager, the Partnership will likely incur losses.

Fundamental Analysis

The majority of the investment decisions made by the Investment Manager will be based on fundamental analysis conducted by the Investment Manager's personnel. Information on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. If any such data is inaccurate or other market participants have developed investment ideas similar to the Investment Manager's, the Partnership's performance may be negatively impacted. Fundamental information regarding issuers is subject to interpretation. To the extent that the Investment Manager incorrectly interprets fundamental information regarding the Partnership's investments or to the extent that such information is incomplete, the Partnership's investment positions may result in losses. Finally, even if the Investment Manager's analysis is ultimately correct, there can be no guarantee that a position held by the Partnership will reach its target price due to investor sentiment or other conditions in the market.

Investment and Due Diligence Process

Before making investments, the Investment Manager conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Investment Manager may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Manager relies on the resources reasonably available to it, which in some circumstances whether or not known to the Investment Manager at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of any investment made by the Partnership, resulting in losses.

Uncertainty of Financial Projections

The Investment Manager will use financial projections to help analyze potential investments. Projected operating results will be based on a combination of management commentary, analyst reports, third-party research sources and the Investment Manager's proprietary research and analysis. In all cases, projections are only estimates of future results that are based upon the Investment Manager's research, modeling and assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained by the relevant issuers and an issuer's actual results may vary significantly from the projections. General economic conditions or force majeure events, which are not predictable, can also result in material deviations from such financial projections.

Concentration

The Partnership will generally concentrate its portfolio in equity, equity-related and other instruments that are part of, or relate to, the energy, primary production, manufacturing and transportation sectors. From time to time the number of positions held by the Partnership may be limited or a limited number of positions may constitute a majority of the Partnership's portfolio exposure. The equity markets are speculative and highly issuer-specific. Mismanagement or misconduct by corporate officers of an issuer can cause substantial losses in respect of an equity investment, and the equity markets may be particularly susceptible to subjective investment factors and market sentiment. The Partnership's concentration in equities and the expected concentration of its portfolio holdings in the energy, primary production, manufacturing and transportation sectors will cause the Partnership to be less diversified and presumably more vulnerable to the risk of major losses than if it had a more diversified strategy.

Although the Investment Manager anticipates managing the Partnership in a manner consistent with certain risk parameters, such parameters may change over time and investors should not subscribe to the Partnership in reliance on such risk parameters. During any time concentration exists within the Partnership's portfolio, losses incurred in a single position or a limited group of positions will likely have an adverse effect on the Partnership's overall financial condition that might otherwise be mitigated if the Partnership had a more diversified portfolio. If the Investment Manager seeks to invest a significant portion of the capital of the Partnership in a concentrated group of positions, an investment in the Partnership may behave substantially similar to a direct investment in such positions.

Directional Investments

Most of the positions that will be taken by the Partnership will be designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position or sector, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

Availability of Investment Opportunities

There can be no assurance that the Investment Manager will be able to find suitable opportunities consistent with its investment approach. Market conditions may limit the availability of suitable investment opportunities in the Investment Manager's view. Such limitations may cause delays in deploying the Partnership's capital, result in undesired concentration and may negatively impact the Partnership's returns.

Holding Period of Investment Positions

The Investment Manager typically will not know the expected duration of any particular position at the time of initiation. The length of time for which a position is maintained varies significantly, based on the Investment Manager's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses. There can be no assurance that the Investment Manager's determinations as to when to close out positions will be optimal. Due to investor redemptions or other reasons, it may be difficult to continue to hold investment positions for the time period necessary to realize the Investment Manager's target price. Reliance on Corporate Management, Financial Reporting and Third- Party Research Service Providers. The Investment Manager will rely on the financial information made available by the issuers in which the Partnership will invest. The Investment Manager also relies on information obtained from other third-party research service providers

regarding financial, economic, business and market conditions, factors and trends, including providers of “alternative data.” The Investment Manager has no ability to independently verify the financial or other information disseminated by the third-party research service providers (even though the Investment Manager expects to diligence such third-party research providers prior to onboarding) and the numerous issuers in which the Partnership may invest. As a result, the Investment Manager is dependent upon the integrity of the management of these issuers and the financial reporting process in general, as well as the reliability of other research service providers of information. Corporate mismanagement, fraud and accounting irregularities relating to the issuers of investments held by the Partnership or other errors in information sources utilized by the Investment Manager may result in material losses. Equity prices are particularly vulnerable to corporate mismanagement.

Use of Alternative Data

The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense which may be borne by the Partnership. The use of alternative data involves an inherent risk that the Investment Manager may rely on data outputs that reflect faulty system logic or that are based on inaccurate or incomplete data inputs. Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data for investment purposes, and its use or misuse under current or future laws and regulations could create liability for the Investment Manager or the Partnership in various jurisdictions. In addition, any future limitations on the use of alternative data could have an adverse impact on the performance of the Partnerships.

Reliance on Experts

Reliance on Experts. The Investment Manager may engage and retain strategic advisors, consultants, senior advisors and other similar professionals, including members of “expert networks” who are not employees or affiliates of the Investment Manager and/or its affiliates and which may include former senior officials, and other high-profile political figures, including persons known to be close associates of such individuals. The nature of the relationship with each of these professionals and the amount of time devoted or required to be devoted by them may vary considerably. In certain cases, they may provide the Investment Manager with industry- or jurisdiction- specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to or provide reference checks on management teams. In other cases, they may take on more extensive roles and contribute to the origination of new investment opportunities. In certain instances, the Investment Manager may have formal arrangements with these professionals (which may or may not be terminable upon notice by any party), and in other cases the relationships may be more informal.

There can be no assurance that any of the consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with the Investment Manager throughout the term of the Partnership. Further, in the event that material non-public information is obtained by such persons, the Partnership may become (or may elect to become) subject to trading restrictions pursuant to the internal trading policies of the Investment Manager or as a result of applicable law or regulations or be prohibited for a period of time from purchasing or selling financial instruments, which prohibition may have an adverse effect on the Partnership. The Partnership and the Investment Manager may also become subject to legal, regulatory, reputational and other unforeseen risks as a result of these professionals’ high-profile positions.

Lack of Control

The Partnership invests in securities of companies that it does not control. The Partnership will be subject to the risk that the issuer may make business, financial or management decisions with which the Partnership does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Partnership's interests in holding such positions.

International Investing

Investing outside the United States involves political and economic considerations that create greater risks than investing in the United States. These risks include, among other things, greater risks of expropriation, nationalization and general social, political and economic instability; the small relative size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; imposition of withholding and other taxes and certain government policies that may restrict the Partnership's investment opportunities. Other risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies are generally not subject to uniform accounting, auditing and financial reporting disclosure standards, practices and requirements comparable to those applicable to U.S. companies.

Non-U.S. markets may also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the Partnership are uninvested and no return is earned thereon. The inability of the Partnership to make intended security purchases due to settlement problems or the risk of intermediary counterparty failures could cause the Partnership to miss investment opportunities. The inability to dispose of a security due to settlement problems could result either in losses to the Partnership due to subsequent declines in the value of such structured credit security or, if the Partnership has entered into a contract to sell the security, in possible liability to the purchaser. Transaction costs of buying and selling non-U.S. securities, including brokerage, tax and custody costs, also are generally higher than those involved in U.S. transactions, and certain foreign jurisdictions may have more stringent tax withholding requirements, which may reduce the Partnership's profits. Furthermore, non-U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many non-U.S. companies are less liquid and their prices more volatile than securities of comparable U.S. companies.

The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in terms of growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Financing Arrangements; Availability of Credit

Any use of leverage by the Partnership will depend on the availability of credit in order to finance its portfolio. There can be no assurance that the Partnership will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the Partnership can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether

due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Partnership to liquidate all or part of its portfolio at disadvantageous prices. The financing available to the Partnership from banks, dealers and other counterparties is likely to be restricted in disrupted markets.

Material Non-Public Information

From time to time, the Investment Manager could come into possession of what it reasonably believes may be viewed as material non-public information concerning the issuer of the Partnership's investment or any of such issuer's affiliates. Under applicable securities laws, this may limit the Investment Manager's flexibility to buy or sell such investment for the Partnership and other accounts and funds managed by the Investment Manager. Such limitations on the Investment Manager's ability to trade could have an adverse effect on the Partnership. Although the Investment Manager has adopted procedures to monitor the receipt of material non-public information, there is no guarantee that the Investment Manager will know whether an employee of the Investment Manager is in possession of material non-public information or will be able to prevent such information from being used for the benefit or detriment of the Partnership.

Receipt of material non-public information about the Partnership's investments may restrict the ability of the Partnership to satisfy withdrawal requests. If a withdrawal request is received by the Partnership during a period when trading restrictions are imposed on the Partnership due to the Investment Manager's reasonable determination that it is in possession of material non-public information regarding the Partnership's investment, the Partnership may suspend withdrawals.

Insider Status

The acquisition by the Partnership of more than 10% of the equity securities of a public company or the service by the Investment Manager or any other officer or employee of the Investment Manager as an executive officer or director of a company may subject the Partnership to liability for "short-swing profits" under Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). Under Section 16(b), holders of more than 10% of any issuer of equity securities of a company registered under Section 12 of the Exchange Act and certain officers and directors of such issuer are prohibited from any purchase and sale, or any sale and purchase, of any equity or derivative security of such issuer within any period of less than six months. If the Partnership engages in a transaction that results in short-swing profits, the Partnership may be required to return the amount of such profit to the issuer, which could adversely affect the overall return on investment realized by the Partnership. Measures to avoid shortswing liability may limit the ability of the Partnership to buy or sell securities of the relevant portfolio company or companies.

Antitrust or other regulatory complications may result in filing fees and other additional expenses and may adversely affect the Partnership's ability to acquire or dispose of investment positions.

Position Limits

Certain of the instruments in which the Partnership invests may be subject to ownership limits that have significant adverse tax or other consequences if violated. Such limits may prevent the Partnership from fully exploiting the Investment Manager's views regarding an issuer. If the Partnership inadvertently breaches such an ownership limit, it may result in the Partnership or Limited Partners suffering additional economic harm. Per the standard of care set forth in the Partnership's Partnership Agreement, the Investment Manager will not be liable for such losses unless they result from the Investment Manager's willful misconduct or gross negligence.

No Material Restrictions

The Partnership opportunistically implements whatever strategies the Investment Manager believes from time to time may be best suited to prevailing market conditions and to the Investment Manager's investment approach, without material restrictions. Such strategies may involve higher levels of risk than the ones discussed herein. There can be no assurance that the Investment Manager will be successful in applying any strategy to the Partnership's investing.

Evolving and New Investment Approaches

The Investment Manager's investment approach, process and techniques will be continually evolving. The terms of the Partnership Agreement and the Investment Management Agreement do not restrict the Investment Manager from using the Partnership's capital to develop new strategies or approaches, even if the Investment Manager has limited or no experience in the sectors, markets or instruments involved. The strategies and approaches developed by the Investment Manager may not be successful and the resources devoted to the implementation of new approaches or strategies may diminish the effectiveness of the Investment Manager's implementation of the Investment Manager's established approaches or strategies.

Distressed Securities

Investment in the securities of financially and/or operationally troubled issuers involves a high degree of credit and market risk. Securities of such issuers are typically more volatile and less liquid than securities of companies not experiencing such difficulties. If a company is in bankruptcy, bondholders' and other creditors' claims are subject to factors such as deterioration of collateral during a stay in bankruptcy, challenges and/or possible invalidation of security interests, and disallowance or subordination of claims, all of which may be difficult to predict. Failure to accurately assess the probability of these events could have a detrimental effect on the Partnership's investments in distressed securities.

Event Driven Investing

The Partnership may make investments in issuers involved in, or the target of, acquisition attempts or tender offers, or issuers involved in work outs, liquidations, spin-offs, reorganizations, asset sales, changes in control, distributions, bankruptcies and similar transactions. The Partnership may make certain investments in anticipation of such events. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time, or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Partnership may be required to sell its investment at a loss.

Additionally, the Partnership may periodically engage in merger arbitrage transactions, in which the Partnership takes a long position in an announced target company (and a corresponding short position in the acquirer should the deal consideration include interests in the acquirer). In the event that a proposed merger is not consummated or is delayed, or if the value of the transaction is reduced, the market price of the target company may decline, exposing the Partnership to the risk of loss. In addition, with respect to transactions that include interests as a component of the deal consideration, the Partnership may suffer losses with respect to the short position if the acquirer's share price rises without a corresponding increase in the target's interest price.

Event driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of an issuer's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by an issuer may not be valued as highly by the market as the Investment Manager had anticipated, resulting in losses. In addition, an issuer may announce a plan of restructuring which promises to enhance value, but fails to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Partnership of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state or foreign regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing.

Risks Relating to Instruments Traded

Nature of Investments

The Investment Manager has broad discretion in making investments for the Fund. Investments generally consist of positions in publicly traded equities issued by exchange-listed companies and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities and the value of its investments. No guarantee or representation is made that the Fund's investment objective will be achieved.

Equity Investments

The Investment Manager has broad discretion in making investments for the Partnership. Investments generally consist of positions in publicly traded equities issued by exchange-listed companies and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently

difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Partnership's activities and the value of its investments. No guarantee or representation is made that the Partnership's investment objective will be achieved.

The Partnership may invest in equity securities and equity-related instruments, including but not limited to publicly listed equity securities in the U.S. or abroad, privately offered equity securities and financial instruments that may reference a single issuer, a specific sector or a broad equity index. Equity securities represent ownership interests in their respective issuers and are generally carry the most risk associated with a specific issuer's capital structure.

The price of equity securities and their related financial instruments vary for a variety of reasons, including but not limited to supply and demand of the equity securities, the actual or perceived business opportunities associated with the issuer, the current and potential future cash flow of the issuer, the issuer's management, their ability to execute on a specific business plan, the general economic environment, and the outlook for the overall economy. To the extent the Partnership owns an equity security or otherwise has exposure to an equity security or an equity-related financial instrument, this investment carries the risks associated with owning equities and may also carry risks associated with the form of financial instrument (e.g., options, derivative or securities-based futures contract). Any investment in equities or equity-related instruments entails a significant risk of loss.

Materials and Basic Industries

Investing in the materials and basic industries sectors is subject to various risks including those associated with government regulation and intervention, currency risk, significant competition, changing consumer demands, and impacts of innovation, among other things.

Investment in Small-Capitalization and Mid-Capitalization Securities

The Partnership will likely invest a portion of its assets in the securities of small- and mid-cap issuers. While in the Investment Manager's opinion the securities of a small- or mid-cap issuer may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small- and mid-cap issuers may also present greater risks. For example, some small- and mid-cap issuers often have limited product lines, markets or financial resources. They may be subject to high volatility in revenues, expenses and earnings. They may be more dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy. Their securities may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger cap issuers. In addition, small and mid-cap issuers may not be well known to the investing public and may have only limited institutional ownership. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small- and mid-cap issuers may be higher than in those of large-cap issuers.

Initial Public Offerings

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of interests available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating

history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the interests in the Partnership.

Non-U.S. Securities

The Fund may invest outside of the United States. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options and swaps on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Derivatives in General

The Partnership may make use of various derivative instruments, such as convertible securities, options, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Swaps

The Partnership may use swaps to implement its strategies synthetically, particularly total return swaps. Swap agreements are two-party contracts entered into for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which can be adjusted for an interest factor. The Partnership's use of swaps is subject to the following risks: (i) credit risks (the exposure to the possibility of loss resulting from the counterparty's failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset or commodity); (iii) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operational risk

(inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

In addition to the risks described above, investments in total return swaps present risks in addition to those resulting from direct purchases of the asset referenced under a total return swap. The Partnership will have a contractual relationship only with the counterparty of such total return swap, and not the issuer or obligor on the referenced asset. The Partnership generally will have no right to directly enforce compliance by the referenced issuer or obligor with the terms of the referenced asset or any rights of setoff against the referenced issuer or obligor, nor will it have any voting or other consensual rights of ownership with respect to the referenced asset. The Partnership will not directly benefit from any collateral supporting the referenced asset and will not have the benefit of the remedies that would normally be available to a holder of such referenced asset. In addition, in the event of the insolvency of the counterparty, the Partnership may be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the referenced asset. Consequently, the Partnership will be subject to the credit risk of the counterparty as well as that of the referenced issuer or obligor.

MiFID II

The European Union Markets in Financial Instruments Directive (Directive 2014/65/EU) and Markets in Financial Instruments Regulation (Regulation (EU) no 600/2014) (together, “MiFID II”) govern the provision of investment services and activities in relation to, as well as the organized trading of, financial instruments such as shares, bonds, units in collective investment schemes and derivatives. MiFID II was required to be implemented in EU member states from January 3, 2018. Although the Partnership is not organized in the EU and is not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II may have an impact on the Partnership.

MiFID II imposes certain restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with the Partnership. Subject to certain conditions and exceptions, the Partnership may be unable to trade shares or derivatives with affected counterparties other than as provided by MiFID II. MiFID II also applies position limits to the size of a net position that a person can hold at all times in commodity derivatives traded on EU trading venues and in “economically equivalent” OTC derivatives.

More generally, EU regulated firms that have trading relationships with the Partnership may be obliged by MiFID II to impose certain requirements on the Partnership, or they may seek to do so contractually, with a view to satisfying their own compliance obligations. It is difficult to predict the full impact of MiFID II on the Partnership. Prospective investors should also be aware that there may be costs (whether direct or indirect) absorbed by the Partnership with respect to such EU regulated firms’ compliance with MiFID II.

Short Selling Regulation

The U.S. government and certain foreign jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may include certain private and public disclosure and reporting obligations, limitations on an investor's ability to short certain positions, and possible governmental intervention with respect to certain short positions held by an investor. The U.S. government or foreign jurisdictions in which the Partnership is invested may establish and implement further regulations that could constrain the ability of the Investment Manager to implement short sales and hedge risks. Any existing or future restrictions may negatively affect the ability of the Partnership to implement its strategies. It cannot be determined how future regulations may limit the Partnership's ability to engage in short selling and how such limitations may impact the Partnership's performance.

Options

Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, the Investment Manager speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that the Investment Manager purchases options that it does not sell or exercise, the Partnership will suffer the loss of the premium paid in such purchase. To the extent the Investment Manager sells options and must deliver the underlying securities at the option price, the Partnership has a theoretically unlimited risk of loss if the price of such underlying securities increases. If the Investment Manager must buy those underlying securities, the Partnership risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of non-performance by the obligor on an option may be greater and the ease with which the Investment Manager can dispose of such an option may be less than in the case of an exchange traded option.

The Investment Manager may cause the Partnership to buy or sell OTC options—options on securities or swaps that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The risk of non-performance by the obligor on such an option may be greater, and the ease with which the Investment Manager can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

Currency Exchange Exposure and Currency Hedging

Because the Partnership may invest in non-U.S. securities that are denominated or quoted in non-U.S. currencies, whereas the functional currency of the Partnership is denominated in U.S. dollars, performance may be significantly affected, either positively or negatively, by fluctuations in the relative currency exchange rates and by exchange control regulations. To the extent the Partnership seeks to hedge its currency exposure, it may not always be practicable to do so. Moreover, hedging may not alleviate all currency risks. Furthermore, the Partnership may incur costs in connection with conversions between various currencies. 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 Partnership at one rate, while offering a lesser rate of exchange should the

Partnership desire immediately to resell that currency to the dealer. The Partnership will conduct its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into a number of different types of hedging transactions, including, without limitation, forward, futures or commodity options contracts to purchase or sell currencies, and entering into foreign currency borrowings.

To the extent the Partnership enters into currency forward contracts (agreements to exchange one currency for another at a future date), these contracts involve a risk of loss if the Partnership fails to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Partnership for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate. Furthermore, while the markets for currency forward contracts are not currently regulated, they may in the future become subject to regulation under Dodd-Frank, a development which may entail increased costs and result in burdensome reporting requirements.

There can be no guarantee that instruments suitable for hedging currency shifts will be available at the time the Investment Manager wishes to use them or will be able to be liquidated when the Investment Manager wishes to do so. In addition, the Investment Manager may choose not to enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk.

American Depositary Receipts and Global Depositary Receipts

The Partnership may invest in American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”). ADRs are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. GDRs are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company’s publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying interests, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale of disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying interests of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

Exchange-Traded Funds

The Partnership may from time to time invest in Exchange-Traded Fund (“ETFs”) to hedge certain risks. ETFs are publicly traded unit investment trusts, open-end funds or depository

receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Partnership's expenses (e.g., Management Fees and operating expenses), Limited Partners may also indirectly bear similar expenses of an ETF.

Risks Relating to Investment Techniques

Short Sales

The Investment Manager sells securities short on behalf of the Partnership. A short sale is effected by selling a security which the Partnership does not own. In order to make delivery to the buyer of a security sold short, the Partnership must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Partnership must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Partnership. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the Partnership. Furthermore, the Partnership may prematurely be forced to close out a short position if a counterparty from which the Partnership borrowed securities demands their return, resulting in a loss on what might otherwise have ultimately been a profitable position.

The U.S. government and certain foreign jurisdictions, including, for example, the EU and Hong Kong, have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including requiring investors to report and disclose positions and prohibiting investors from taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of the Partnership to implement its strategies. It cannot be determined how future regulations may limit the Partnership's ability to engage in short selling and how such limitations may impact the Partnership's performance.

Hedging

Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Partnership securities or other objective of the Investment Manager; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Investment Manager; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Partnership's position; and (v) default or refusal to perform on the part of the counterparty with which the Partnership trades.

The ability of the Partnership to hedge successfully will depend on the ability of the Investment Manager to predict pertinent market movements, which cannot be assured. The Investment Manager is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

The Investment Manager will not, in general, attempt to hedge all market or other risks inherent in the Partnership's positions, and may hedge certain risks, if at all, only partially. Specifically, the Investment Manager may choose not, or may determine that it is economically unattractive, to hedge certain risks — either in respect of particular positions or in respect of the Partnership's overall portfolio. The Partnership's portfolio composition will commonly result in various directional market risks remaining unhedged.

Leverage

The Partnership may from time to time incur leverage. Losses incurred on any of the Partnership's leveraged investments will increase in direct proportion to the degree of leverage employed. The Partnership will also incur interest expense on any borrowings used to leverage its positions. The Partnership does not have any formal borrowing limits. The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls. To the extent the assets of the Partnership have been leveraged through the borrowing of money, the purchase of securities on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the Partnership's portfolio fail to cover such costs, the Net Asset Value of the Partnership may decrease faster than if there had been no borrowings.

Securities Lending

The Partnership may lend securities from its portfolio to brokers, dealers and other financial institutions that need to borrow securities to complete certain transactions as a means of earning additional income. The Partnership is entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords the Partnership an opportunity to earn interest on the amount of the loan and current income on the loaned securities themselves. However, the Investment Manager does not vote proxies on securities that are lent. In addition, the Partnership might experience a loss if any institution with which the Partnership has engaged in a portfolio loan transaction breaches its agreement with the Partnership. If the borrower becomes insolvent or bankrupt, the Partnership could experience delays and costs in recovering loaned securities. To the extent that, in the meantime, the value of the loaned securities declines, the Partnership could experience further losses.

Certain Risks Related to the Partnership's Structure

Reliance on Key Personnel

The operations of the Partnership, the General Partner and the Investment Manager are substantially dependent upon the skill, judgment and expertise of the Principals. The death, disability or other unavailability of any of the Principals could be material and adverse to the

Partnership.

The Partnership relies heavily on the expertise and efforts of Mr. Hobart, the Chief Investment Officer of the Investment Manager. Mr. Hobart is responsible for all of the major decisions affecting the Partnership. Should Mr. Hobart determine to discontinue managing the affairs of, or withdraw from, the Investment Manager or should Mr. Hobart die, be incapacitated or, for some other reason, be unable to effectively manage the affairs of the Investment Manager, the business and results of the operations of the Partnership may be adversely affected.

Limited Partners Will Not Participate in Management

A Limited Partner has no right to participate in the management of the Partnership or in the conduct of its business. There exists broad discretion to expand, revise or contract the Partnership's business without the consent of the Limited Partners. Any decision to engage in a new activity could result in the exposure of the Partnership's capital to additional risks which may be substantial.

Charges to the Partnership

The Partnership will bear certain fees and expenses as described elsewhere in this Memorandum, including the Management Fee, brokerage commissions, other costs and expenses associated with the investment process, and operating costs and expenses, irrespective of profitability. There can be no assurance that the Partnership will be able to earn sufficient income to offset these charges.

Incentive Allocation Arrangement

The allocation of a percentage of the Partnership's net profits to the General Partner (and its affiliates or delegates, including the Strategic Investor whom is entitled to twenty percent of the Firm's revenue via a revenue share agreement) may create an incentive for the Investment Manager, an affiliate of the General Partner, to cause the Partnership to make investments that are riskier or more speculative than would be the case if this allocation were not made. Since the allocation is calculated on a basis that includes unrealized appreciation of assets, such allocation may be greater than if it were based solely on realized gains.

In addition, in the event that a Limited Partner makes a complete or partial withdrawal from its Capital Account, or is required to retire at any time other than at the end of a fiscal year, the Incentive Allocation will be computed and charged to such Partner with respect to the withdrawn amount as though the date of such Limited Partner's withdrawal of capital or retirement was the last day of a fiscal year. This may result in the Limited Partner being charged an Incentive Allocation during the year even though the Limited Partner does not have net profits based on the entire year's performance (i.e., due to losses that occur after the withdrawal).

Restrictions on Withdrawals

A Limited Partner generally will be permitted to withdraw all or any part of its capital account only in accordance with the terms described herein. Transfers of the Interests will be permitted only with the written consent of the General Partner. Accordingly, the Interests should only be acquired by investors willing and able to commit their funds for an appreciable period of time.

Exchange Rate Risk

Because the Partnership will determine its Net Asset Value in United States dollars, with respect to trading on non-U.S. markets it is subject to the risk of fluctuation in the exchange rate between the local currency and dollars and to the possibility of exchange controls.

Possible Effect of Withdrawals

Substantial withdrawals could require the Partnership to liquidate its positions more rapidly than otherwise desirable to raise the necessary cash to fund withdrawals and achieve a market position appropriately reflecting a smaller asset base. These factors could adversely affect the value of the Interests withdrawn and of the Interests remaining outstanding, as well as the overall composition of the Partnership's portfolio.

Mandatory Withdrawal of a Limited Partner's Interest

The Interest of any Limited Partner may be mandatorily withdrawn by the Partnership in whole or in part, for any reason or for no reason in the discretion of the General Partner as of any date upon five Business Days' notice. In addition, the General Partner may, in its sole discretion, require a Limited Partner whose participation might, in the discretion of the General Partner, cause the assets of the Master Fund or any Acquisition Vehicle to be deemed to be "plan assets" for purposes of ERISA or Section 4975 of the Code, as amended, to withdraw all or a portion of its Interest in the Partnership immediately with no prior notice.

Errors

The Investment Manager is under no obligation to reimburse the Partnership for any errors or mistakes of the Investment Manager with respect to the Investment Manager's placing or executing trades for the Partnership or any other administrative errors made by the Investment Manager, its agents and affiliates ("Trade or Administrative Errors"). Trade or Administrative Errors are considered by the Investment Manager to be a cost of doing business. However, pursuant to the Investment Management Agreement's exculpation of liability and indemnification provisions, the Investment Manager will be obligated to reimburse the Partnership for any Trade or Administrative Error resulting from the Investment Manager's willful misconduct or gross negligence. Any correction of a Trade or Administrative Error will only be made to the extent required so that the Partnership does not incur a loss related to such Trade or Administrative Error. The Investment Manager, subject to its fiduciary obligations, will determine whether or not any Trade or Administrative Error is required to be reimbursed in accordance with such liability and exculpation provisions, and Trade or Administrative Errors that result in losses to the Partnership will be netted against Trade or Administrative Errors that result in gains to the Partnership before reimbursing such Trade or Administrative Errors. The Investment Manager, in its sole discretion, reserves the right to reimburse the Partnership for any Trade or Administrative Error notwithstanding the fact that no standard of care was violated. The Investment Manager's reimbursement of the Partnership for any particular Trade or Administrative Errors will not constitute a waiver of any policy to cause the Partnership to bear the losses from such Trade or Administrative Errors. The Investment Manager has an inherent conflict of interest with respect to the discovery and treatment of Trade or Administrative Errors. Any net gain resulting from Trade or Administrative Errors will be for the benefit of the Partnership, and will not be retained by the Investment Manager.

Possible Indemnification Obligations; Exculpation

The Partnership is generally obligated to indemnify the Administrator, the General Partner, the Investment Manager, each member of the Governance Committee, the Strategic Investor and their delegates and possibly other parties under the various agreements entered into with such persons against any liability they or their respective affiliates may incur in connection with their relationship with the Partnership. Further, unless the relevant parties have been found to have violated their standard of care, they will be fully exculpated in respect of any liability. These provisions are not intended to permit exculpation or indemnification to the

extent it would be inconsistent with the requirements of applicable U.S. federal or state securities laws.

Attribution of Liabilities and Windfalls Relating to Prior Periods

Any liability or expenditure of the Partnership that the Partnership becomes aware of that relates to a prior period will not be applied to such prior period, and current Partners (as opposed to those who were Partners in the Partnership in such prior period) will bear such liability. Similarly, if the Partnership benefits from a claim (such as a class action) that relates to a prior period, such benefit will be allocated to the Partners in the Partnership at the time the Partnership receives the proceeds of such claim. Partners who withdrew from the Partnership between the period to which the claim relates and the period in which such benefit is realized will not participate in such benefit. Limited Partners bear the risks associated with the timing of the Partnership becoming aware of such items of gains and losses with respect to the timing of their contributions to and withdrawals from the Partnership.

Lack of Independent Experts Representing Investors

The Management Fees and Incentive Allocations have not been negotiated at arm's length. Further, while both the General Partner and the Investment Manager have consulted with counsel, accountants and other experts regarding the structure and terms of the Partnership, such counsel does not represent the Partnership or the Limited Partners. The Partnership, the General Partner and the Investment Manager urge each prospective investor to consult its own legal, tax and financial advisers regarding the desirability of purchasing an Interest and the suitability of an investment in the Partnership.

Master-Feeder Structure

The Partnership will invest through a "master-feeder" structure. The "master-feeder" fund structure presents certain unique risks to investors. For example, a smaller fund investing in the Master Fund may be materially affected by the actions of a larger feeder fund. If a larger feeder fund withdrew from the Master Fund, the remaining feeder fund may experience higher pro rata operating expenses, thereby providing lower returns. The Master Fund may become less diverse due to redemption by a larger feeder fund, resulting in increased portfolio risk. In addition, the Master Fund may structure certain transactions with the aim of securing a particular tax, regulatory or other benefit that is relevant for one feeder fund but not another. Any incremental costs associated with such structuring will be borne by all investors. The Master Fund is a single entity and creditors of the Master Fund may enforce claims against all of the assets of the Master Fund.

ERISA Matters

Most pension and profit-sharing plans, individual retirement accounts and other tax-advantaged retirement funds are subject to provisions of the Code, ERISA or both, which may be relevant to a decision as to whether such an investor should invest in the Partnership. There may, for example, be issues as to whether such an investment is "prudent". Legal counsel should be consulted by such an investor before investing in the Partnership.

Accounting for Uncertainty in Income Taxes

Accounting Standards Codification Topic No. 740, "Income Taxes" (in part formerly known as "FIN 48") ("ASC 740"), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax

positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the value of the net assets of the Master Fund or the Partnership, including reducing the value of the net assets of the Partnership to reflect reserves for income or other taxes that may be payable by the Partnership. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from the Partnership.

Strategic Investor

Withdrawal Rights of the Strategic Investor

The Strategic Investor's Capital Commitment may be drawn down in "tranches," each of which is subject to a hard lock-up for a period of time. There are, however, certain circumstances outlined in the Strategic Investor's agreement that trigger termination of such lock-up and which would entitle the Strategic Investor to withdraw its capital in full, on the next available withdrawal date, subject to the most favorable redemption terms available to other Limited Partners. Substantial withdrawals by the Strategic Investor may result in subsequent redemptions from other Limited Partners needing to be funded by the disposal of the less liquid investments or at suboptimal valuations. It is expected that, at the time of the Strategic Investor Capital Commitment's funding, the Strategic Investor will constitute a large proportion of the Master Fund's assets. If the Strategic Investor withdraws its investment, costs to the remaining investors in the Master Fund (including Limited Partners due to their indirect interest in the Master Fund) may increase, and the Master Fund may not continue to be able to do business as it had before such withdrawal.

Information Rights of the Strategic Investor

The Strategic Investor has certain rights to information and advance notice of certain events that will not be available to other Limited Partners. To the extent that such information may not be provided universally, or at the same time as it is required to be provided to the Strategic Investor, it could give the Strategic Investor an advantage over other Limited Partners.

Capacity Right of the Strategic Investor

Under the Strategic Investor Agreement, the Strategic Investor also has a right to increase its investment in the Master Fund, the Partnership, the Onshore Feeder Fund, or future funds or accounts up to a specified amount.

Strategic Investor at Master Fund Level

The Strategic Investor will be issued interests in the Master Fund (unlike Limited Partners whose interests are in the Partnership itself). As such, in the event of a dispute, or the insolvency of the Partnership or Master Fund, the Strategic Investor will have a right to the assets of the Master Fund directly (as opposed to a Limited Partner's interest in the Partnership, the only assets of which are interests in the Master Fund).

No Fiduciary Duties

For the avoidance of doubt, the Strategic Investor is not a promoter of the Partnership and has no duties to other Limited Partners and will not be liable to other Limited Partners for exercising or not exercising any rights that it may have.

Public Policy Risk

Regulatory and legal changes could significantly restrict the Fund's ability to realize profits. Any future regulatory developments including but not limited to proposed legislation,

administrative action or judicial decisions might, among other things, impair the prospective liquidity and value of the investments made by the Fund.

Item 9: Disciplinary Information

To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

Code of Ethics

Mercator has adopted a “**Code of Ethics**” that sets forth the standards of conduct expected of all employees providing services to clients and requires compliance with applicable securities laws.

The Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information Mercator or any of its employees. Prospective clients and clients may contact Mercator at the telephone number or email listed on the cover of this Brochure to request a copy of this Brochure. Mercator appointed an individual to serve as Chief Compliance Officer who, together with senior management, will be responsible for monitoring and enforcing the Code of Ethics.

The Code of Ethics establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Fund and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy; and
- Employees should not take inappropriate advantage of their position at the Firm.

Further, the policies provide that all employees must act within the spirit and the letter of all federal, state, and local laws and regulations pertaining to the securities business, and at all times, the interest of each client has precedence over any personal interest. Mercator’s Code of Ethics requires employees to report their personal securities transactions and prohibits

employees from directly or indirectly engaging in certain securities transactions without first obtaining approval. In addition, the Code of Ethics requires employees to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information.

Item 12: Brokerage Practices

Mercator is authorized to determine the broker-dealer to be used for executing securities transactions for the Fund. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Fund may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Fund. The Firm’s authority is limited by its own internal policies and procedures and the Fund’s investment guidelines.

Best Execution

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “**Best Execution**,” meaning seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. Accordingly, in seeking Best Execution, we will take into consideration a number of the factors such as the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Soft Dollars

We do not currently maintain soft dollar accounts or generate soft dollar credits, as of the date hereof, but may do so in the future. We do receive research from some brokers with which we transact business.

Subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Fund in selecting or recommending broker-dealers for the Fund.

Item 13: Review of Accounts

Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund’s Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment’s fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We perform various periodic reviews of the Fund's portfolio. Such reviews are conducted by our senior management.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute monthly unaudited investor statements and a quarterly investor letter to all Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

The Strategic Investor may from time to time make client referrals to the Firm. Subject to a written agreement, certain non-affiliated persons receive compensation for referring prospective Investors to the Firm's Funds. Such agreements will comply with the requirements set out in newly revised Rule 206(4)-1 under the Advisers Act, including, among other things, the requirement that the relationship between the solicitor and the Firm, including any potential conflicts, be disclosed to the client or Investor at the time of the solicitation or referral. Solicitors' fees are a percentage of the annual management fee earned by the Firm on the individual capital account of referred Investors and represent no additional expense to such Investor's account.

Item 15: Custody

We will be deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Mercator.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "**custody rule**") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor, we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

Item 16: Investment Discretion

We will have full discretionary investment authority with respect to the Fund, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

Item 17: Voting Client Securities

In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with the Client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;

- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients and have not been the subject of a bankruptcy petition at any time during the past ten years.